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THE COMPANY IN THE MARKET ENVIRONMENT

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The tutorial outlines the key organizational-management and economic-technological issues of the formation and development of an enterprise (firm) during the period of market formation in Ukraine. The characteristics of the availability and use of production factors, production processes, economic and financial results, relations with banks, financial, tax, and customs systems are given. In addition, the manual contains special sections "Economics of the company. Enterprise in the system of economic relations", "Potential of the enterprise (firm)" and "Economic management of the enterprise (firm)". Educational and methodical materials necessary for an in-depth study of the economy of the enterprise are systematically laid out. The proposed structure of the manual will help students to better understand the system of economic indicators of the development of the enterprise (firm), to acquire theoretical knowledge and certain practical skills in management and marketing for application in their professional activities when conducting economic calculations. It will be useful for everyone interested in issues of the economy of an enterprise (firm) under the conditions of a market economy.

Key words: letter of credit, share, agricultural relations, business plan, economic interests, economic development, investments, infrastructure, capital, credit, competitors, competitiveness, concept, market conditions, leasing, manager, tax, enterprise, profit, profitability, resources, risk, market, market system, factor, financial resources, firm.

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PREFACE

Under the conditions of reforming the economy, establishing entrepreneurship in the countryside, carrying out land reform, preparing and introducing the land market in Ukraine, a favorable climate has been created for the effective development of the agrarian and industrial sector of the economy. In the conditions of these market transformations, the center of economic activity is shifting to the primary link of the economy - the enterprise. At this level, products, goods, works, and services necessary for society are produced. Enterprises operate in a strong competitive environment, and this requires knowledge of markets, motivation for effective work, use of high-performance equipment and technology, development of business plans, use of marketing, effective management. The market is constantly developing. Anyone who recognizes new trends, customer interests or new legislative framework conditions in time and uses the opportunities that result from this will have good prospects for success. There are always gaps in the market that can be filled: new niches appear, old ones disappear forever. At the same time, there are gaps that can be exploited by smart and savvy founders of new enterprises. All this together requires personnel with deep economic knowledge. In the process of training highly qualified personnel, an important role belongs, in particular, to such a cycle of educational disciplines as "Enterprise Economics". "Economic management of the enterprise", "Marketing", "Management of marketing activities of enterprises", etc.

The named disciplines are fundamental and are part of the training programs for specialists in all economic specialties. These disciplines are designed to form economic thinking, skills of an entrepreneurial and commercial approach to development in future specialists' handling production situations.

The training manual consists of four parts. The first part "Economics of the enterprise (firm)" contains four meaningful ones sections The first chapter "Enterprise (firm) in the system of market relations" reveals the essence of the enterprise, its types, functions, classification of enterprises, micro- and macro-environment of enterprise functioning. The fourth chapter of the first part of the manual covers the issues of forecasting, planning and regulation of enterprise activity.

In addition, in this part of the manual, a place is devoted to extremely relevant issues - the justification and choice of methods and the formation of a system of indicators for evaluating economic results, the efficiency of the enterprise, its competitiveness. A modern specialist in economics must perfectly master the toolkit for evaluating the effectiveness and efficiency of the company's activities, which is conducted for the purpose of not only internal audit, but also for benchmarking the company's indicators with the indicators of external organizations, as well as world-level indicators. The main goal and tasks of the discipline "Economics of the enterprise" are presented in this study guide from new scientific positions, which summarize and highlight the achievements of the author's team. The purpose of their presentation is that future economists and managers acquire such knowledge of enterprise economics that will enable them to competently solve practical tasks directly at enterprises. The materials in the training manual are presented in such a way that future specialists, on the basis of in-depth study of theoretical issues, are able to form perfect economic mechanisms for the transition of enterprises to innovative business models. Fundamental changes in the economy of Ukraine, caused by its transition to the market, determined the need to create such an economic mechanism that will enable enterprises (firms) to implement the principles of market relations, contribute to increasing their competitiveness, and ensure dynamic development. In market conditions, each enterprise is an independent producer. It can independently make any decisions within the limits of the current legislation. At the same time, the enterprise in its activities is influenced by macroeconomic factors, the external environment, it is responsible for its actions to the state, business partners, and the final consumer of its products. Satisfying consumer needs is the main goal of a market economy. But firms that produce certain goods or provide services are far from altruistic in their desires. Every enterprise strives to have a profit, obtaining which requires knowledge and experience in the economics of the enterprise. At the same time, the term "economics" is widely used to denote a separate branch of science or a set of economic sciences that includes the theory of economics; historical and economic sciences (history of economic thought, history of national economy); functional economic sciences of placement of productive forces, forecasting and state regulation of the economy, accounting, auditing, statistics, finance, labor economics, etc.); sectoral economic sciences (economics of the branches of the national economy, economics of agriculture, transport, construction, etc.). The

economy is a set of production relations of people in the process of social production, subject to the action of objective economic laws. Enterprise economics is the science of the efficiency of production activities, ways and methods for the enterprise to achieve the best results with the lowest costs. The discipline "Economics of the enterprise" is basic and is part of the set of mandatory economic disciplines studied by students of economic universities and faculties.

Enterprise economics as a branch of science and educational discipline is based on the knowledge and use of economic laws and regularities of the development and functioning of social production, that is, on the combination of theory and practice.

Economics, literally translated from Greek, means the art of managing the economy. Therefore, any activity aimed at the production of a certain product or the provision of services is called an economic activity, and enterprises, organizations, etc., in which such activity takes place, are economic entities.

The second part of the manual "Economic management of the firm" revealsgeneral basics of economic management of the enterprise its effectiveness and relevance of the application of economic management methods in the activities of enterprises. The purpose of this part of the manual is to form in students a systematic knowledge of the regularities of mutually determined changes in the economic parameters of the enterprise and a complex of abilities and skills in the application of various methods and tools for justifying economically effective management decisions. Given that this discipline is studied at the final stage of training specialists in business economics - in the master's degree - the central place in it belongs to the practice of exactly those managerial aspects of the economy of a modern organization that are in demand by domestic business, but are organizationally and methodologically imperfect and not provided with personnel.

The third part of the manual "Entrepreneurial activity of the firm" covers the issue of the essence of the organizational and economic foundations of its entrepreneurial activity, the formation of an entrepreneurial idea, sources and search methods. Special emphasis in this part of the manual is placed on the relationship between types of business and entrepreneurship, modern economic and legal approaches to determining the essence of entrepreneurial activity, and methodical approaches to assessing the level of entrepreneurship

development. A prominent place in this part of the manual is also given to the justification of the theoretical foundations of the institutional support of competition and the problems of the formation of the business environment.

Trends in the development of entrepreneurship in Ukraine indicate the growing interest of individuals in entrepreneurial activity. A prerequisite for achieving the effectiveness of its implementation is the acquisition of knowledge and ideas about the forms, principles and spheres of entrepreneurial activity. The main goal of this part of the manual is to teach students to make the right decisions when creating their own business, starting with choosing an organizational and legal form to ensuring the safety of entrepreneurial activity. Even the educational discipline "Entrepreneurship" can be considered as a synthesis of a number of subjects, each of which is an integral part and provides an opportunity to comprehensively reveal the essence, to solve theoretical and practical tasks of entrepreneurship. The three whales on which "Entrepreneurship" rests are economics, management and marketing. As already mentioned, economics - the science of managing the economy - is the foundation of entrepreneurial activity. It examines the production, distribution, exchange and consumption of various goods that satisfy people's needs in the context of limited resources and the associated need for choice. The sphere of interests of marketing is the consumer, the product and the market. In relation to them, a business strategy is developed, sales, service and advertising are organized. Management is the science of managing people, material means and other resources according to a defined goal. This manual examines the content, principles and types of entrepreneurial activity in the context of the transformation of the forms of management of domestic enterprises, and its role in the country's economy is indicated. The evolution and modern trends of entrepreneurship development in Ukraine and the world are highlighted. Considerable attention is paid to the issues of creating one's own business and the peculiarities of entrepreneurship in various industries and types of activity.

The fourth part of the manual "Marketing in the entrepreneurial activity of the firm" reveals the issue ofprinciples, principles and methods of marketing activity, marketing management and expansion of its boundaries.Today, working in the conditions of competition, companies have to solve complex issues related to production, pricing, sales and promotion of goods and services. Marketing methods require thorough knowledge of business rules, strategic thinking, and constant analytical work. Marketing as a management function, in addition to special knowledge, involves practical skills in various

related fields, which should be the focus of the training of a modern specialist. Marketing training provides the knowledge needed to research and forecast the market, its opportunities and risks for a specific enterprise, and provides an opportunity to shape the investment and innovation activities of the firm. The task of marketing is to provide students with a coherent and logically consistent system of theoretical knowledge and practical skills in the main areas of marketing activity: research, comprehensive analysis and market forecasting, development of a marketing strategy and tools for its implementation (product and price policy, distribution policy, communication policy, control marketing activities). The main goal of the proposed manual is theoretical and methodical provision of in-depth study by students of the provisions of economy, management and marketing of enterprises. A determining condition for a high level of student training is the study of the theoretical foundations of the course.

It is noted that in New firms (centers) specializing in marketing services are being created and operating in Ukraine, but insufficient material and technical base, lack of work experience, and qualified personnel reduce the level of their work. Unfortunately, the attitude towards marketing as an important tool of commercial activity is still underestimated by many entrepreneurs, for which they often pay with a lack of profit or a missed benefit.

For this purpose, in each topic of the manual, the following is presented: a theoretical part, a plan of a seminar-practical class, essay topics, questions for self-control, test tasks, basic definitions and concepts, educational tasks with a specific implementation method, tasks for self-control, and a list of recommended literature. The vast majority of educational tasks are proposed to be performed on the actual material of accounting and statistical reporting of agricultural enterprises. Such an approach will ensure independent mastering of disciplines by each student, will allow in a short time to master the annual accounting reports of enterprises, which is a rather important experience in the context of the future profession. In those topics where the necessary data in the accounting statements are not available, the authors suggested working out the methodology for calculating economic indicators based on conditional data. The fourth part of the textbook is designed so that students can understand and understand the system of marketing activity, be able to determine from a marketing point of view an approach to studying needs, demand, market capacity, sales level. It also has a practical meaning; first of all, in the process

of studying the sections, the emphasis is on the development of the strategy of the economic entity.

The manual contains a different number of tasks on each topic, which is due to the complexity of the topic and its importance. The textbook uses new normative documents regulating the economic activity of enterprises in the field of economic relations. The list of recommended literature for each topic contains an extensive normative base, as well as a sufficient list of textbooks and periodicals. And finally, we need a strong economy. It is created by the mind and hands of caring, talented and professionally trained people. In this matter, the education system in our country plays a key role. Perhaps it is far from the way we would like to see it, but our purpose is to train national economic personnel ready to take on today's challenges, to be able to influence economic processes based on knowledge and understanding of economic laws, to correctly assess the development trends of the domestic and world economy, integrate into the world economic community. The big economy is made by the "hands" of each specific business entity - an enterprise, an entrepreneur, and each employee. That is why the courses "Economics of the enterprise", "Marketing", "Management", "Economic management of the enterprise" play an important role in the process of training specialists in the economic profile. The purpose of this manual is to outline the basics of the mechanism of the enterprise's functioning in modern domestic conditions. The study guide is primarily intended for young students who are just starting their way to understanding economic processes and acquiring practical skills in solving economic problems and achieving goals. The main tasks of the manual, based on the goals of forming the professional qualities of young economists, are:

§ acquisition of thorough knowledge of the main sections of applied economics;

§ acquisition of skills aimed at obtaining predetermined business results through effective use of labor, material, non-material, financial and investment resources of the enterprise;

§ application of practical skills in making scientifically based management decisions in the conditions of a market economy.

PART I. ECONOMICS OF THE COMPANY

SECTION I. ENTERPRISE (FIRM) IN THE SYSTEM OF ECONOMIC RELATIONS

TOPIC I. THE ENTERPRISE (FIRM) AS A SUBJECT OF THE MARKET ECONOMY

1.1. General problems of the organization of the market economy

The market, based on commodity production at the micro- and macro-levels, generally reflects the economic relations between producers, sellers and buyers in the process of exchange (buying and selling) of goods.

In addition to the three main types of market (goods and services, resources, finance), there are various submarkets - market segments with developed infrastructure.

The boundaries of the market, its functions and role in the system of economic relations and connections in the reproduction of material goods at the micro- and macro-levels in many cases depend on the prevailing socio-economic system.

The market serves the economic implementation of various forms of ownership, is part of the economic mechanism that contributes to increasing the efficiency of production.

In order to exist and develop in conditions of limited resources, any society must solve three closely related problems of organizing the economy at the micro and macro levels.

First, ***that should be produced****,* that is, which mutually exclusive goods and services should be produced and in what quantity.

Secondly, ***how the goods will be produced****,* that is, by whom, with the help of which resources, which technique and technology.

Third, ***for whom the produced goods and services are intended,*** that is, who should dispose of them, benefit from them.

To solve the problems of economic organization (what, how, for whom), society must have certain economic resources at its disposal. If economic resources were not limited, solving the triune problem (what, how, for whom) would not be a problem.

Constraint reflects the gap between the total amount of goods that subjects need to satisfy their diverse needs and their production capabilities. If there were no limitations, there would be no need to study economics and, thus, to find answers to the questions of what, how much, how and for whom to produce in order to achieve maximum economic efficiency.

The absolute and relative limitations of resources are distinguished. ***Absolute limitation*** means that economic natural resources are not renewable (poisoned water, air, polluted soil, etc.), they are practically impossible to reproduce.

Relative limitation means that the use of resources depends not only on their availability and quality, but also on the level of development of social production, the used methods of resource use.

Limited resources can be used in different ways. If in the production of goods there was one method and if the same means were used, then the problem of choice would not exist. The same product can be produced with the help of different tools, using different raw materials and materials, etc., so we are talking about alternative use of material and financial means. It is impossible to use the same means in different areas and achieve the same results. The allocation of resources between different competing entities (competing goals) is called *placement of resources.*

The purpose of the household (family) economy is the maximization of the utility of purchasable goods.

*The purpose of the business entity (enterprise, firm)*the maximization of profit from economic activity is advocated.

The resources necessary for the production of economic goods and services include land and natural resources, labor, tools, entrepreneurship, and financial resources.

Land and natural resources are limited both in terms of their size and the possibilities of use. Natural resources are divided into reproducible and non-reproducible. They are characterized by uneven placement on the territory and the availability of their use is not always available.

Workforce include professional, intellectual potential, which, as a result of human progress, is developing in the direction of replacing physical work with mental work. This factor, despite the relatively high level of unemployment, is limited by professional and intellectual composition.

Material resources (work tools) - this is everything with which goods are produced, work is performed, services are provided: production capabilities created by people in the form of premises, buildings, machines, equipment, tools, etc. Their feature is that they are reproduced on an expanded scale, in order to be able to constantly increase the volume of production (goods and services).

Entrepreneurship acts as a special resource peculiar to individuals. It is associated with risk, initiative, creativity, and the search for new solutions. This is a special internal property that not all people have, and therefore this resource is also limited.

Financial resource (capital). The size of this resource is limited by the volume of consumables. Its excess leads to inflation, disproportionality in the development of production.

In market conditions, the main goal of the production of a specific business entity is to make a profit, but subject to the ever-growing needs of society.

The needs of society are limited, they change in the direction of increase. As soon as production satisfies any need, it grows and changes. At first glance, needs are primary, and production follows them; in fact, needs are determined by the state and level of development of productive forces.

Striving to realize its main goal - the satisfaction of constantly growing needs, society is faced with the problem of limited resources necessary for the creation of material goods and services. The limitation of resources poses a permanent economic problem to humanity: how to satisfy the ever-growing needs of society in conditions of limited resources.

Scarcity of resources transforms the main economic problem of making choices: what and how many goods and services to produce; for whom to produce; how to distribute them.

With constant amounts of resources, the choice is theoretically made according to the principle of "something for something". In practice, instead of choosing the principle of "either one or the other", the principle of "something more, something less" works. Then it is necessary to allocate resources in accordance with the choice of the production structure.

The purpose of the choice is to establish the optimal ratio between the maximum possible assortment of products and services, on the one hand, and the maximum possible number of them, which ensures a certain standard of living - on the other.

When choosing the principle of "something more, something less", they face production costs, as we always get something, but at the same time lose something. ***Opportunity costs*** are costs of missed opportunities. They are measured by the amount of production that we give up in order to increase the production of another. This determines the rationality of the economic choice.

The problem of choice applies equally to both what will be produced and how it will be produced and distributed. Moreover, the price of this choice is what should be sacrificed for its implementation. The magnitude of this sacrifice is nothing but the cost of the opportunity to make it. The problem of choice is what to give preference to and what to give up. The process of choice – the decision to produce, purchase or abandon a particular product – is what ultimately governs the economic system.

The main economic problem is solved in different ways, with different ways of management. The command-administrative system of management through the government carries out centralized planning of production. Centralized planning determines the list and volume of resources that will be used in the production of material goods. Resources are used to execute the plan. The state plan determines what and how much will be produced, how it will be produced, and how it will be distributed.

The regulated market system uses its methods of solving the main economic problem. Consumers determine based on choice what and how much

to produce. The manufacturer determines what and how many resources will be used in production in accordance with the demand for goods and services. Resources are used in accordance with the decision of producers to satisfy certain needs and for profit. The market, through supply and demand, determines what and how much will be produced, how it will be produced, and how it will be distributed.

The main economic problem is solved at two levels: at the level of the national economy and at the level of the enterprise (firm).

At the level of the national economy, the solution to the main economic problem is to increase the welfare of the population thanks to the implementation of structural changes in production, the establishment of priorities in the development of industries, the redistribution of material goods between the industries of production and the creation of conditions for the dynamic development of the economy in the future.

At the enterprise level, the main economic problem is solved in the form of creating specific types of products (services, works). Each business entity, in accordance with demand and supply, determines what, in what quantities and to what extent to produce, in order to ensure maximum profit, which ensures economic growth and a certain standard of living of its employees.

The enterprise as an economic system is the main link where a direct solution to the main economic problem takes place. It provides (and creates new) jobs, pays wages, participates in the implementation of social programs.

1.2. The most important economic tools of the market mechanism

The economic mechanism of the market, as a connecting link between the producer and consumer of goods, includes a system of basic economic tools (demand and supply, price, competition, etc.).

Among the economic tools of the market mechanism, supply and demand play an important role. The price of goods and services, that is, the market situation, depends on the ratio of supply and demand. Prices, in turn, affect the demand and supply of goods and services in the direction of their decrease or increase, on the ratio between them.

In the short-term period, regulation of supply and demand is carried out with the help of price changes, advertising, inventory maneuvering, etc. In the long-term perspective, the reduction of production and circulation costs, progressive changes in the structure of personal consumption, and the dynamics of monetary incomes and expenditures of the population are of decisive importance.

The price performs a special function in the economic mechanism of the market. The level and dynamics of prices serve as an important economic benchmark in relation to the volume and structure of the product, the technology and costs of production of goods, and the possibility of their sale. It follows from this that prices in the system of the market mechanism act as a carrier of operational and diverse information on the activities of producers, sellers and buyers.

The mechanism of market prices allows to stimulate the rational use of resources and efficient management. With the help of the market price mechanism, the volume and structural proportions of the production of goods and services are formed; rational distribution and use of limited and scarce factors of production is ensured; cost minimization and high competitive product quality, profit maximization are achieved.

Competition, being a necessary element of the market mechanism, actively participates in solving the triune economic problem: what, how and for whom to produce. Entrepreneurs compete for more favorable conditions for the production and sale of goods, obtaining greater profits. The winner in the competition is the one who, with the help of the market, will find new products and technologies, new ways of satisfying people's needs. Competition is a mechanism of economic coercion that forces entrepreneurs to adjust their business activity to a greater extent than instructions and commands from the center.

The possibilities of the market mechanism in ensuring the intensification of economic growth and solving social, environmental and other problems are limitless. Therefore, the market mechanism should be rationally combined with state planning, programming and regulation of the economy. State intervention in the economy is expedient only if and when the mechanism of market regulation does not give the proper effect. Entrepreneurial activity is a necessary element of the market.

1.3. Entrepreneurship is an important type of economic activity

Entrepreneurship is one of the forms of economic activity. Based on the fact that the purpose of entrepreneurship is not so much obtaining profit as the continuity of the reproductive process associated with the reproduction of demand and the satisfaction of the ever-growing needs of individuals or a social group, society as a whole, then its essence, in our opinion, should be defined as the process of continuous search for changes in needs, consumer demand for products and services, satisfaction of this need through the organization of production, sales, marketing, logistics, management, focused on the best innovations that bring the maximum increase in productivity and efficiency.

In the given definition of entrepreneurship, the emphasis is not on profit maximization, but on needs, the satisfaction of which can bring maximum profit thanks to a high level of entrepreneurship organization.

Entrepreneurship - a special resource inherent in individuals. It is associated with risk, initiative, creativity, and the search for new solutions. This is a special internal property that not all people have, and therefore this resource is also limited. From here, entrepreneurship -it is an initiative independent activity of citizens and their associations, which is carried out at their own peril and risk and under their own responsibility and is aimed at obtaining profit. However, it would not be correct to equate entrepreneurship with "business". It is more correct to consider entrepreneurship as a style of management, which is characterized by the principles of innovation, initiative, innovation orientation, etc. Whereas business is a reproductive activity in the field of organization of production, distribution and sale of goods and services without innovation, without initiative in the development of innovative processes. This is the implementation of the same production, sales, distribution or other activity from year to year within the limits of proven technologies, norms and rules to meet established needs.

An entrepreneur can engage in any type of activity (business-production, trade-purchase, innovation, consulting, mediation, etc.), if they are not prohibited by law. From a psychological point of view, the main feature of an entrepreneur is such a type of motivation as the need to achieve success. It focuses on solving problems, on the materialization of new risky ideas in achieving the final result. The motivation of an entrepreneur is significantly

different, for example, from the motivation of specialists and managers who do not have the qualities of an entrepreneur. The specialist is focused on professional growth and accumulation of knowledge, for which it is important to assess his real qualifications by professionals. The manager (administrator) is career-oriented and prone to managerial work. Therefore, not every specialist or administrator can become an entrepreneur. In order to be a successful entrepreneur, you need specific properties and appropriate motives for behavior. Thus, an entrepreneur is someone who is focused on obtaining profits above the average level through the most complete satisfaction of needs based on the implementation of their own knowledge, skills, forecasts, someone who seeks to make a breakthrough in one or another area of economic activity - in the creation of new products and technology, in production or marketing and, accordingly, receive additional income for their risk and foresight.

An entrepreneur in a small business demonstrates a certain talent, enthusiasm, and dedication to his business that is rarely seen in company managers. The entrepreneur considers the sale of goods, provision of services or performance of work as a means of communication with the consumer (client). The purpose of business is to create a consumer. If the consumer (client) is not satisfied with the product, the entrepreneur changes the entire mechanism of his actions, the entire policy and concept of the product. It cannot be limited to changes in the sales process.

Ukrainian legislation defines an entrepreneur as an entity whose activity is aimed at obtaining profit and is conducted by him under the conditions of his own property responsibility.

Entrepreneurial activity can be carried out by one person or a collective (partners), with or without the use of hired labor, with or without the formation of a legal entity.

Business entities can be:

- citizens of Ukraine and other states, who are not limited in their activities in accordance with the procedure established by law;

- citizens of foreign states and stateless persons - within the limits of the powers established by legislation;

- association of citizens (partners).

Entrepreneurial activity without the involvement of hired labor is registered as an individual labor activity, and with the involvement of hired labor - as a firm.

Certain conditions are necessary to carry out entrepreneurial activities:

- variety of forms of ownership and forms of management;

- stability of the economic and political situation in the country;

- economic freedom of producers and consumers;

- market openness and balance;

- formation of a civil legal society. Protection of property and rights of entrepreneurs;

- preferential regime of taxation and lending;

- developed entrepreneurship support infrastructure;

- the possibility of guaranteed commercial risk insurance;

- free access to the foreign market.

Entrepreneurial activity is carried out in two forms:

1) by the owner of the means of production at his own peril and risk and under his own property liability;

2) by the head of the firm on behalf of the owner.

The limits of disposal of such property are regulated by the contract (agreement).

So, the most important features of entrepreneurship are risk, mobility and dynamism. Entrepreneurial activity itself is characterized by the fact that the entrepreneur undertakes everything for which the consumer is ready to pay money today. However, the entrepreneur is not the only subject in the area of activity, in any case, he is forced to interact with the consumer as the main counterparty, as well as the state, which in various situations can act as an

assistant or opponent. Both the consumer and the state also belong to the category of subjects of entrepreneurial activity, as well as the hired worker (if, of course, the entrepreneur does not work alone) and partners (if the production is not isolated from social relations).

In the relationship between an entrepreneur and a consumer, the entrepreneur belongs to the category of an active subject, and the consumer has a more passive role. However, when planning and organizing his activities, an entrepreneur cannot ignore the consumer's mood, desires, interests, expectations, and evaluations in any way. Therefore, the entrepreneur's goal is the need to "conquer" the consumer, to create a circle of his own consumers.

The following factors are the main means of the entrepreneur's influence on the consumer: novelty of the product and its compliance with the consumer's interests; product quality and price, its availability; degree of universality; appearance and packaging; positive distinguishing characteristics of the product from the products of other manufacturers and the opportunity for the consumer to become familiar with such differences; the possibility of using after-sales service; compliance with generally accepted or state standards; prestige and attractiveness of product advertising, etc.

The role of the state as a subject of the entrepreneurial process can be different depending on the conditions, the situation in the field of business activity, and the goals that the state sets for itself.

Depending on the specific situation, the state can be:

- a brake on the development of entrepreneurship, when it creates an extremely unfavorable environment for the development of entrepreneurship or even prohibits it;

- an outside observer, when the state does not directly prohibit entrepreneurial activity, but at the same time does not promote this development;

- an accelerator of the entrepreneurial process, when the state conducts a constant and active search for measures to involve new economic agents in the entrepreneurial process (often such purposeful activity of the state causes an "explosion" of entrepreneurial activity and leads to a "boom" of entrepreneurship).

The external environment has a great influence on the development of entrepreneurial activity (Table 1.1).

To sell a product, you need to have it. An entrepreneur can produce goods himself, receive them from others, and then sell them. Thus, entrepreneurship can be divided into three forms: production, commercial, and financial. Being relatively independent activities, they complement each other.

Table 1.1

Characteristics of environmental factors that have an impact on entrepreneurial activity

Factors	**Main characteristics**
Natural	The level of use of the potential of natural resources. Sources of fuel and energy resources and raw materials. Environmental indicators, their standards and the level of their compliance. The development of the system of state control of environmental protection and regulation of the intensity of use of fuel, energy and raw material reserves
Demographic	Structure, number, density and reproductive characteristics of the population. Birth rate, mortality, stability of family unions, religion, ethnic homogeneity
Economical	Financial status of workers, employees and pensioners, their purchasing power. Indicators of the financial and credit system. Economic situation and inflation. The development of the taxation system, its adequacy to the consumer basket of the population. Prices and consumption trends, elasticity of demand

Political and legal	The development of legal protection of the population and the legislation that accompanies entrepreneurial activity. The presence of foreign policy alliances and programs that ensure the stability and stability of the formation and development of market relations. The role of public organizations in the system of production and adoption of state and governmental decisions
Scientific and technical	The state and development of NTP in the basic sectors of the economy. The degree of introduction of new technologies and the level of their approval in social production. Indicators of economic and technical safety of existing and promising technologies
Social and cultural	Development of market mentality of the population, cultural and moral indicators of consumers, organizational and consumer culture, stability of traditions, habits, rituals, dynamics of culture of behavior

Manufacturing enterprise is an activity aimed at the production of products, provision of services, performance of works, collection, processing and provision of information, etc., which is subject to subsequent sale to consumers. Financial and material resources are necessary for implementation.

The initial element of the technology for the implementation of this type of entrepreneurship is the choice of the main field of activity. Choosing a type of activity involves conducting marketing research: how much the product or service is needed by the buyer (client), what is the demand, its size and development trends, what is the possible selling price, production and sales costs, required volumes.

The result of this type of entrepreneurship is the production of a product that must be sold. Implementation is possible with the help of intermediaries-agents, brokers, etc. or by own efforts. The entrepreneur's efforts should be focused on concluding an agreement for the supply of the manufactured

product before the start of its production in order to reduce the risk of bankruptcy. It is necessary to monitor the situation in order to respond in a timely manner to changes in demand, which leads to the individualization of the product (service) and the formation of the price.

An entrepreneur should strive to accelerate turnover, given that the deal should yield an annual profit of at least 20-22% of costs.

The channels of distribution of products (works, services) must be under the control of the entrepreneur - wholesale and retail network, dealers, agents, etc., the speed of turnover of invested funds in many cases is determined by the distribution channels.

Commercial enterprise characterized by the fact that its content consists of commodity and money, trade and exchange transactions, that is, resale takes place. As the initial stage of the technology, there is a choice of what to buy, what to resell and where the sale price should be higher than the purchase price, the demand for the offered product should be sufficient. It is necessary to conduct market research in order to assess the market situation, that is, which goods, services, works will be in the greatest demand, and what are the purchase and sale prices.

The entrepreneur must develop a specific plan of action - a marketing plan, and in it define the measures for conducting the purchase and sale agreement; make calculations of purchase and sale prices, costs, results; determine means of advertising; transport costs, for drawing up commercial documents, costs for maintaining the necessary personnel, costs for renting premises, forms of sale and purchase of goods, justifying the attraction of loans, calculating taxes.

An important point in the development of a marketing plan is the connection by deadlines and performers. A detailed marketing plan makes it possible to assess the profitability or unprofitability of the deal.

Financial entrepreneurship **-**it is a variety of the commercial object of purchase and sale, it acts as a specific product: money, currency, securities.

The market of money, currency and securities is now a reality in Ukraine, its participants are banks, stock exchanges, legal entities and individuals.

An entrepreneur must analyze the securities market and marketing activities. It is necessary to find and attract potential buyers of money, currency and securities. At the same time, he establishes the source of their income. An entrepreneur can act as a seller, moneylender, who lends money, currency and securities to a consumer, for a certain fee or at a certain percentage.

An important form of financial entrepreneurship is the issue of securities. The entrepreneur implements them, places them under certain conditions and obligations as a "financial product". Buying securities and selling them for a lot of money is a common form. If there is no money for the purchase of securities, the entrepreneur can purchase them on credit.

Financial entrepreneurship requires the availability of well-delivered information. When carrying out this agreement, the entrepreneur must pay special attention to checking the financial capacity of the buyer, appoint a guarantor who vouches for the buyer.

A financial agreement is considered successful if its estimated profit will be at least 5% of the monetary revenue (amount of the agreement), in the case of long-term agreements, this percentage increases to 10-12%.

1.4. The essence of the concept of "firm"

The firm is a complex economic entity, a special institution of the modern economic system. As a rule, a firm is understood as the primary organizational unit of a business, which has the following characteristics:

- legal independence: the firm as a legal entity registered in the relevant state bodies;

- production independence: the company itself decides what, where and how to produce and sell;

- financial independence: the company independently distributes the received profit;

- organizational independence: the firm independently chooses the type of internal organization.

It is necessary to distinguish a firm - an organizational structure that has the above characteristics, both from an enterprise - a primary technological entity, and from an association of enterprises, where only a certain coordination of activity takes place while preserving the internal independence of the structures included in the association. The evolution of views on the nature, functions and implementation mechanism of the firm refers mainly to the firm as such and affects enterprises and their associations to a lesser extent.

Currently existing theories of the firm can be grouped into three large groups. This is a technological concept of the firm, which is the basis of classical and neoclassical theories; the institutional theory of the firm and the theory of the study of the firm's behavior based on game theory.

The main points of disagreement between these groups of theories are connected with the following criteria:

1) by the method of researching the firm's behavior;

2) factors that explain the presence of firms of different sizes in the economy;

3) factors explaining the level of concentration in the economy as a whole and in its individual branches;

4) assessment of the company's goals;

5) an explanation of the variety of organizational forms of the firm;

6) choosing the leading characteristics of the company's behavior;

7) the general mechanism of the firm's functioning.

It should also be noted that the object of analysis always remains the same - the firm as an independent organizational structure - different theories only emphasize certain aspects of this phenomenon. Each approach allows you to follow (see) something new in the company's activities, and at the same time abstracts from some of its other aspects.

The first to study the special organizational unit of the market - the firm - were representatives of the classical and neoclassical schools of economic thought. They set out to explain why firms of a certain size exist in industries,

why firms produce a certain amount of output and not another, and why the price they charge can be neither greater nor less than that determined by the market.

According to A. Smith, the presence of large and small production is determined by the division of labor and specialization in accordance with the scale of demand. The firm is considered as a certain step on the path of technical progress of mankind, which ensures the growth of labor productivity.

According to A. Smith, the reason for the emergence of the firm is connected with the development of trade, which stimulates the division of labor and the growth of production. The doctrine of the firm as a production unit and a trade unit is developed by Smith within the framework of the development of the concept of perfect (free) competition. The concept of perfect competition as an economic environment in which production is carried out was that the firm acted as a price taker, and all firms in the economy were the same.

Smith was the first to put forward the idea of the typical - average size of the firm as a basis for its behavior and study. According to Smith, two types of firms can operate in the economy. Most economic agents pretend to be a competitive firm. But there is another type of firm - monopoly production, the existence of which is due to the presence of special conditions of production (for example, special properties of the soil in agriculture), or state protection.

Therefore, the firm in market conditions acts as a form of division of labor and specialization. Increasing the efficiency of economic activity and finding an equilibrium price is, according to Smith, both a consequence of competition and the goal of production (firm).

Developing the idea of the firm as an organization capable of ensuring economies of scale of production, A. Marshall describes in detail the methods of achieving such economies and their result - the formation of large organizational forms in the economy both through internal growth (expansion of production volumes) and through unification , merger, cartelization.

A. Marshall singles out a specific feature of the firm, namely: entrepreneurial abilities as a production resource. Under entrepreneurial abilities, Marshall understands a person's ability to find new options for production and organization of production, to take a certain risk in the implementation of actions unknown to this day. This direction in the classical theory of the firm will later be developed by Schumpeter in the concept of the "entrepreneurial firm".

Marshall's indisputable merit is the introduction of the concept of "representative firm" - a typical and average representative of productive economic agents, which enabled him to focus on the analysis of production costs and "normal" supply.

The classical theory of the firm was continued and developed in the works of J. Hicks. For him, the theory of the firm is the theory of capital, its formation and distribution. If the goal of an individual as a consumer is to maximize aggregate utility with a given budget constraint, then the goal of a firm is to maximize profit while limiting production costs. The firm, according to J. Hicks, is attached to no more than an individual.

A significant contribution to the neoclassical theory of the firm was made by J. Robinson. The theory of the firm is enriched with new features: the firm is now not only a production agent that acts according to its own rules, but also a consumer agent whose behavior can be analyzed on the basis of the same "convenient" mathematical constructions within the neoclassical paradigm.

Schumpeter developed the concept of the "entrepreneurial firm" - a special economic agent that competes through the introduction of new goods, new technologies, new sources of raw materials or new types of organization. An entrepreneurial firm can be both a competitor and a monopolist (this fact does not play any role in Schumpeter's concept). The goal of an entrepreneurial firm is not profit maximization through cost minimization, but the search for its strategic advantages based on productive, technological or organizational innovations.

Management (managerial) theories became a peculiar direction of the development of the neoclassical theory of the firm. U. Baumol and R. Morris were the brightest representatives of this theory.

In the understanding of U. Baumol, a modern company is managed by managers who, in conditions of asymmetry of information, see the whole picture of the affairs of the company, and therefore, are able to determine its purpose. Baumol put forward the maximum total revenue as the company's goal.

Morris assumes that the goal of managers, and therefore the goal of the firm, is to maximize the growth rate of the firm.

A significant drawback of the neoclassical theory of the firm is its interpretation exclusively as an analogue of the household economy. A firm here acts as an enterprise consisting of one person who owns, manages and works for it.

A firm is a black box", the input of which is production resources (and the formation of prices on the markets of production factors - resources), the output of which is output (and commodity market prices).

According to the institutional concept, the firm is opposed to the market as an internal production to an external one.

In classical and neoclassical directions, the firm was interpreted as an integral component of the market, as an element of its structure. The classical theory did not distinguish between the firm and the market, assuming that they are equal sides of reality.

In institutional theory, the firm is viewed as a set of long-term contracts, in contrast to the market - relationships mediated by relatively short-term contracts.

R. Coase is considered the first researcher who worked within the framework of a new approach to the nature of the firm. According to Coase, the main reason for the existence of a firm is the presence and amount of transaction costs - the costs of conducting business transactions. (Transaction is a matter, an agreement, an operation, which is mostly accompanied by mutual concessions). Thus, institutional theory goes beyond neoclassical analysis, adopting its optimization tools. Further development of the institutional direction is connected with clarification and concretization of the concept of "transaction costs". For R. Coase, transaction costs, and therefore the behavior of the firm, were connected mainly with non-standard characteristics. When a firm becomes too large, its transaction costs are virtually zero, but intra-firm costs rise dramatically. The more distant the production result is from the direct worker who performs the primary operations, and the more such employees there are in the company, the higher the risk of the appearance of "stealers" - a decrease in the labor tension of each worker in the hope of not being able to control the overall result.

A special contribution to the development of the institutional theory of the firm was made by O. Williamson. First of all, he clarified the concept of "transaction costs" associated with the functioning of specific assets. Williamson refers to specific assets as investments that are tailored to the relationship with a specific partner and are non-returnable.

Williason's theory of the firm is the theory of imperfect contracts. If the contracts were perfect, that is, the contracting parties could stipulate in the contract all possible positions that may arise at each stage of their future relationship even before the start of the investment process and production,

then the need for a firm would disappear. Perfect contracts would replace the firm. However, such perfect contracts are either impossible in principle or too expensive.

Williamson puts forward the concept of the "hierarchical firm" as opposed to the "entrepreneurial firm" of Schumpeter. A hierarchical firm is a conservative organization that has established itself in a certain area of the product market (industry) and that continues to exploit old advantages through investments in cost minimization.

The development of the institutional theory of the firm finds its development in the theory of property rights. A similar approach was developed by O. Hart, S. Grossman and J. Moore. They viewed property as the right to determine all possible uses of assets that do not conflict with prior contracts, custom, or law. From the point of view of property rights to a set of tangible and intangible assets, such as: equipment, stock of goods and material values, buildings and structures, patents, cash, bank accounts, reputation and image of the company, etc. The owner of the asset has the right to ultimate control over its use and determines the options for the use of the asset in cases where the contract is silent on this.

The structure of ownership has an impact on the choice of the form of interaction and relationship - joint ownership within one firm or separate ownership of numerous firms.

In the modern economic theory of the firm, there are tendencies to attempt to synthesize two main concepts: technological and institutional.

First, research of the firm in the context of economic globalization shows that both technological and institutional concepts alone cannot provide a satisfactory explanation of this phenomenon. Regarding the functioning of transactional companies, there is even a question of the disappearance of the firm as such, they are understood as special formations of the global market economy, which are under the influence of two types of restrictions - technological and institutional.

Secondly, the synthesis of the two directions provides for the possibility of analyzing fundamentally new phenomena in the behavior of firms connected with the peculiarities of the development of the modern economy. We are primarily talking about such a phenomenon as lace (network) effects. When there are network effects in the economy - goods and services characterized by high positive externalities of use: the greater the number of consumers of a given good or service, the higher the utility for each individual user (as, for

example, in the case of connecting computers to the Internet). Here, production and distribution of goods or services take place within networks or strategic alliances of firms. A firm in the traditional sense transfers almost the entire range of its rights, with the possible exception of financial independence, to a new organization - a network - in order to increase its efficiency. The integration of traditional firms into the network is becoming so powerful that some firm researchers are questioning the disappearance of both firms and the market altogether.

Thus, the subjects of economic activity in the market economy are households, firms (enterprises, organizations) and state institutions.

Households represent a conditional unit, on the one hand, of the consumer sphere, on the other hand, of the owners of economic resources.

Firms and state institutions are structural components of the second main sphere of human activity in the field of economy. The main subjects of economic activity interact with each other, carry out a continuous cycle of resources, products, and income.

One of such elements of market economy is a firm. A firm, in our opinion, is an organization that conducts business under a certain name. The firm controls the use of land, labor and capital. She herself makes decisions about the design, method of production and sale of products. One firm may own or control several production units.

Firms are of different sizes - one private entrepreneur or a corporation with thousands of employees.

The firm's targets is obtaining the maximum profit - this is the ultimate goal of any commercial activity, which is achieved through the definition and implementation of a series of target settings, both tactical and strategic. They can be:

- increase in sales volume;
- achieving higher growth rates;
- increase in market share;
- increase in profit in relation to advanced capital;

- increase in income per share of the company (if it is a joint-stock company);

- an increase in the market value of the share (if it is an open joint-stock company);

- change in capital structure.

The nature of these target settings of the firm is determined by the state of the economy as a whole, the development trends of the specific industry to which the firm operates, as well as the stage of the firm's life cycle.

Value creation is the fundamental function of the firm. The process of creating material values represents the satisfaction of group or individual needs, as a result of which the firm achieves public recognition of its activities. A prosperous company is a company that receives a stable profit from its activities. Owners (or shareholders) are interested in constantly growing streams of income and such use of own and borrowed funds that increase the value of their property (dividends, shares). Staff and suppliers are interested in the stability of the firm, long-term relations with it, as well as in a favorable working atmosphere. . For consumers, goods and services that satisfy them in terms of quality and price represent a higher value.

Public recognition, in turn, gives the company the opportunity to expand production, increase the volume of sales and services, and ultimately increase its profit.

The main working tool in the implementation of the company's target functions is the market strategy, within which its competitive advantages are realized. In the international theory and practice of business, three main types of market strategy of the firm are distinguished.

The management of the company should analyze in detail the existing competitive advantages and determine one of the strategies of behavior in the market.

After the market strategy is determined, the next tool for realizing the objective function of the firm, which ensures a stable income, is planning aimed at achieving the firm's goals. It includes three stages.

1. Analysis of the external environment, that is, the political and economic situation in the country, analysis of the industry (growth rates, cyclicality, financial characteristics, etc.), market analysis (sales tactics, advertising, prices), analysis of resources (availability, interchangeability, price changes, impact on environment), demand analysis (duration, stability).

2. Assessment of the company's potential. This makes it possible to ensure the balance of market demands with the real capabilities of the firm itself, to work out the justification of the production program and behavior on the market, to ensure the adoption of reasonable decisions.

3. Selection of enterprise development options (making a business plan: description of goods and services, production, marketing and financial plan.

As a business entity, the firm has administrative and economic independence, that is, the rights of a legal entity, organizational and technical unity, common goals of activity. As a legal entity, the firm has separate property under its trust and operational management and is responsible for its obligations with this property.

1.5. Corporate style and trademark of the company

One of your most important goals when setting up an advertising company should be production *corporate style.*

Corporate style is closely related to a positive image, a favorable image of your company, which must be created and constantly maintained. A positive image of the company improves the consumer's relationship with it, is perceived as an additional guarantee of product quality, increases the effectiveness of advertising and ultimately saves money.

The image of the company must stand out among the images of other companies, especially of the same type, so that you can be reliably distinguished from competitors. It should be both dynamic and stable, and of course attractive to your target groups of influence.

Such an image is created by the quality of your company's products, the level of corporate culture that will be appreciated by the consumer, and the corporate style itself.

Corporate style (FS) -it is the main means of forming a positive image of the company. It is a set of color, graphic, verbal and any other permanent elements that ensure the visual and meaningful unity of the company's goods, the information coming from it, and the internal and external design of the company itself.

For the most part, corporate style includes the following main elements:

- corporate style constants;
- elements of business documentation;
- all types of advertising materials;
- design of the product, its packaging, etc.

Corporate style constants mostly include:

- trademark;
- branded block;
- typographical constants (brand font, publication formats, layouts, graphic symbols, color scheme);
- slogan.

*Elements of business documentation.*They usually include:

- letterhead (for printing letters, orders, orders, etc.);
- business cards of company officials;
- other items, for example, a business envelope, price tags, binders, souvenirs, etc.

Advertising materials -postcards, prospectuses, posters, design elements for exhibitions, offices, etc.

Packaging – in wrapping paper or box, cover or folders of typographic publications, etc.

Graphic symbols that mark product groups and carry reference information are needed by companies that produce different product groups or have branches. They are convenient for designing exhibitions, fairs, trade premises and for printed advertising.

The brand set of colors serves to indicate different product groups. Brand colors or a set of colors may be legally protected as part of an industrial design or trademark.

Slogan -is a permanent advertising phrase that is used as often as a trademark and in audio advertising replaces it. A slogan can be just as effective as a sign and can be registered as a business property just like a trademark.

In general, the corporate style helps the consumer to find your offers quickly and without errors, it is associated with the high quality of the products, and it helps the introduction of new products to the market.

Corporate style has a positive effect on the general cultural level of the company, helps to create a sense of belonging to a common cause in the team.

*The company's trademark is*the center of its advertising symbolism. *Trademark* - this is an officially accepted term denoting a duly registered, originally designed artistic display that serves to distinguish the company's goods or services, or for its advertising. The verbal part of the sign, or verbal sign, is also called *brand name or logo.*

A trademark is an object of intellectual property and may have a corresponding value, which is an element of the company's assets.

The functions of a trademark coincide with the functions of corporate style as a whole. A registered trademark is one of the guarantors of the quality of a product or service, evidence of the firm's longevity and solidity.

Trademarks are:

- *pictorial* (concrete images of animals, people, abstract symbols, ornaments, etc.);

- *verbal* (service marks) are words or letter combinations that have the character of a word. Such a sign is better perceived and remembered, it can be registered both in standard writing and in graphic design;

- *mixed* – (image plus word) etc.

The choice of trademark type decision depends on the specifics of the product, the advertising means used and a number of other factors.

To get a trademark at your disposal, you must:

- contact an artist who will develop a graphic solution for the sign in accordance with your wishes, and then register the sign in the Research Institute of State Patent Examination on your own;

- contact the services of a specialized organization that will perform the work in a set.

The first way involves less money, but will require more time. The second way requires significant funds, but will save time.

The procedure for registering a mark is quite long and takes about one and a half years. However, then you will have a document that will certify the company's ownership of the sign, and the ability to display it in various components of the corporate style.

A trademark must be simple, so that it is easy to perceive and remember, it must not be similar to any previously known one, it must be protectable (which is checked in the process of its registration), sonorous and easy to pronounce.

If you have a trademark, use it wherever you can (on letterheads, business cards, advertising leaflets, etc.), monitor its accuracy from reproduction, do not apply it to products if it refers to only one of its details.

The first appearance of the mark in any advertisement must be accompanied by the full name of the company and the mark in a circle, which means that the mark is registered.

In typographical text, the sign must always be presented in the same way.

1.6. The main features of the firm and their classification

The economy of any country is a complex economic mechanism, the various elements of which interact with each other and condition each other's mutual development. It represents a large number of business entities (firms) that create various goods and services. The firm is a structural link of the economy as a whole.

Company - it is an institution in the form of an enterprise, factory, mine, farm, store, which performs one or more specific functions in the production and distribution of various goods and services. It acts as a producer of goods, and therefore, solves a number of interrelated tasks: making a profit, providing consumers with products, fulfilling its obligations to the state, complying with standards and regulations. The company acts as a business unit, a legal entity, economically independent and separate, has a specific owner, which can be an individual owner, a group of individuals (members of companies, shareholders, etc.), companies (unions, associations, foundations), the state and local authorities .

If we do not take into account the variety of types of products (works, services) produced by specific companies, we can single out common features that are common to all of them. The company is:

a) organizational unity, that is, a team organized in a certain way with its internal structure and management procedure, which is united by a common work process;

b) a certain set of means of production. The set of means of production for each firm that produces a certain type of product or service has its own characteristics, the specifics of technology. A firm combines economic resources to produce economic goods in order to maximize profits;

c) separate property: the firm has its own property, which it uses independently for certain purposes;

d) property liability: the firm bears full responsibility with all its property for various obligations;

e) the firm assumes sole management, is based on direct administrative forms of management;

e) acts in economic turnover on its own behalf;

g) economically independently and separately carries out operational business activities, various types of agreements and operations, receives profit, incurs losses, ensures financial condition and further development of production at the expense of profit.

The totality and unity of the signs gives certainty and integrity to the firm as a special, separate link of the economic system.

So, company - it is a separate technical, economic and social complex designed for the production of goods useful to society for the purpose of obtaining profit. Company - it is a complex economic system that combines production and human resources, has common goals in achieving production results.

A company that produces goods and services necessary for society, forms the material and social conditions of life and development of society. The value of firms in the field of material production is determined by the role that material production plays in the life of society. In modern conditions, the role and importance of the non-production sector, and therefore the companies employed in it and providing various services to the population, is growing.

The immediate goal and driving motive of the company's activity is to obtain the maximum amount of profit. Making a profit in the conditions of a market economy is possible only under the condition of production of products that are in demand for consumers. Directly realizing the goal of production - obtaining the maximum profit - the company realizes the goal of society - the most complete satisfaction of the ever-growing needs of society.

Firms whose main purpose is to extract profit are called *commercial.* The goals and tasks for which commercial firms are created and operate are recorded in legal documents on their creation. Their creation and regulation is carried out by the Economic Code of Ukraine.

In modern conditions, the term "firm" has firmly entered economic circulation, which means a business entity engaged in various types of activities and having economic independence. A firm is the name under which enterprises (or their association) act in economic activity as an independent economic entity. In the economy, the name plays not the last role. It creates a

special image of the business entity, contributes to the strengthening of positions in the struggle for quality, and brings considerable profits. A company's acquisition of strong positions on the market of a particular product often brings it additional profit due to the sale of the right to use its brand name. The franchising system is built on this.

Franchise - a license that allows a private company to operate as part of a large retail chain. The use of the company's name is beneficial to the buyer of the franchise, which is backed by advertising and reputation, which ensures an increase in turnover and an increase in profits.

Although most firms have only one enterprise (in this case, the concepts coincide), many firms own and manage several enterprises, and therefore act in the form of various types of associations, horizontal (chain of stores in the field of retail trade), vertical (enterprises of various stages of production process - pulp and paper mills) and diversification type (conglomerates, consortia, etc.).

In the economy of any country, there are millions of different firms - economic entities, which differ among themselves by various characteristics. The systematization and grouping of firms is of a conditional nature, that is, the same business entity belongs to different groups at the same time.

First of all, business entities differ in their field of activity.

Firms operating in the field of material and non-material production are distinguished. Business entities in the field of material production are companies of industry, agriculture, transport, and construction. A distinctive feature of business entities in the sphere of intangible production is that they create special products - services (household, social, cultural).

Some business entities are engaged in intermediary activities.

Professional mediation reduces costs, increases profits, and reduces consumer costs for finding the right goods (services, works).

Business entities are divided into industrial and agricultural firms (livestock, vegetable, etc.) by industry.

According to their economic purpose, they are divided into firms that produce means of production (oil production, processing) and consumer goods (food, textiles, etc.).

According to the nature of the impact on the objects of work, economic entities are divided into extractive (coal, gas) and processing - mechanical engineering.

According to the type of production (nomenclature, regularity, stability of the volume), economic entities of single, serial and mass production are distinguished.

Single production is characterized by a wide range of products and a small volume of production (rolling mills).

Serial production is characterized by the production of a limited range of products (food, chemical).

Mass production is characterized by the production of certain types of products in large quantities (shoe factories, motor factories).

According to the number of types of products produced, there are specialized ones, that is, which produce a limited number of products, and multi-specialized ones - which produce various products (combinations).

According to the level of specialization, highly specialized and multi-specialized are distinguished. The specialization of business entities can be subject (tractor factory), detailed (production of bearings), technological (production of acids in the chemical industry). Multidisciplinary: metallurgical, chemical and other plants.

Depending on the size, economic entities are divided into large, medium, small, and monopoly firms. The size of the firm is determined by the number of workers employed in it.

1.7. Business structure and spheres of activity of the firm

A firm as a system can be both open and closed. *Open system*interacts and depends on the external environment.

A closed system has rigid fixed limits and is relatively independent of the external environment.

The firm does not exist by itself, it is connected with the economy as a whole, with other economic units, with the market. In fig. 1.1 shows the structure of the business as a closed system, within which the interaction of decisions in the investment, economic, and financial spheres of the firm's activity takes place, as well as the extended reproduction of invested resources.

The scheme certifies how new investments, adding to the total amount of previously invested funds, enter the economic sphere of activity. In the process of economic activity, as a result of the combination of production factors and the interaction between such categories as price, volumes of production and sale of products, and various types of costs, gross profit is formed, as the difference between the price of products and their cost price (costs of production and sale). In the financial sphere of activity, this profit is distributed between owners (in the form of dividends), creditors (in the form of interest) and the budget (in the form of taxes). Part of the retained earnings is reinvested for the development of production and, together with the capital involved, constitutes the company's financing potential, which in the form of new investments enters its economic turnover again.

1.8. Basic forms of business enterprises

Subjects of different organizational and legal forms can be created within the diversity of ownership types.

Knowledge of the basic principles legally regulating the order of activity and responsibility for results, necessary when choosing one or another organizational and legal form of a newly created or reorganized business entity.

Fig. 1.1. Business structure as a system

The most significant features that distinguish one organizational and legal form from another are the following:

a) the number of members of this management association;

b) form of management of the business entity;

c) method of distribution of profits and losses;

d) sources of property, which constitutes the material basis of the subject's economic activity;

Subjects of different organizational and legal forms can be created within the diversity of ownership types.

e) owner of operating capital;

f) limits of property liability.

Economic entities (firms, associations) operating in the economy are diverse in terms of scale, profile of activity and organizational and legal structure. However, despite all the variety of possible types, they are divided into ordered types, groups for which certain norms of economic legislation have been developed that regulate their activities. Along with individual entrepreneurship, Ukrainian legislation recognizes state business entities, non-state organizational and legal forms of enterprises (business partnerships, cooperatives, etc.).

Business entities can be both natural and legal entities. The main features that define a business entity as a legal entity:

- the right to enter into economic relations with other legal entities;

- the right to protect one's property interests;

- full property liability to counterparties within the limits stipulated by economic legislation;

- the presence of a registration certificate and a license for the right to carry out certain types of activities;

- availability of the charter approved in the prescribed manner.

Legal entities in connection with participation in the formation of property are divided into those that:

1. Have mandatory rights:

– business associations and unions;

– production and consumer cooperatives.

2. Have the right of ownership or other property right (on property to which their founders have the right of ownership or other property right):

- state and municipal unitary enterprises.

3. Do not have property rights:

- public and religious organizations;

- funds;

- associations and unions.

According to the purpose of their activity, legal entities are divided into:

1. Commercial:

- business associations and unions;

- production cooperatives;

- state and municipal unitary enterprises;

- associations.

2. Non-commercial:

- consumer cooperatives;

- public and religious organizations (associations);

- funds;

- institutions;

- associations.

Legal entities are divided according to the form of business activity as follows:

1. Business associations:

- full partnership;

- faith partnership (limited partnership);

- corporations;

- limited liability companies;

- company with additional responsibility;

- full partnerships.

2. Production cooperatives.

3. State and municipal unitary enterprises.

An individual is recognized as an entrepreneur from the moment of registration of the farm.

Individual labor activity acts as:

1. Individual entrepreneurs who are responsible for their obligations with all property belonging to them, with the exception of property that cannot be levied in accordance with the law.

2. Farms.

Classification of business entities according to the principle of cooperation: production cooperatives; limited liability companies; public and religious organizations; corporations.

Classification of business entities according to the principle of integration: business associations; holding companies; consortia; concerns; corporations; unions of entrepreneurs.

1.9. Integration of enterprises

In the market economy of different countries, there are various types of associations, which differ among themselves on one or another basis. Their classification is based on the following characteristics:

- purpose of association;

- the nature of economic relations between the participants

- the degree of independence of the enterprises included in the association.

The simplest form of association is *cartel* -union of enterprises of the same industry. The members of the cartel agree among themselves:

- about sales markets;
- about the terms of implementation;
- about the amount (quota) of sales;
- about commodity prices.

The characteristic features of this type of association are that it has a long-term nature, the ownership rights of the participants to their enterprises are preserved, and therefore, economic, legal and financial independence is preserved.

Syndicate - variety of cartel-type agreement. As a rule, the participants of this agreement create a single sales body for the sale of products of its participants in the form of JSC or LLC.

Participants retain their legal and financial independence, sometimes (partially) and their sales network. They lose their commercial independence.

The syndicate form is widespread in industries with mass homogeneous products: mining (coal, non-ferrous industry), metallurgical, chemical.

The second variety of the cartel type is*money*. *Money*is an association of entrepreneurs, which provides for a special procedure for distributing the profit of its members. A "common cauldron" is formed due to the profit of the participants, which is distributed among them.

Pool participants come to mutually beneficial agreements on the form of transfer of patents and licenses.

Trust is an association in which enterprises previously owned by different entrepreneurs are united into a single complex, while they do not lose their legal and economic independence. The form of association in the form of a trust is convenient for organizations of combined production. The trust as a type of association includes either enterprises from various industries, or enterprises that carry out sequential processing of raw materials, or play an auxiliary role - one enterprise in relation to another (APC, pulp and paper mills).

Concerned –it is a union of independent enterprises connected by means of a system of participation, personal unions, financing, patent-licensing relations, and close production cooperation.

A concern, as a rule, is an association of a production nature, which includes enterprises of various industries. The form of association can be "vertical" or "horizontal".

A vertical association includes enterprises of various branches of industry, the production process of which is interconnected (metallurgical, mining). As a rule, these are enterprises in the form of joint-stock companies or other economic associations, which, while maintaining their independence, have joint management, which is carried out by the main company - the holding company.

Holding –the main, parent company, which owns a controlling stake in enterprises united in a single structure, manages them and controls their activities (for example, mass media).

The peculiarity of holding companies is that they are multi-functional entities that ensure a consistent pooling of production and monetary resources, and are characterized by the differentiation of productions, focus on the development and implementation of the latest technical solutions and the implementation of investment programs.

Holding companies own a controlling stake in legally independent enterprises to exercise control over their operations.

The dominant position in the economy of any country is occupied by large economic complexes represented by powerful industrial companies, which are called financial and industrial groups (FIG).

FPG is a business association of enterprises, organizations, credit financial institutions and investment institutes, created for the purpose of conducting joint coordinated activities. They include the grouping of various enterprises: industrial, trade, financial, insurance, etc. FFG is mostly controlled by numerous large, medium and small enterprises. They can arise on the basis of the largest industrial or trading companies, the influence and power of which provides them with access to the resources of financial and credit institutions, or they can be formed as a result of financial concentration around credit and banking organizations.

FPGs are often considered as a means of combating domestic monopolies, as they have a real basis for the deployment of production diversification, possess large resources and the ability to transfer them mobile from one industry to another, use them to create branches in different regions of the country.

FPGs form a mixed economy, as state enterprises can also participate in them, which gives them the necessary reliability during the formation of market relations.

Processes of privatization and shareholding, changing the structure of investments, increasing the share of enterprises based on private and mixed forms of ownership, strengthening the financial power of banks and their integration to mobilize resources led to the formation of financial and industrial groups in Ukraine.

The activity of FPG is important for the formation of the market in Ukraine, because as a result of the integration of the economic, organizational, technological, and intellectual potentials of their participants, real mechanisms of self-financing and increasing investments for new highly efficient productions are provided.

FPGs act as an effective tool for the implementation of structural policy priorities, the development of promising industries and industries, the implementation of NTP achievements and environmental programs.

Non-profit organization (NGO) is an organization that does not aim to extract profit as the main goal of its activity. NPOs can be created to achieve social, charitable, cultural, educational and other goals aimed at achieving

public benefits. They can take the form of public or religious organizations (associations), non-commercial partnerships, institutions, autonomous non-commercial organizations, social, charitable and other foundations, associations, unions, as well as other forms provided for by Ukrainian legislation.

A non-profit partnership is a membership-based non-profit organization founded by citizens and (or) legal entities to assist its members in carrying out activities aimed at achieving social, charitable and other goals. A non-commercial partnership has the right to carry out business activities that meet the goals for which it was created.

1.10. The order of organization (formation) and liquidation of the firm

All issues of company activity are regulated by economic legislation. The Economic Code of Ukraine contains a system of legal norms that define and regulate relations in society between business entities.

In addition to the Economic and Civil Codes of Ukraine, important legislative acts that regulate the activities of business entities, regardless of organizational forms, are laws of Ukraine on property, land and land relations, leases, tax and labor codes, etc. Along with the laws of Ukraine, their activities are regulated by the resolutions of the Cabinet of Ministers of Ukraine, decrees of the President of Ukraine.

The firm can be approved by the decision of the owner or authorized state body (Property Fund of Ukraine).

The establishment of a new business entity can be carried out by separating a structural link from the existing company, as a result of forced separation (bankruptcy), as a result of merging several structural units into a single company.

From the moment of making a decision on the organization of a firm, there is a need to clearly fulfill the requirements of the legislation on the procedure for establishing new firms.

The meeting of founders makes a decision on the creation of a company, determines the circle of legal entities and individuals who are part of the company, approves the charter. The company's charter specifies its name, legal address, determines its organizational and legal form, formulates the main goals of the activity, indicates the amount of the authorized capital and the procedure for its formation, determines the rights and obligations of the founders, the structure, the procedure for managing the activity, and provides provisions on the procedure for liquidation firms, responsibility for all property obligations.

For state registration of a business entity, it is necessary:

- application for registration;
- status;
- founding agreement or decision to create a business entity;
- certificate of payment of state duty;
- documents on the contribution of at least 50% of funds to the statutory fund;
- an order on the appointment of a manager and an accountant.

The next necessary step is to open a bank account, obtain a license, if necessary, for the right to carry out certain types of activities, registration with the state tax inspectorate, the Pension Fund, the Employment Fund, the Social Insurance Fund.

The final stage is state registration and entry into the Unified State Register of Legal Entities with the issuance of a registration certificate. A business entity is considered created from the moment of state registration. At the same time, it is necessary to obtain codes from the statistical authorities.

The name of the business entity should reflect the content of its creation and functioning. The stamp and seal must correspond to the charter. The business entity must register a trademark, if any, a letterhead, and obtain a checkbook. Everything must meet the established standards and requirements.

An entrepreneur who organizes a business entity, in addition to all legal requirements in the process of creation, must solve a number of organizational and economic issues related to normal functioning: find premises, necessary equipment, machines, create a minimum stock of raw materials and materials for production activities, decide issues of energy supply, provision of personnel with the necessary qualifications, etc.

Authorized capital is an important element of the functioning of economic entities.

An increase in the authorized capital can be carried out either by increasing the nominal value of the offered shares, or by purchasing part of the offered shares of the company in order to reduce their number. The main reasons for the reduction of the authorized capital are reorganization and reduction of assets to a level below the authorized capital. The change in the authorized capital is carried out through its re-registration.

Established business entities can function for an indefinite period of time, if necessary, changes and additions can be made to the charter and founding documents. However, in modern conditions, some business entities can be created for specific one-time purposes and liquidated after achieving these purposes within the period specified in the statute.

In all other cases, termination of activity may take place either with the voluntary consent of its owners and co-owners (shareholders, founders, shareholders), or by a decision of judicial authorities.

Under the condition of liquidation of a business entity, a liquidation commission is mandatorily created, an announcement about the liquidation is published in the press, and the deadline for accepting claims against the business entity is determined. The liquidation commission determines the sources of satisfaction and the order of repayment of all obligations. Cash balances on the current account, in the cash register, receivables are reimbursed, and assets (tangible and intangible) to be realized are determined. First of all, the claims of hired personnel are satisfied, then - obligations to state bodies (tax inspection, extra-budgetary bodies, etc.), and lastly, property and monetary claims of creditors are satisfied. The funds that remained after the liquidation and satisfaction of property claims are transferred to the owners

of the business entity and distributed among them in the manner stipulated in the charter or other document.

Bankruptcy is a special case of company liquidation. In solvencyis a recognition by an arbitration court, or a declaration, of the debtor's inability to fully satisfy the demands of creditors for monetary obligations or fulfill the obligation to pay payments to budgets of all levels and extra-budgetary funds.

Financial insolvency occurs due to the excess of liabilities over liquid assets, that is, due to an unsatisfactory balance sheet structure. It is reflected in the appearance of overdue debts to the budget, banks, suppliers and other counterparties.

Bankruptcy -the result of unsatisfactory work on financing and lending. It is an integral part of the competitive environment, without bankruptcy there is no competition. The possibility of bankruptcy forces companies to take effective measures to ensure financial stability and increase labor efficiency.

The significance of the institution of bankruptcy is that insolvent entities are excluded from civil turnover (in the event of their liquidation), which serves to improve the market, and on the other hand, this institution provides an opportunity for responsibly operating organizations and conscientious entrepreneurs to organize their affairs and once again achieve financial stability

The bankruptcy procedure is a set of formalized factors, which include the identification of signs of bankruptcy, the consideration of bankruptcy cases in an arbitration court, the selection and implementation of specific measures within the framework of bankruptcy cases, the satisfaction of creditors' claims, and the completion of bankruptcy cases.

Bankruptcy of firms and individual entrepreneurs is determined by the following features:

- in relation to citizens - failure to satisfy creditors' demands for monetary obligations or to fulfill obligations to pay mandatory payments, if existing obligations or obligations have not been fulfilled by them within 3 months from the date of their fulfillment and if the sum of his obligations exceeds the value of his property;

- in relation to a legal entity - failure to satisfy the demands of creditors for monetary obligations or to fulfill the obligation to pay mandatory payments, if the corresponding obligations or obligations have not been fulfilled by it within 3 months from the moment of the beginning of their date implementation.

According to the Civil Code of Ukraine, the set of measures applied to bankrupt enterprises can be divided into two groups: reorganization and liquidation (Table 1.2).

Table 1.2

Procedures applicable to bankrupt enterprises

Activities	
Reorganizational	**Liquidation**
1. Observation 2. External management 3. Rehabilitation 4. Peace agreement	1. Competitive production 2. Compulsory liquidation by decision yum of the arbitration court

The main difference of all reorganization measures is that their application does not entail the suspension of the activities of the debtor enterprise. The task of this event is to organize the company's exit from insolvency and ensure its normal functioning.

Liquidation procedures lead to the suspension of the enterprise.

An external sign of a company's insolvency (bankruptcy) is the suspension of its current payments, if the company does not ensure, or is clearly unable to ensure, the fulfillment of creditors' demands within 3 months from the date of their fulfillment.

In accordance with the legislation, the following procedures are applied in relation to the debtor company:

1) reorganization, which include external management of the debtor's property and rehabilitation;

2) liquidation, which include:

- forced liquidation of the debtor company by the decision of the arbitration court;

- voluntary liquidation of an insolvent company under the control of creditors;

- liquidation in the process of competitive production.

3) Settlement agreement - the procedure for reaching an agreement between the debtor and creditors regarding the postponement and installments of payments due to creditors or the reduction of debts.

Sanitation is aimed at the recovery of the debtor company, when financial assistance is provided to the owners of the debtor company, creditors or other persons.

A petition for reorganization may be submitted by the debtor, the owner of the debtor company, or the creditor, subject to compliance with the requirements for filing applications with the arbitration court before it makes a decision on the case.

In cases where the persons wishing to take part in the rehabilitation are identified before the arbitration court renders a decision on the request for this procedure, a list of these persons, information about them, including information on the nature of their property relations with the debtor, is submitted to the arbitration court, and as well as their written consent to participate in the rehabilitation.

The basis for rehabilitation is the existence of a real possibility to restore the solvency of the debtor company to continue its activities by providing this company with financial assistance by the owner and other persons.

In the event that within 36 months, an application for initiation of a bankruptcy case of the firm is submitted again, the arbitration court is not authorized to make a decision on rehabilitation.

The duration of rehabilitation cannot exceed 18 months. The arbitration court has the right, at the request of the rehabilitation participants, with the exception of cases of rehabilitation of state or municipal enterprises, to extend the period of its implementation, but not for more than 6 months.

Key terms and concepts

Entrepreneurship - independent activity, at your own peril and risk, aimed at systematic profit-making.

Enterprise– a complex economic system, a market entity that combines production and human reserves, common goals in achieving final results.

Market system -system of free enterprise.

Trademark is an officially accepted term that defines an originally designed image registered in the prescribed manner, which serves to mark the company's goods and services or for its advertising.

Firm is the name under which the enterprise operates in economic activity.

Questions for self-testing

1. What is the relative limitation of resources?
2. Name the resources necessary for the development of production.
3. What is the main economic problem?
4. What is the problem of choice in economics?
5. Is it possible to determine the price of choice in economics?
6. What is the role of the enterprise in solving the main economic problem?
7. What are the main tasks solved by business entities?
8. What are the two groups of economic entities divided into?

9. List the main features that are used when grouping business entities.

10. What are the main advantages of large enterprises?

11. What causes the need for small business development in modern conditions?

12. List the main documents required for state registration of business entities.

13. What is financial insolvency?

14. What is an external sign of insolvency of business entities?

15. Give a detailed definition of entrepreneurship.

16. Name the companies and types of business activity.

TOPIC II

THE COMPANY AND ITS ENVIRONMENT

2.1. Legislative and regulatory acts regulating the company's activities

The main principle of the rule of law: not knowing the law does not exempt from responsibility for its violation - determines the importance of knowledge in the field of law.

The state is the most important factor of the external environment. It determines (establishes) the legal norms (basic rules) of the functioning of business entities. In essence, business entities are in a certain legislative environment. Legislative acts are often characterized not only by complexity, but also by mobility, and sometimes by the uncertainty of the activities of business entities, regulated not only by laws, but also by resolutions, decisions, and decrees of state regulatory bodies and local self-government. State bodies implement the functions of state management of the country and regulation of the economy at various levels - from national to local.

Today, according to the current legislation, the state cannot directly interfere in the operational and economic activities of a business entity. Regulation of the business entity's activity is carried out both through numerous legislative and regulatory acts, instructions, regulations, and through methods of indirect influence, which in a certain way do not affect the business entity's activity: fiscal, monetary, credit, customs policy.

The legal status of an economic entity is established by economic legislation. The most general provisions regulating property relations between legal entities, legal entities and natural persons and, finally, are determined by the Civil Code of Ukraine, and the procedure for resolving disputes in courts is determined by the Civil Procedure Code.

The Civil Code of Ukraine -the set of legislative acts, which determine the rights and responsibilities of legal subjects in the field of property relations, is revealed in the system of laws on property, land, and land relations, on banks and the banking system, on customs legislation, on exchanges and exchange activities.

The legal status of a business entity in the field of taxation and the tax system is reflected in the Tax Code, which, unfortunately, was approved by the Verkhovna Rada of Ukraine. The state widely uses tax systems as a regulatory mechanism. With the help of such economic and not administrative tools as tax rates, tax benefits, along with maneuvering the refinancing rate, loan capital, public purchases, subsidies, etc., the state regulates the economy in a certain, desired direction.

Labor legislation occupies a special place in the system of economic law. The Labor Code (Code of Labor Laws) regulates a complex of the most important issues related to the determination of the rights and obligations of employees and employers, including such important issues as the regulation of working and rest time, the procedure for hiring, dismissal of the workforce, guarantees in the field wages and various compensations (in case of dismissal, late payment of wages, additional holidays, compensation for harmful and difficult working conditions, etc.).

In particular, it should be noted the presence of elements of environmental legislation in Ukraine as part of legislative and regulatory acts. However, the environmental legislation is far from perfect and does not solve many rather urgent problems of the safety of the population and the environment.

The entire set of laws and by-laws on economic issues creates a sector of the legal infrastructure in which business entities function. The task of this sector is to provide legal support for their activities.

In addition, the business entity's relationship with state and local government bodies is regulated by the Administrative Code of Ukraine, the issue of the business entity's insolvency is regulated by the Bankruptcy Law of Ukraine.

2.2. Internal environment as a factor of enterprise development

The concept of the experience curve states that doubling production reduces costs by 20% and therefore leads to increased efficiency. The results of the business entity's activity depend on factors not only of the internal, but also of the external environment. Various factors of the internal and external environment, which affect economic growth and the state of the economy of

the firm as a whole, have different directions. The factors of the internal environment (subjective) are related to specific human activity. They completely depend on the actions of managers and staff. A business entity must know the factors of the external environment, influence them, to increase production efficiency through specific management decisions. Limited resources and the need for choice force managers to constantly conduct research in the field of studying demand, sales markets, sources of raw materials, pricing methods, personnel selection and planning, which should ensure increased production efficiency.

For any production, the business entity must have certain resources that are used in a limited way in the production process. By processing resources, the economic entity produces products, provides services or performs work.

A business entity must skillfully manage its resources, the production process itself, and the sale of products. To effectively manage these resources, it is necessary to learn not only to determine the influence of numerous factors on the production result, but also to do everything necessary to learn to predict and manage them. Models of factors of the internal environment can have collapsed and expanded versions depending on the strategy and the ability to manage these factors.

When creating a company, it is important to choose*staff* certain number, professional orientation; it is necessary to create an effective system of financial incentives for employees, opportunities for career growth.

An important factor is ***technology,*** it also includes several separate factors: equipment, tools. This group of factors completely depends on the level of R&D and market needs. A change in technology changes the set of equipment, equipment and even tools. The main thing is to find the best option for using technologies.

The third factor is ***material resources.*** This factor in many cases determines the quality of finished products. The nomenclature and assortment of consumed resources depends on the nomenclature and complexity of the manufactured products. In all industries, the mobility of the factor of material resources is observed: due to changes in technology, the introduction of new materials, and the expansion of the assortment. A logical approach to the

formation of the material flow has a great influence on the effectiveness of its use.

It should be noted that not all business entities in modern conditions have divisions that conduct scientific research. In order to increase the competitiveness of products, to ensure the stability of the sales market, the business entity must provide for the constant improvement of products. The state, in order to stimulate this direction in the development of the business entity, provides tax benefits in the amount of 30% of the funds allocated for these purposes.

In terms of production efficiency, the solution of social and regional problems, the location of the economic entity is of great importance, which is reflected in the differentiation of rents, prices for land, and for manufactured products.

One of the reasons for the insufficient efficiency of the economy of market reforms lies in weak management. The role of management of all types of resource flows is great, as the entire state of the economy of the business entity as a whole system depends on it.

All factors of the internal environment can have a direct effect on the results of the business entity and an indirect effect due to other factors. This is caused by the system of mutual penetration of factors. The fact is that each factor affects not only the results of the economic entity, but also other factors of the internal environment. A change in technology may require personnel training, changes in wages, changes in the range of material resources used, and changes in the management system.

2.3. The external environment and its components

The results of the business entity's activity are largely determined by its external environment. External factors that affect economic activity reflect the effect of economic laws. Therefore, knowledge of this environment, the ability to respond to its changes and to influence the internal structures of the business entity are necessary. The firm itself, as an open system, depends on the external environment in terms of the supply of resources, energy, personnel, and consumers. Based on this, the business entity is forced to adapt to this environment in order to survive and maintain efficiency and competitiveness.

The interaction of the business entity with various factors of the external environment.

All the listed factors (consolidated grouping) have both a direct effect on the results of the business entity and an indirect effect through other factors, as a result of which they are divided into factors of direct and indirect action.

Factors of direct action include: state management bodies, suppliers, consumers, competitors. They directly affect the decision-making of the business entity in the field of economic activity, acting to a certain extent as a spectrum of some restrictions. State regulates economic activity through legislative and regulatory acts, government decrees, tax benefits, subsidies, rates, interest, etc.

Factor "**suppliers**" can be divided into suppliers of material resources, technologies, equipment, personnel, finances. Suppliers of material resources, as a factor in the development of a business entity, is important, as it requires constant analysis of prices for material resources, terms of supply, opportunities of suppliers and constant marketing research.

No less important factor in this group is the factor "Suppliers of technologies and equipment".

Problems of low solvency, low investment activity, insufficient financial resources in the machine-building complex lead to the fact that the business entity purchases not the most advanced equipment. The product becomes uncompetitive in terms of price, the use of low depreciation rates leads to the loss of the overall competitiveness of the business entity. The use of high-performance machines and equipment, more economical in operation, but more expensive in price, becomes possible only thanks to leasing.

Factor "**Personnel suppliers"**strategically very important. In order to form a production team of highly professional workers, mobile, able to quickly adapt to changes in the market infrastructure, a lot of painstaking work must be done on planning and recruiting staff through employment centers, recruitment and training and retraining agencies.

Providers of financial resources play a special role both in the formation of start-up capital at the stage of creation of a business entity, and in obtaining investment loans at the stage of development. This group of suppliers includes

banks, investment companies, pension funds, state funds, small and medium business support funds, leasing companies, etc. The choice of a provider of financial resources is connected with many conditions.

Consumers as a factor are important from the point of view of pricing, the use of a system of discounts, benefits, when purchasing large batches of goods, the possibility of prepayment in the event of non-payment, etc.

Competitors, the competitive environment and barriers to entry are a serious factor of direct impact on the activities of a business entity. This group of factors determines both the operating conditions of a business entity and the amount of profit that is diverted to create optimal conditions for a competitive environment.

The factors of indirect effect of the external environment include: political, socio-cultural, international, national, territorial factors, NTP, tax system.

A special place in the group of factors of the external environment is occupied by technical factors and technologies, which are both an internal variable of the economic entity and an external factor of great importance. The technological environment is developing and improving, while creating additional opportunities and limitations.

A business entity must adapt to technical and technological changes and use them to gain advantages among competitors. The forces of competition stimulate the technological process. Using high-level technologies, the economic entity quickly responds to new developments and offers innovations that contribute to increasing production efficiency.

The role of socio-cultural and national factors is that they determine specific attitudes for the economic entity. Adopted attitudes, life values and traditions affect the success of his activities.

The environment of indirect action is much more complex than that of direct action. Such factors practically do not lend themselves to a formalized description, a large amount of information is required, which quite often does not have a quantitative and unambiguous interpretation.

2.4. Financial support of the enterprise

As part of the infrastructural subdivisions that ensure the activity of the economic entity, the sectors of financial support, tax system, regulation of foreign economic activity and provision of material resources play a rather important role.

The organization of any type of activity requires the availability of material and financial resources. Financial resources (money in cash and non-cash form) can be spent on reimbursement of organizational costs, purchase of material resources, payment of personnel, etc. The revenue obtained from the results of the activity should ensure reimbursement of all costs (fulfilment of all obligations) and bring net profit, create the necessary stock of financial resources sufficient to resume the process on an expanded scale.

During the creation of a business entity, financial resources are formed through monetary and material contributions to the statutory fund, in operating companies - due to the sale of products (works, services), net profit from the main and secondary activities and amortization deductions. In practice, the financial resources that are formed in this way, as a rule, are not enough to carry out production activities, and business entities are forced to resort to borrowed capital.

The source of financial resources both in the process of creation and start of activity, and in further development can be own funds, commercial and bank credit. In the process of functioning, financial resources can be mobilized on the financial market in the form of the sale of shares, bonds and other securities issued by business entities, and in the form of credit investments.

One of the possible sources of financial resources that come in the order of redistribution are budget subsidies and subventions. The share of these funds in the financial resources of a business entity in modern conditions is insignificant and focused on a clearly limited list of expenses.

Based on the above, it can be concluded that in market conditions, the main sources are the bank's own funds and loans. A commercial loan can be interest-bearing or interest-free, and bank loans can be preferential if the state authorities take over part of the interest payments due to the commercial bank.

In the conditions of inflation and instability of the economy, economic entities have practically no free funds, if they are available, they are invested, as a rule, not in the expansion of production, but in consumption. There are cases of non-payment of suppliers, which are called*crisis of non-payments.*

Inflationary processes in the conditions of market formation stimulate the development of such a form of settlement between buyers and suppliers as prepayment, but this advance by the buyer of the seller is not compensated by benefits in the form of price discounts. Therefore, bank loans are the main source of the involved financial resources necessary to support the activity.

2.5. Credit relations in the economic system

Credit resources for business entities are provided by commercial banks. The Central Bank and its territorial branches and branches carry out general control over money movement, finance measures provided for in the state budget, monitor commercial activities, and establish general rules of credit policy. The Central Bank (CB) does not issue monetary resources either in cash or non-cash form to any commercial firms, as well as to state-owned firms (except those financed from the state budget).

All credit facilities go through commercial banks, interest rates for loans are regulated by the Central Bank through the refinancing rate (accounting rate), which is set and periodically reviewed by the Central Bank. Limitation of the demand for cash on the part of the business entity is regulated by tax legislation, which provides for the allocation of interest on loan payments to expenses within the limits of the accounting rate multiplied by a factor of 1.1.

Commercial banks issue loans for very different terms: from 1 to 7 days (the so-called "short loan"), up to a year or more. The interest rate for the loan differs depending on the term: the longer the term for which the loan is issued, the higher the rate.

Short-term and long-term loans are distinguished depending on the purpose and terms of granting.

A long-term loan is used for the purpose of industrial and social development of the company (for the construction and purchase of fixed assets,

expansion and improvement of production, etc.) and is issued for a period of more than one year.

Types of short-term loans:

- trustworthy– is issued to clients in case of temporary financial difficulties without restrictions under the full trust of the bank (no security or pledge is required), a term obligation is issued;

- blank loan– provided without collateral and only to customers with high solvency. Such a loan can include:

a) *overdraft* - a current account is closed and a current account is opened, from which current expenses are paid, interest is accrued depending on the balance. All current production activities are credited. Financing of capital investments is not carried out from this account;

b) *overdraft*– issued by debiting funds from the client's current account in excess of the account balance; in the agreement with the client, the bank stipulates the maximum amount and period of return; allocate an overdraft:

- short term(for several days);

- extended (several weeks, months);

- seasonal(for a large time gap between expenses and income).

- promissory note credit– the bank's promissory note issued to the bearer;

- factoring– financing under the assignment of a monetary claim;

- monetary– provided by banks that have a license to conduct currency transactions. The object of lending is export-import deliveries, current activities of joint ventures, etc.

A business entity is a client who must provide the bank with a business plan, substantiation of directions where the loan will be directed, calculations of its payback, which determine the possibility of timely repayment of principal and interest. The bank may require securing the loan (depending on the amount and term) by pledging real estate, land, securities or other property; the guarantee of a sufficiently reliable legal entity-guarantor, which is liable with its property in case of debt obligations by the borrower, registration of the

insurance company for the risk of full or late repayment of the loan debt. Despite the strict conditions for granting credit to the business entity, regular customers, and its shareholders, the bank can provide loans on preferential terms for specific priority areas of development.

2.6. Tax and customs environment of the company

The tax system is one of the important elements of the economic infrastructure within which the commercial activity of legal entities and individuals takes place. The tax system consists, in turn, of two relatively independent subsystems: the tax system and the system of tax authorities.

The rights, obligations and mutual relations of tax services with taxpayers (tax subjects) are determined by relevant laws and by-laws (regulations, instructions, etc.). An entrepreneur should take into account that the tax authorities have the right to undisputedly collect underpayments of taxes, impose fines on non-payers, charge penalties for late payment of taxes and impose seizures on the current accounts of companies that are malicious violators of tax legislation.

The current tax system in Ukraine is organized in relation to the existing budget system, and therefore includes taxes of two levels: national and municipal. The former are put into effect by the laws of Ukraine, which are mandatory for all subjects of the country.

Any tax established in accordance with the procedure prescribed by law is a mandatory payment to the budgets of all levels. The proportions of the distribution of tax revenues between the budgets of different levels are established in each law. The same law defines the subjects of taxation (individuals and legal entities), the procedure for determining the taxable base, i.e. the value of one or another economic indicator, which is used to determine the amount of tax, tax rates and tax payment terms.

Any tax is a specific form of financial relations related to the distribution of part of the value of the gross domestic product and national income between the subjects of tax relations.

Taxes, in principle, should simultaneously perform a number of functions:

- *fiscal* -serves as a tool for supplementing budget income at all levels;

- *control*- serves as a tool of state control over the processes of formation and use of monetary income by business entities and individuals;

- *regulatory* -through the system of benefits and "strictures" to form macroeconomic and microeconomic (industry) proportions in the interests of the entire society and individual social groups of the population.

There are direct and indirect taxes. Direct taxes are paid by economic structures at the expense of their current incomes and are included in the costs of production and circulation, in the operating costs of insurance companies, banks and other structures of a commercial nature.

Indirect taxes are not included in the expenses of taxpayers, but are included in the price of the product (product, service) and are ultimately covered by the consumer, when paid, as a rule, by the manufacturer of the product of this type.

The most common types of taxes are: property tax, land tax, capital transaction tax, vehicle tax, etc.

Indirect taxes include value-added tax (VAT), excise taxes - special surcharges on the price of specific types of goods (passenger cars of domestic production, alcoholic beverages, petroleum products, etc.). In fact, the role of indirect taxes is also played by customs taxes - import taxes, which were introduced to protect the interests of domestic producers of similar goods, and export taxes, the purpose of which is to withdraw from the state income excess profits generated due to the difference in production costs and sales prices of goods on the domestic and world markets markets

A special group is made up of the tax on the profit (income) of legal entities, as well as the tax on the income of natural persons, including those who were engaged in individual labor activities.

Depending on the specific features of the legislation, fees for providing registration and notary services by entrepreneurs may be included in the group of direct taxes, and taxes on property purchase and sale agreements, inheritance taxes, gifting of property, etc. may be included in the number of personal taxes.

Tax rates can be:

- proportional, when the tax rate, set as a percentage or parts of a unit, remains unchanged regardless of the size of the taxable base (for example, 20% of the amount of profit actually received);

- progressive, when the rate increases with the growth of the taxable amount (for example, personal income tax, if the taxable income exceeds the legally established thresholds);

- digressive, if tax rates increase with the growth of the basic non-taxable amount, but each subsequent increase in the rate is less than the previous one;

- regressive, if tax rates decrease with an increase in the taxable amount.

Foreign economic activities include all types of commercial activities of companies connected with relations with non-resident legal entities. When carrying out such activities, the company is obliged to be guided by the requirements established by the authorized bodies of the government, strictly adhere to the customs legislation and the rules for the implementation of foreign economic activities established by the State Customs Committee of Ukraine. As part of foreign economic activity, trade and non-trade operations are distinguished. The former include transactions related to the export and import of goods and services, and the latter include transactions with capital and other specific payments related to credit and financial activities.

As a rule, commercial firms carry out foreign economic activities from export (export of goods and services from the territory of their country to the territory of other countries) and import (import of goods and services to the territory of their country from the territory of foreign countries). In addition to the mentioned types of foreign trade operations, re-exports are also distinguished in practice (the import of goods into the territory of a given country for their subsequent export to other countries without processing).

In foreign trade operations, it is necessary to take into account that the concept of "the territory of a given country" within its state border may not coincide with the concept of "customs territory", that is, that part of the territory of the state on which its customs legislation applies. Offshore and free economic zones (FEZs) may remain outside the customs territory within the borders of a given state, and in the presence of relevant economic unions, a

single customs territory may encompass the territories of several independent states.

The customs legislation of Ukraine provides that a company that intends to export goods included in special lists (strategic goods and raw materials) must, first of all, obtain a license for the right to import and export goods in volumes not exceeding the established quotas (limit volumes). In practice, mainly exports and only a limited range of imported goods (medicines and some other goods) are quoted.

Restrictions imposed by legislation and by-laws on the foreign economic activity of commercial firms often force them to turn for help to intermediaries - special experts, state organizations or those under the direct control of state bodies.

The customs system is a set of regulatory documents that determine the amounts, the procedure for payment of drinking duties, value-added tax and excise duties on imported goods, and the procedure for granting customs benefits (preferences), which are provided for by the international agreement on foreign economic activities of the states that are members of the International Customs Union - General Agreement on Tariffs and Trade (GATT). In accordance with this legislation, import customs tariffs must be differentiated.

The tariff customs policy of the state is an effective tool of influence on commercial firms engaged in foreign economic activity, as this policy can significantly influence the strategy and results of their activities.

The mechanism of influence of customs policy on the activities of firms in the field of their export and import operations follows from such points.

If a product that is sold on the domestic market is subject to VAT and excise duty, then the exemption of export batches of this product from such payments stimulates the growth of exports and, thus, the inflow of foreign currency to the exporting country. However, under certain conditions, it is possible to encounter a situation when the importing country introduces import duties or a special anti-dumping mechanism in order to protect the domestic market. In addition, favorable conditions for exporters can lead to an excess of

supply of this product over demand on the world market and, as a result, a decrease in the general level of world prices.

The imposition of import duties, excise taxes and VAT on imported goods at the level provided for similar goods of domestic production pursues, first of all, the goal of protecting the interests of domestic producers of goods, increasing their competitiveness in the domestic market. However, such a measure can be effective if the domestic producer is not a monopolist, otherwise the increase in customs duties, removal of taxes and excises do not stimulate the growth of domestic production, but only contribute to an increase in the level of prices in the domestic market.

Key terms and concepts

Long-term loan -appointed for the purpose of industrial and social development of the company.

Tax -The form of financial relationships related to the distribution of part of the value of the gross domestic product and national income between subjects of tax relations.

Overdraft -debiting funds from the client's current account in excess of the account balance.

Legal infrastructure sector -set of laws, by-laws on economic matters.

Customs system -a set of normative documents that determine the amount, procedure for payment of customs revenues, value added tax, excise duties and the procedure for granting customs benefits.

Customs territory -the territory of the state on which customs legislation is in force.

Factoring –financing under the concession of a monetary claim.

Factors of the internal environment -factors related to specific human activity.

Financial resources -these are funds intended for reimbursement of organizational expenses, purchase of material resources, payment of personnel.

Questions for self-testing

1. List the groups of regulatory documents that regulate the company's activities.

2. What determines the special place in the system of economic law of the Labor Code of Ukraine?

3. What is the difference between internal and external environmental factors?

4. Name the main factors of the internal environment.

5. Describe the factors of direct and indirect influence of the external environment.

6. At the expense of what sources are financial resources formed at operating enterprises?

7. What refers to the sources of financial resources that come to economic entities in the order of redistribution?

8. List the types of short-term loans

9. What regulatory documents regulate the demand for money from business entities?

10. Reveal the role of the banking system in the financial support of the company's activities.

11. What are the functions of taxes?

12. What is meant by a proportional tax rate?

13. What should be understood by direct and indirect taxes?

14. What role does the customs system play in ensuring the foreign economic activity of the firm?

15. Are the terms "the territory of this country" and "customs territory" identical?

TOPIC III

ORGANIZATIONAL AND MANAGEMENT AND ECONOMIC AND TECHNOLOGICAL MODELS OF THE COMPANY

3.1. Organizational structure of the company

The organizational structure of firms (availability, functions and composition of structural subdivisions) strongly depends on the branch specifics of the firm's activity, its size and other objective factors (the presence of a sufficiently developed production and transport infrastructure at the location of the firm, etc.). The organizational structure of companies of any profile can be represented in the form of models of a fairly general type, which must then be used as a basis for performance evaluations.

In modern conditions, only trading and brokerage firms, regardless of their size, can successfully function within the limits of only one type of activity, although even in this case, the firm, having reached a certain size in its development, will strive for a combination of retail and wholesale trade, entering into direct relations relations with manufacturers of goods, organization of production processes for the finishing of purchased products, customer service, etc.

If the firm is created for production activities aimed at the manufacture of products and the provision of production services, then as it develops, diversification of production becomes more and more necessary, which provides the firm with greater financial and economic stability in conditions of fierce competition and, to a certain extent, difficult-to-predict market fluctuations. junctures.

At any stage of the company's existence, its composition may include divisions that perform a certain range of functions.

First of all, all departments of the company can be divided into those that directly carry out production activities, for the sake of which the company was created, and divisions that perform the functions of management and maintenance of production divisions.

The process of managing production in the company is carried out by a team of workers organized into a management apparatus. **Management structure** is an organizational form of building a management apparatus, which characterizes the composition and subordination of management units and officials, formulated based on the goals of the company's operation.

Under **management function** understand a specific purposeful type of management activity caused by the division of labor in the management apparatus. Sometimes, due to the large volume of work, the management function is implemented not by one, but by several structural divisions.

According to the nature of the work performed, the following general management functions are distinguished: planning, organization, regulation, coordination, stimulation, control.

Planning function consists in the development and implementation of plans that determine the future state of the enterprise, the ways and methods of its achievement and the use of certain types of resources.

The main goal *functions of the organization* – formation and development of the subject and object of management (controlling and managed systems) to ensure effective communication and proper relations between them.

Regulation - a management function that ensures the functioning of production processes within the limits set by the plan. With the help of regulation, the required state of the control object and its stability in case of deviations from the specified parameters are achieved.

Function *coordination* ensures the distribution of management work, the consistency of the work of all links of the management system and individual specialists for the coordinated work of the entire production team.

*Stimulation*is the encouragement of the company's employees to be interested in the results of their work, which ensures the achievement of high business results.

Control is a function that includes monitoring the development of processes in the management facility, evaluating the implementation of the production program, comparing the results achieved for a certain period with the expected ones, identifying deviations from the values specified by the program, and clarifying the nature and causes of their occurrence.

Thus, management is a set of interconnected functions that ensure the proper functioning of the enterprise and the practical implementation of its goals.

The structure and number of the management apparatus for each specific firm depends on many factors, which can be grouped as follows: technical (scale of production, complexity of products, technological processes and equipment, level of automation of production and management); organizational and economic (the degree of centralization of functions, the nature of connections between different levels and links of the management system, between the object and the subject of management); external relations and conditions (level of cooperation, supply and sales system, climatic and natural conditions); organizational and legal relations (limited liability company, general partnership, joint-stock company).

Therefore, there is not and cannot be a single plant management structure for firms even in the same industry.

Organizational relations that develop between divisions and employees of the company's management apparatus determine its organizational structure.

Under **organizational structure** management of the firm is understood as the composition (list) of departments, services and subdivisions in the management apparatus, their systematic organization, the nature of subordination and accountability to each other and to the highest management body of the firm, as well as a set of coordination and information links, the order of distribution of management functions at different levels and subdivisions of the management hierarchy.

Base for construction the organizational structure of the firm's management is the organizational structure of production.

The variety of functional relationships and possible ways of their distribution between units and workers determine the variety of possible types of organizational structures of production management. All these types are mainly reduced to four types of organizational structures: linear, functional, divisional and adaptive.

Linear management structure.

This type of organizational management structure is used in the conditions of functioning of small firms with simple production in the absence of extensive cooperative relations with suppliers, consumers, scientific and design organizations, etc. Currently, such a structure is used in the

management system of production sites, individual small workshops, as well as small firms with homogeneous and simple technology.

Functional management structure.

The functional structure was formed as an inevitable result of the management process. The peculiarity of the functional structure lies in the fact that although the unitary authority is maintained, special divisions are formed for individual management functions, whose employees possess knowledge and skills in this field of management.

The traditional functional units of the company are production, marketing, and finance departments. These are broad areas of activity, or functions, that each firm has to ensure the achievement of its goals.

If the size of the company or department is large, then the main functional departments can in turn be divided into smaller functional units. They are called secondary or derivative. The main idea here is to maximize the benefits of specialization and prevent management overload.

The advantages of the functional structure include the fact that it stimulates business and professional specialization, reduces the duplication of efforts and consumption of material resources in functional branches, and improves the coordination of activities.

It is advisable to use the functional structure in those firms that produce a relatively organic range of products, operate in stable external conditions and require the solution of standard management tasks to ensure their functioning. Examples of this type can be companies that operate in the metallurgical industry, agricultural production, in industries that produce raw materials.

Divisional management structure.

The need for new approaches to the organization of management was caused by a sharp increase in the size of firms, the diversification of their activities and the complication of technological processes in the conditions of a dynamically changing external environment. The first to start restructuring the structure according to this model were large companies, which began to create branches within their giant firms (corporations), giving them a certain independence in the implementation of operational activities. At the same time,

the administration reserved the right of strict control over corporate-wide issues of development strategy, research and development, investments, etc., therefore this type of structure is often characterized as a combination of centralized coordination with decentralized management (decentralization while maintaining coordination and control).

The key figures in the management of companies with a divisional structure are not the heads of functional divisions, but managers (managers) who head production departments.

The structuring of the company by departments is mostly carried out according to one of three criteria: by production or provision of services (product specialization), with a focus on the consumer (consumer specialization), by serviced territories (regional specialization).

Some firms produce a wide range of goods and services that meet the demands of several large consumer groups or markets. Each group or market has well-defined or specific needs. If two or more such elements become particularly important for the firm. It may use a customer-oriented organizational structure, in which all its divisions are grouped around specific customer groups.

Commercial banks are an example of the active use of a consumer-oriented organizational structure. The main groups of consumers who use their services are individual clients (private individuals), pension funds, trust firms, and international financial firms.

Adaptive management structure.

Adaptive or organic management structures ensure a quick reaction of the company to changes in the external environment, contribute to the introduction of new production technologies. These structures are aimed at accelerated implementation of complex programs or projects, can be used by companies, associations at the level of industries and markets. Two types of adapted structures are usually distinguished: design and matrix.

Project structure is formed during the development of projects by the organization, which are understood as any processes of purposeful changes in the system, for example, modernization of production, development of new products or technologies, construction of facilities, etc.

*Matrix structure*re presents a company grid built on the principle of dual subordination of executors: on the one hand, to the direct project manager; on the other hand, to the project (target program) manager, who is given the necessary powers to implement the management process in accordance with the planned deadlines, resources and quality. Under such an organization, the project manager interacts with two groups of subordinates: with permanent members of the project team and other employees of functional departments who report to him temporarily and with a limited range of issues. At the same time, their subordination to the direct heads of divisions, departments, and services is preserved.

In matrix structures, it is possible to flexibly redistribute personnel depending on the specific needs of each project.

In general, a rational organizational structure of company management must meet the following requirements:

a) have functional suitability, guarantee reliability and ensure management at all levels;

b) be prompt, keep up with the progress of the production process;

c) have a minimum number of management levels and rational connections between management bodies;

d) be economical, minimize the costs of performing management functions.

3.2. Leasing is a type of entrepreneurial activity involving the investment of assets

Renting and leasing are types of entrepreneurial activity in market conditions.

Fixed assets differ in many ways. By ownership, fixed assets are divided into owned and leased.

Rent -an agreement under which the owner of the property (the lessor) transfers the property, land to the lessee for possession and use or for temporary use for a certain period and at a rent agreed between the parties.

Land plots and other isolated natural objects, enterprises and other property complexes, buildings, structures, equipment, vehicles and other property that does not lose its natural properties during its use can be leased.

Ownership remains with the lessor. Products and income received by the lessee as a result of the use of the leased property are his property.

Leased property can be transferred to the lessee upon the expiration of the lease term or before its expiration, in case of payment by the lessee of the purchase price specified in the contract. Certain types of leased property may be prohibited by law from redemption.

The lease agreement stipulates the value of the property, the term of the lease, the amount and procedure for paying the rent.

Civil legislation defines the following types of lease:

- vehicle rental;
- rent of premises and buildings;
- lease of enterprises as a whole as a property complex;
- rental;
- financial lease (leasing).

A distinction is made between short-term lease (current) and long-term lease of fixed assets.

Short-term rental - fixed assets are leased for a period of no more than 5 years, then the object is returned to the lessor, the lease term cannot exceed the term of full depreciation of the property.

The lessor continues to record the object of fixed assets transferred to the current lease on its own balance sheet, pays property tax, calculates depreciation, since it is he who owns the object. Since the leased property is removed from the production process, the lessor attributes depreciation

deductions not to expenses, but to financial results (non-realization expenses) to reduce rental income.

Long-term lease **-**this is a lease of fixed assets up to the moment of their full depreciation, or a lease with the right of redemption.

The development of NTP, the enterprise's desire to produce competitive products leads to the creation of high-performance types of fixed assets, which are more economical in operation, but also more expensive.

In conditions of low investment activity, their acquisition is significantly problematic, especially for small and medium-sized enterprises.

World experience has quite convincingly shown the solution to this problem in the development of leasing.

Leasing **-**a type of business activity aimed at investing temporarily free or borrowed funds, when under a financial lease (lease) agreement, the lessor (lessor) provides the property purchased from a certain seller to the lessee for temporary use for business purposes.

The object of leasingmay be movable and immovable property, which according to the current classification belongs to fixed assets, except for property prohibited from free circulation on the market.

Subjects of the leasing operation there are three participants: an enterprise that produces and sells equipment, machines or other property; lessor (lessor) and user - lessee (lessee), which can be an enterprise, organization, or individual. The first and second participants in the leasing operation are bound by a sales contract, the second and third by a leasing contract.

At the end of the lease term, the lessee either returns them in full to the leasing company, or extends the contract on more favorable terms, or buys them back at market value. The purchase of property from the supplier for the lessee takes place in the form of investments. They include the cost of the leased item itself and costs directly related to its purchase (transportation and procurement costs, installation costs, etc.). According to the terms of the contract, the leased property can be registered with both the lessor and the lessee.

The lessor's right to compensation for investment costs is exercised by the lessee paying the leasing fee. The lease fee is a compensatory payment that covers the lessor's investment costs and provides him with a reward for the service provided. Therefore, the lessor's income is only a part of the leasing fee, that is, the amount of the due remuneration. Profit is defined as the difference between the remuneration and the costs associated with the implementation of the leasing activity.

Based on the grouping and systematization of leasing operations, the following types of leasing are distinguished. The attractiveness of leasing lies in its high efficiency and flexibility as an investment tool. The development of leasing is of interest to both manufacturers of fixed assets that are leased and consumers of this property.

For the manufacturing enterprise (lessee), this interest lies in the fact that it has the opportunity to use highly productive property, without having the opportunity to purchase it immediately with the act of sale.

Leasing is beneficial for leasing companies that receive the necessary return on invested capital with low financial risk. The leasing company is the legal owner of the leased equipment for the duration of the lease until the end of the payment, and in the event of a settlement violation, it can seize it, sell it to pay off losses, etc.

Organizational forms of development of the leasing market receive their specific reflection in the formation of:

- universal leasing companies created by banks;

- specialized leasing services in the structure of banks;

- specialized leasing companies – manufacturers' enterprises that lease part of their products;

- leasing companies that create large firms specializing in the supply and maintenance of equipment.

3.3. The role of logistics in the management of material flows

In the conditions of the administrative-command economy, material and technical supply (MTP) arose on the basis of fund distribution. The market economy determines a different nature of MTP. Material costs make up from 60 to 80% of the total cost of production and sale of products.

It follows from this that the efficiency of the company's work in many cases depends on the coordinated, clear work of MTP services. The general approach and tasks of MTP are changing.

The modern concept of MTP is built on the basis of logistics. To **logistics** include management of material, financial, labor, information and other flows that take place in economic systems. From the point of view of the economic turnover of a business entity, logistics is the process of managing the movement and storage of raw materials, components and finished products in economic turnover from the moment of payment of money to suppliers to the moment of receipt of money for the delivery of finished products to the consumer.

The main goal of logistics consists in the rational management of material stocks and information flows to satisfy demand, delivery of goods exactly on time and with minimal costs.

The fundamental difference between the logistic approach to the management of material flows and the traditional one is the integration of individual links of the material and production chain into a single system capable of adequately responding to the influence of the external environment, as well as the integration of engineering, technology, economics, methods of planning and flow management.

Material flow is key in logistics. It is created as a result of transportation, storage and performance of other operations with raw materials, semi-finished products, finished products, starting from the source of raw materials and ending with the final consumer.

A set of actions aimed at transforming the material and information flow is called ***logistic operation***. Logistics operations with material flows should include loading, unloading, transportation, storage, assembly and packaging.

Logistic operations with information flows include collection, processing and transmission of information. The information flow exists in the form of paper and electronic documents.

The main goal of logistics determines the structure and main functions of the logistics system. *The main functions of the logistics system are:*

1. Formation of economic ties.

2. Determining the needs for product transportation and sales.

3. Formation and regulation of production stocks.

4. Development and placement of a warehouse.

3.4. Investments are the basis of the formation of a perspective company structure

Ukraine has entered the period of formation of market relations, which requires deep structural changes in the economy - a crucial sphere of human activity.

The effectiveness of economic development in many cases depends on the nature of the investment policy, its focus on the most complete and rational use of all types of resources. The main goal of the policy is to transfer the economy to the investment path of development with the subsequent reduction of costs for investment growth of production potential and increase investments in the intensification of the main production funds involved.

The real way out of the crisis is real structural restructuring, reconstruction of companies, their technical rearmament, expansion of their profile (diversification), creation of highly efficient production capable of quickly mastering new products.

All this means the need for investments and innovations, which are practically impossible without each other. This is a significant process, the purpose of which is to create a company that would occupy a solid niche in the market, which ensures long-term competitiveness of its production and

products, its higher quality, a wide and constantly updated assortment and low production costs. This can only be done realistically if there are investments.

Things are not easy with the sources of investment. The most characteristic method of raising funds for a market economy is a long-term (investment) loan with a high interest rate. The income from the constructed production facilities is intended to ensure not only the return of interest and the loan itself, but also a profit of at least 25-20% per annum.

The paradox of the Ukrainian economy is that the total amount of capital exported from Ukraine significantly exceeds the annual amount of funds invested mainly in productive assets. From this follows the conclusion that it is necessary to implement a mechanism for directing investment flows to the most efficient sectors of the economy.

Investments are of particular importance for the formation of a promising structure of social production. The investment policy determines the most priority areas of capital investments, which depend on increasing the efficiency of the economy, ensuring the greatest increase in production and national income for every hryvnia of expenses.

Legal, economic and social conditions of investment activities are regulated by the legislation of Ukraine.

Under ***investments*** means money, targeted bank deposits, shares, shares and other securities, technologies, machines, equipment, licenses, including trademarks, credit, any other property or property rights, intellectual values that are invested in objects of entrepreneurial activity with the aim of obtaining profit and achieving a positive social effect.

The set of practical actions for the implementation of investments is called investment activity (investing), the persons who carry it out are called investors. Investment activity is carried out at the expense of:

- the investor's own financial resources: profit, depreciation deductions, cash accumulations, savings of citizens, legal entities, etc.;

- attracted banking funds of investors: bond loans, bank and budget loans;

- involved bank funds of the investor: funds received from the sale of shares, equity contributions of citizens and legal entities;

- budget investment allocations.

Subjects of investment activity can be both physical and legal entities, including foreign, as well as states and international firms.

Investments **-** the process of collective use of resources that ensure an increase in capital, the expansion and modernization of production, the development of new technologies and equipment, the withdrawal of funds from the current turnover and their distribution in order to increase the company's assets.

3.5. Performance indicators of investment activities

From a financial and economic point of view, investing can be defined as a long-term investment of resources with the aim of creating and obtaining profit in the future.

According to types, the following are distinguished:

- financial (portfolio) investments;

- real (capital-generating) investments;

- investments in intangible assets.

Financial investments -these are funds that are invested in shares, bonds and other securities issued by the state, municipality, and corporate companies.

Real investments -this is the investment of funds in the fixed capital and for the growth of material and production stocks.

Investments in intangible assets -this is the investment of funds in the acquisition of scientific and technical developments (property rights, licenses, "know-how", goodwill, etc.).

*Capital-generating investments*include indicators:

- investments in fixed capital (capital investments);

- capital repair costs;

- investments for the acquisition of land plots and objects of nature use;

- investments in intangible assets (patents, software products, R&D, licenses, etc.);

- investments in stock replenishment of tangible current assets.

Investments in fixed capital occupy the largest specific weight, the volume of which includes expenses for new construction, reconstruction, expansion and technical rearmament.

Investments in fixed capital include expenses for construction work of all kinds:

- equipment installation costs;

- for the purchase of equipment that requires and does not require installation;

- for the purchase of production tools and household equipment, which are included in construction estimates;

- for the purchase of machines and equipment that are not included in the construction estimate;

- for other capital expenditures.

Based on the goals of the investment project, real investments can be divided into the following groups:

- investments aimed at improving production efficiency;

- investments aimed at expanding production;

- investments in the reconstruction and technical rearmament of existing production facilities;

- investments in the creation of new and fundamentally new types of products;

- investments in creating new jobs;

- investments aimed at the creation of nature protection facilities.

Gross and net investments are distinguished*Gross investments*characterize the general increase in the capital stock.

Pure investment- this is gross investment after deducting funds used for the reimbursement of worn-out fixed capital. If gross investment is greater than compensation, then net investment is positive, that is, there is an expanded reproduction - an increase in the capital stock.

If gross investment is less than recovery, then net investment is negative , i.e. the available capital is reduced ("eats up").

If the gross investment is equal to the return, simple reproduction takes place, i.e. at constant scale.

Investments can cover both the scientific and technical or production cycle, as well as its elements (stages): the organization of new production or the release of new products; reconstruction or technical rearmament.

Thus, investment in its pure form, or capital formation, represents a net increase in the real capital of society, which gives an impetus to the expansion of incomes and employment.

To assess the use of capital, profitability indicators are used, which include:

- total return on invested capital;

- rate of return on invested capital;

- rate of return (profitability) on own capital.

The total return on invested capital is determined by the ratio of the total amount of profit (P_{with}) to the amount of invested capital - equity (K_V) and raised capital (Z_{To}).:

$$R_{ik} = P_{with} / TO_V + Z_{To}.x\ 100\%,$$

where R_{ik}- return on invested capital.

The rate of return on the invested capital is determined by the ratio of the mass of profit paid by the owner-creditors to the amount of capital invested by them. Return on equity is the ratio of the mass of net profit received during the reporting period to the average annual cost of equity.

The difference between the return on equity and the return on invested capital after taxes is due to the effect of financial leverage. It shows by how many percent the profitability of own capital increases due to the economic entity's involvement of the funds involved in turnover. The effect of financial leverage occurs if the economic profitability is higher than the borrowed capital.

3.6. Technological innovations and innovation policy

The technological policy of the state creates market incentives for the formation of an innovation-oriented strategy by national private companies. Of course, only private companies can reliably assess the commercial effect of the introduction of this or that technology, build the right investment strategy, reducing potential risks. But for many reasons, private companies often use "underinvestment" of their funds in promising activities related to the development, acquisition and adaptation of new technologies in production.

First, innovative investments require high costs for modernization of production, acquisition or creation of new equipment, collection and analysis of information on production and sale of products, as well as for fundamental and applied research, training of high-class specialists, development of related technologies. Second, innovative companies receive only part of the total commercial income from the implementation of research results. Not only national, but also foreign companies have access to these results. According to some estimates, the innovator company has on average only 30% of the total revenue from the introduction of the new technology. Thirdly, the introduction of new technologies is associated with high risks.

There are two types of technological innovations: product and process. The introduction of a new product is defined as ***radical productive innovation.*** Such innovations are based on fundamentally new technologies or on a combination of existing technologies in their new application. Product

improvement – incremental product innovation – is associated with an existing product when its quality and cost characteristics change.

Process innovation -this is the development of new or significantly improved production methods and technologies, changes in equipment or production organization.

According to the degree of novelty, innovations are divided into *fundamentally new,*that is, which have no analogues in the past and in domestic and foreign practice, and for innovation *relative novelty*. Fundamentally new types of products, technologies and services have priority, absolute novelty and are original samples, on the basis of which innovation-imitations, copies receive replication.

Among innovations-imitations, we distinguish technique, technology, products of market novelty, new field of application and innovation of comparative novelty (have analogues in the best foreign and domestic companies) and innovation-improvement. In turn, innovations - improvements according to the subject-content structure are divided into displacing, replacing, improving, etc.

The life cycle of an innovation is a set of interconnected processes and stages of innovation creation. The life cycle of an innovation is defined as the period of time from the birth of an idea to the withdrawal from production of an innovative product implemented on its basis.

Frequent changes in equipment and technology create great difficulties and instability of production. During the period of transition to new equipment and development of new technological processes, the efficiency indicators of all divisions of the company decrease. That is why innovations in the field of technological processes and work tools must be accompanied by new forms of organization and management, operational, processor and detailed calculation of economic efficiency.

Content of innovative activity. The company's innovative activities in the development, implementation, development and commercialization of open spaces include:

- carrying out research and design work on the development of an innovation idea, conducting laboratory studies, manufacturing laboratory

samples of new products, types of new equipment, new structures and products;

- selection of the necessary types of raw materials and materials for the manufacture of new types of products;

- development of the technological process of manufacturing new products;

- design, manufacture, testing and mastering of exemplary equipment necessary for the production of products;

- development and implementation of new organizational and management solutions aimed at implementing innovations;

- research, development or acquisition of necessary information resources and information support of innovations;

- preparation, training, retraining and special methods of personnel selection necessary for conducting R&D;

- carrying out works or acquiring the necessary documentation for licensing, patenting, acquiring "know-how";

- organizing and conducting marketing research to promote innovations, etc.

Indicators of the company's potential

Qualitative and quantitative indicators of its scientific and technical potential are important for the development of the company's innovative activity. They include:

- material and technical, which characterize the level of development of R&D, equipment with research and experimental equipment, materials, devices, office equipment, computers, automatic devices, etc.;

- personnel, which characterize the composition, number, structure, qualifications of personnel serving the R&D;

- scientific-theoretical, characterizing the results of exploratory and fundamental theoretical researches, which are the basis of the scientific department, which is at the company;

- information, which characterize the state of information resources, scientific and technical information, current scientific periodicals, scientific and technical documentation in the form of reports, regulations, technical projects and other design and construction documentation;

- organizational and management, including the necessary methods of organization and management of R&D, innovative projects, information flows;

- innovative, which characterize the scientific content, novelty and priority of the work carried out, as well as an intellectual product in the form of patents, licenses, "know-how", innovative proposals, inventions, etc.;

- market, assessing the level of competitiveness of innovations, availability of demand, orders for R&D, necessary marketing measures to promote innovations to the market, etc.;

- economic, which characterize the economic efficiency of innovations, the costs of conducted research, the market value of intellectual products; indicators that evaluate the value of both own and third-party patents, licenses, "know-how", other types of intellectual value;

- financial, characterizing investments in R&D, intangible assets, sources of financing (possibility of issuing shares and bonds, attracting foreign and private investors, etc.).

The fundamental difference between the innovative activity of the firm and the current production is that the assessment of the current state of the firm, including equipment and technology, is based on identifying the conditions for success based on past experience and trends that have developed.

Indicators of the technical level of production

Methodologically, it is necessary to distinguish between indicators of the economic efficiency of increasing the technical and organizational level and

indicators of the level itself, that is, the state of technology, technology, organization, management and R&D.

Increasing the technical and organizational level of production ultimately manifests itself in the level of use of the main elements of the production process: labor, means of labor, and objects of labor. That is why such economic indicators as labor productivity, return on capital, material intensity, turnover of working capital, which reflect the intensity of use of production resources, are indicators of the economic efficiency of increasing the level of introduced new equipment and technology. The above indicators are called partial intensification indicators. Their analysis must be carried out by factors of the technical and organizational level. Along with partial indicators, general indicators are also used.

All generalizing indicators, which characterize the increase in the economic efficiency of measures for technical and organizational development, are combined into the following groups:

increase in labor productivity, relative deviation of the number of employees and the wage fund;

increase in material yield (reduction of material intensity), relative deviation in the consumption of material resources;

increase in return on capital (decrease in capital intensity);

increase in the rate of turnover of current assets, relative deviation (released or tied up) of current assets;

an increase in the volume of production due to the intensification of the use of labor, material and financial resources;

increase in profit or production cost;

increase in indicators of the company's financial condition and solvency.

The proposed system of indicators of the economic efficiency of new equipment is uniform for all branches of material production.

3.7. The concept of quality and its indicators

A product can satisfy one or another human need only if it has a quality that determines its purpose. Quality is an important indicator of the company's activity. The question of quality is a question of saving all kinds of resources. Under market conditions, the improvement of product quality determines the pace of technical progress, the growth of production efficiency, the introduction of innovations, and the adaptation of firms in competitive conditions.

Under quality means the set of properties of the product, determining its suitability for meeting certain needs in accordance with its purpose, i.e. the degree of suitability of the product. Any product has a set of physical, chemical, biological and other properties that determine its purpose.

Quality is characterized by reliability, durability, safety, transportability and other indicators. Under market conditions, quality assessment is based on indicators that reflect the competitiveness of products on the domestic and foreign markets.

Depending on the needs, one or another indicator of product quality is used, which is decisive for this industry.

Quality is a non-constant quantity. It depends on:

- the level of used equipment and technology;
- employee qualification level;
- labor discipline.

Generalizing and partial indicators of product quality are distinguished. Partial indicators of product quality characterize the technical and consumer properties of products of companies in various sectors of the economy. Summarizing indicators characterize the quality of all products, regardless of their type and purpose.

Quality management is carried out in all countries. In accordance with international standards ISO 9000, the main areas of activity in the field of quality are distinguished:

- quality planning;
- quality management;
- quality assurance;
- quality improvement.

Certification– the procedure, thanks to which an authoritative body checks and certifies the compliance of certain types of products with the requirements of the standards. Certification means that the products have been tested and checked fairly objectively.

3.8. Competitiveness is a measure of compliance social needs

In market conditions, the basis of a company's survival is product quality. Competition between companies mainly revolves around the quality of manufactured products. Recognition by society of the costs of this or that producer is realized through the act of sale. Realization of the product means that it satisfies the needs of society in the person of specific consumers by its consumer or other properties. The coincidence of the properties, characteristics of the product and the requirements of the consumer, in which the interests of the producer and the consumer are respected, which characterizes the complete compliance of the product with market conditions, is called*competitiveness.*

It follows from this that the goods must not only possess a set of chemical, physical, aesthetic, ergonomic and other properties, but also meet the requirements and conditions of their sale (in terms of price, terms, deliveries, service, etc.). The concept of competitiveness is always concrete, as the product must always be tested for compliance with social needs and preferences of certain groups of buyers.

Competitiveness differs from product quality. Competitiveness is determined by the set of properties that are of interest to a certain group of buyers and ensures the satisfaction of this need, other properties are not taken into account.

The same product can be competitive in the domestic market and uncompetitive in another. Product competitiveness varies depending on market conditions, advertising and other internal and external factors. A product with a higher level of quality may be less competitive if its value has increased significantly due to giving the product new properties that are not required by the group of consumers for which it is intended.

Thus, with unchanged quality characteristics, the competitiveness of the product can change significantly, responding to changes in the market situation, the influence of advertising and other factors.

The assessment of the product's ability to compete is carried out by comparing the properties of the analyzed products with similar products with similar properties of the base or reference sample. The basis for comparing competitive products is either the customer's need or a sample. ***Sample*** **–**it is a similar product that has the maximum sales volume and the best sales prospect in the future.

If the product parameters do not have a physical measure, then scoring methods are used to evaluate these characteristics. Differentiated (descriptive) and complex methods are distinguished.

Differentiated method **-**allows you to state the fact of the need to increase or decrease product parameters to ensure competitiveness, but does not reflect the influence of each parameter when choosing a product by the consumer.

A comprehensive approachis based on the application of group, generalizing indicators.

The deed of sale of the product is evidence that the given product meets the requirements of the market. The greater the number of buyers confirming this compliance, the higher the product's competitiveness. Therefore, quality and competitiveness issues come to the fore when creating a business entity.

It is the quality and competitiveness of products that are the basis of survival in conditions of fierce competition. This approach to determining quality and competitiveness fundamentally changes the tasks of the product manufacturer in the field of planning and quality management, cost accounting, choosing a more economical option for achieving a certain level of quality and the best way to organize the process of ensuring it. These problems

can be successfully solved only with a unified approach to the concept of quality, methods and methods of its measurement.

Key terms and concepts

Investments -property, property rights, intellectual values, which are invested in objects of entrepreneurial activity with the aim of obtaining profit and achieving a social effect.

Quality -a set of product properties that determine its suitability to meet certain needs in accordance with its purpose.

Leasing -a type of business activity aimed at investing temporarily free or borrowed financial resources.

Leasing payments -are compensatory payments that cover the lessor's investment costs and provide him with a reward for the service provided.

Logistics -management of material, financial, labor, information and other flows that take place in economic systems.

Sample –a similar product that has the maximum sales volume and the best sales prospects in the future.

Real investments -investment of funds in the fixed capital and for the growth of material and production stocks.

Certification –a procedure that checks and certifies the compliance of types of products with the requirements of the standards.

Management structure -the organizational form of building the management apparatus, which characterizes the composition and subordination of management units and officials.

Questions for self-testing

1. What should be understood by the management function?

2. List the types of organizational structures of firms.

3. Name the factors that influence the choice of type of organizational structures.

4. What is the difference between short-term and long-term rent?

5. Who are the subjects of leasing operations?

6. List the types of leasing according to the composition of the participants, the rate of return and the nature of the payment.

7. Name the main purpose of logistics.

8. Describe the types of technological innovation.

9. Describe the "push" and "pull" flow control systems.

10. What is the difference between gross and net investments?

11. At the expense of which sources are investment activities carried out?

12. What is the difference between temporary and general indicators of product quality?

13. How is it determined and what is the value of the indicator "certified production coefficient"?

14. Are "competitiveness" and "quality" of goods identical concepts or not?

15. In what case are scoring methods used to evaluate the characteristics of product parameters?

16. Name the indicators of the technical level of production.

17. What is an investment project, its structure?

18. Describe the "six rules of logistics".

19. What is material flow in logistics?

20. What is the company's potential?

21. Describe the indicators of the company's potential.

22. What is the essence of the economic evaluation of innovations?

23. What is the essence of technological innovations?

TOPIC IV

COMMUNICATIONS OF THE BUSINESS COMPANY IN THE EXTERNAL ENVIRONMENT

4.1. Communications of a business firm with counterparties

Carrying out the logistics cycle, entrepreneurial firms constantly interact with their counterparties, customers, competitors and the public. The internal functional environment of the entrepreneurial firm and the business environment external to it actively influence each other, which we observed while studying the material of the previous chapters. Therefore, one of the most important tasks for an entrepreneurial firm is establishing external communications.

Under communicationsentrepreneurial firm should be understood as a set of contacts that this firm establishes and reproduces in the course of its functioning. The creation, support and development of communications should be considered as a specific and independent function that must be performed by an entrepreneurial firm, in other words, as an equal element of the functional environment of this firm.

The set of communications of an entrepreneurial firm has common properties.Content of communicationsis always related to the content, properties and composition of subjects (objects), which determine the business interests of various business subjects. These interests can be mutual, opposite and neutral.

Reciprocity of interests of business entities is that all communication participants are equally interested in the development of one or another object of activity. For example, baking of high-quality bread is interested in the subjects of the bakery production business, and merchants who own shops selling bread, and consumers and shareholders of bread factories. Therefore, each of the mentioned business entities is interested in the development of others, and they carry out communications between themintegrating role.

Conflict of interests of business subjects is that the participants of communications are interested in the development of this or that object of

activity in different ways, and the mismatch of business interests of business subjects gives rise to communications in the formcompetitive confrontationbetween them. Competitors are, for example, sellers and buyers of goods of the same name, who vigorously argue among themselves about the price, quality, consumer properties of each product and the possibilities of its after-sales service. Communications between counterparties in the process of preparing and concluding an agreement are also competitive in content, as each party to the agreement always seeks to impose its terms of the contract on the other. Finally, the competitors are, of course, suppliers of products of the same name (this type of communications"absolute competition").

In real life, the interrelationship and oppositeness of business interests of business entities often manifests itself in the same communications. For example, let's turn to the already considered case of baking bread. The interests of all participants in the bread business are not only mutual, but also opposite, and all of them, listed above, are in fact not only counterparties and customers of each other, but also competitors. This type of communication should be defined as "relative competition". Both absolute and relative competition are forms of communication of all business entities, but in the future we will consider only the relevant communications in the field of entrepreneurial business.

Neutrality of interestsof business subjects is that the objects of interest of some of them are the same in relation to other business subjects only indirectly. For example, the majority of Ukrainian citizens are interested in a high level of the state's defense capability or in the successful performance of national sports teams at international competitions. However, specific business interests related to the production and sale of weapons or the preparation of athletes for performance are the property of the respective types of business. The neutrality of the interests of business subjects can have a mutual and opposite direction (for example, football fans can relate differently to the game of certain national club teams), and it is always manifested thanks tojoint social communications.

Motives, as a result of which the firm considers it necessary to enter into communications (or open communications), are different in terms of specific content. Since, performing the communication function, the firm is guided by strategic, operational and opportunistic settings, the firm's communications can

also be strategic, operational and opportunistic. These communications can be long-term and short-term, simple (two-subject) and complex (multi-subject).

Technologically, the communications of an entrepreneurial firm always represent a set of actions of a given form in relation to other business subjects withreason objects of communications. These actions include the cooperation of business subjects, including commercial relations and joint activities, competitive confrontation with each other, as well as the distribution of information compiled in a special way about themselves, or, to the extent that it is not prohibited by law, about other business entities (such information is called communication) and acceptance counter information from the outside. Ways of organization of the company's actions in relation to other business subjects, including the means of distribution of communications are calledcommunication tools.The set of communication tools of the firm with various business entities formscommunication channels.

Depending on the communication technology of the business firm, it is advisable to divide it intodirect and indirect (made through intermediaries). The use of indirect communications is associated with the delegation of certain functions to the latter in the field of carrying out certain actions in the external business environment, as well as the distribution and acceptance of communications. Intermediaries as special business subjects have already appeared on the pages of the manual several times, and certain types of intermediary business activity (direct and indirect channels of movement of goods, investment mediation, information and expert business, business on the labor market) have been given a certain characteristic. Below, we will take a closer look at other manifestations of the company's indirect and direct communications.

The business firm's communications with counterparties take the form of agreements. Business agreements can be bilateral and multilateral and even unilateral. One-sided is considered an agreement for the implementation of which the expression of the will of one party is necessary and sufficient. Therefore, it creates obligations only for one person who executed the agreement, and it can create obligations for other individuals and legal entities only in agreement with these persons, or in special cases established by law.

For example, any entrepreneurial firm can also give any intermediary business entity a power of attorney to manage affairs and sign agreements on

its behalf for the purchase of raw materials, machines, equipment for the organization of production, or for the sale of manufactured products. In this case, the intermediary specified in the power of attorney receives rights that he did not have before.

An offer is also a specific instrument of a unilateral agreement. This tool is actively used by business entities in the process of initiating new deals, usually futures deals.

Commercial proposal or offer (from the English commercial offer), is a written or oral notification of the intention to enter into a legally binding agreement.

The offer is made for a written offer to a potential partner about cooperation or business contact. It contains information that represents the specific terms of the agreement, for example, the price of the product, the method of its transfer, the procedure for making calculations. In this case, having made such an offer, the subject of entrepreneurial business, as a rule, undertakes obligations that must be observed within the period stipulated in the text.

To conclude a bilateral agreement, it is necessary to observe the agreed will of two parties, and to conclude a multilateral agreement, it is necessary to observe the agreed will of three or more parties.Consistency of willof different parties (this legal term is used in the Civil Code of Ukraine when characterizing agreements) is necessary because any agreement between business entities entered into under coercion and not of good will may be declared invalid.

Analysis, segmentation of the market and positioning of goods by an entrepreneurial firm-manufacturer must be completed by the conclusion of a futures bilateral or multilateral agreement, performing which firm in the following will begin to carry out design, production, sales and other functions.

The conclusion of a futures agreement between two or more business entities is preceded by a procedure for agreeing the form of the agreement and a certain number of conditions, which include:

- the presence of two (or more) objects that are of interest to potential parties to the agreement and therefore are valuable and significant objects;

- working out the agreed conditions for the implementation of the agreement;

- the agreed time of implementation (conclusion) of the agreement;

- agreed definition of the location of the transaction.

There are three main forms of agreements: oral agreements, simple written agreements, notarized written agreements. An agreement can be made orally if the behavior of the business entity shows his will to carry out the given agreement. At the same time, not only his verbal statement, but also silence can be recognized as an expression of the will of the specified business entity to carry out the agreement.

An agreement in written form (notarized or simple, which does not require mandatory notarization) must be executed by drawing up a document that reflects its content and is signed by all business entities that are parties to the agreement, or by persons authorized by them. Such documents are, as a rule, agreements and contracts of various types.

Agreement (contract) is the agreement of two or more business subjects to establish, change or terminate civil rights and obligations in mutual relations.

A contract (agreement) is most often concluded by sending an offer (offer to conclude an agreement) by one of the parties to the future agreement and its acceptance (acceptance of the offer) by the other party.

In such a contract, obligations are fixed, according to which one of the business entities must perform certain actions for the benefit of another business entity, for example, transfer property, perform work, pay money. In the contract, for example, it may be recorded that "the seller sells, and the buyer buys, office furniture in the amount of 10 million (ten million) UAH." This record forms a set of obligations for both the seller and the buyer. One of the mentioned entrepreneurial business subjects undertakes by this contract to sell the goods for the specified amount, and the other undertakes to buy the goods for the same specific amount.

The direct conclusion of the contract is preceded by a number of stages. Initially, in the process of market analysis and segmentation, the

entrepreneurial firm searches for and selects suitable partners. This stage can be considered part of the marketing research of the relevant market segment.

The search and selection of a partner should be based on reliable information about business entities that operate in the middle of the selected segment or close to it. When choosing a partner, it is very important to find arguments that prove his ability or inability to fulfill the obligations that the entrepreneurial firm would like to place on him.

The study of the market segment continues further in the process of negotiations with potential business partners. Negotiations are, as a rule, a way of finding a joint solution between two or a number of entrepreneurial firms in the form of bargaining over mutually agreed terms of the agreement. Each of the potential participants in the agreement seeks to impose their business interests on other parties, defends them using various methods of business communication known to him. At the same time, each subject of entrepreneurial business seeks to take the most advantageous position for him, putting the negotiating partner in a disadvantageous position.

The main subject of discussion during the negotiations is the terms of the agreement. The composition of these conditions includes the methods of conducting the transaction (with or without the participation of intermediaries), the range of products (or services), the consumer properties of these products, their quality, price, methods of transportation and delivery of products, and methods of payment for the transaction.

Direct deals (agreements concluded without intermediaries) have the following features:

- the buyer is absolutely sure that he receives exactly the goods he needs;

- in the process of production of products that are the subject of the agreement, the manufacturing company may, in accordance with the wishes of consumers, make adjustments to its consumer properties, its content, appearance in a predetermined amount;

- after the conclusion of the agreement and the delivery of the created products, the manufacturing company can, if necessary, carry out minor repairs and other post-warranty maintenance of these products.

At the same time, the nature of direct deals has significant drawbacks. Direct deals can be beneficial to a manufacturing company only in those cases when it has on its staff specialists capable of working with a variety of buyers, independently owns premises for storing goods and special retail areas.

Therefore, say, in the sectors of the economy that produce goods, direct agreements are rarely made. The activity of manufacturing business entities is more effective if it is carried out through commercial intermediaries specializing in the performance of a limited number of functions related to the delivery of goods to the final consumer. At the same time, in those types of business where the subject of agreements are not goods, but services, agreements are concluded, as a rule, without intermediaries.

The most important aspect of negotiations that precede the conclusion of a contract is the correlation of the price of goods (or services) with the quality of these goods (services). The quality of all goods and services can theoretically be determined with the help of special calculations based on the system of standards in force in the country (or on international standards), as well as on the system of special quality meters, which are called qualimetric parameters (from the word "qualimetry" - the science of measurement quality).

However, in practice, this is especially noticeable in the market of consumer goods, the specific quality characteristics of goods and services that the parties agree on when concluding an agreement are determined based not only on the objective circumstances of quality consideration, but also on the subjective preferences of the parties. The subjective factor plays a certain role in the differentiation of quality, for example, Subaru and Toyota cars, Ariel and Myth washing powders, various cleaning products, refrigerators, mayonnaise, irons, etc.

The subjective factor plays an important role in pricing. The price level that is minimally acceptable for a manufacturing company is determined by the total cost of production and sales of products. The price, of course, can be lower, but then the entrepreneurial firm will suffer financial losses, it can be higher - in this case, the difference between the price and costs will provide it with a profit.

The agreement answers the question of what the price level will be in the end. At the stage of "launching" an entrepreneurial firm, it is necessary to

clearly understand that the price of the transaction is always the result of a compromise between the business interests of two (or more) business entities. At the same time, one should not forget that each of the subjects of entrepreneurial business can easily turn from a producer firm into a consumer firm under certain circumstances. In both this and other cases, this business entity acts as a party to the agreement and, therefore, actively participates in determining the price at the stage of conclusion of the agreement or contract.

When participating in price formation, it is necessary to take into account various factors, each of which can affect the deviation of the price of the product from the costs of its production. They primarily include price settings implemented by buyers and sellers. Thus, an entrepreneurial firm launching a new product on the market chooses, as a rule, one of two settings - "removal of cream" or "market penetration".

"Knowledge of cream" consists in setting the highest possible price for a novelty. The price declines after the first wave of selling has receded somewhat. A high starting price ensures sufficient profitability with significant costs at the initial stage of production and sale of products. It allows you to restrain the demand, which makes sense, because at a lower price, the firm would not be able to fully satisfy the needs due to the limitation of its potential. A high starting price also contributes to the formation of the image of a quality product in the eyes of consumers, which can facilitate its sale in the future when the price is reduced. At the same time, competitors can also express a desire to "skip the cream", taking advantage of the high price not set by them.

By choosing a "market penetration" approach, firms, on the contrary, seek to set a low price for a new product in order to attract as many consumers as possible and win a larger market share. This setup justifies itself in case of a large-scale business, in the course of which it is possible to compensate losses that occur during the organization of "market penetration" of new products at the expense of the total profit.

The parties to the agreement should also take into account the scope and content of the market offer of goods, their constantly changing value in the eyes of each of the parties to the agreement, the level of solvency of business entities, the degree of interchangeability of goods, the level of prices set by competitors for products of the same name, as well as stereotypes of the market behavior of companies producers and subjects of consumer business.

Successful negotiations between business entities ultimately end with the signing of a contract (agreement) between them. Failures in negotiations, from which, of course, no one is immune, can be caused by objective conditions - the parties (or one of the parties) found the lack of need for mutual cooperation, - or subjective - the parties turned the negotiations from a process of finding a compromise solution into a demonstration own importance and the insignificance of a potential partner. In such cases, the victim of personal or business ambitions becomes, along with the benefit missed by the parties (increased income, strengthening of ownership, increasing the degree of competitiveness of the firm), time wasted by each of the parties.

In the most general form, the structure of the concluded agreement (contract) consists of the following items:

1. Preamble.

2. Subject of the agreement.

3. Contract price.

4. Delivery lines.

5. Terms of payment.

6. Packaging and marking of cargo.

7. Submission of claims.

8. Sanctions for breach of obligations by the parties and compensation for damages.

9. Circumstances of force majeure ("force majeure").

10. Arbitration.

In the preamble (introductory part) of the contract, the number of this contract, the place and date of its signature, the full name of the parties to the contract, which are hereinafter referred to as "buyer" and "seller" for short, are given.

In the "Subject of the contract" section, in addition to brief information about the type of contract (details are provided in the appendix), the name of

the product (works, services), its volumes, the basic terms of its delivery are specified.

In the "Delivery terms" section, the exact terms of arrival of the goods are called, while usually either a specific date (day, month, year) or a time interval between two or more events is specified.

The contract price isis the amount of money in a certain currency that the buyer must pay the seller for the entire product or a unit of the product, delivered under certain basic conditions to a certain point.

The following are considered as terms of payment:

- the terms and terms of payments agreed by the parties;

- currency of payment;

- methods and order of calculations;

- use of various payment instruments.

The contract stipulates in detail various issues of packaging and labeling of goods, including specifying the net weight and gross weight ("net weight" and "gross weight"), the rate of return of the package, the procedure for paying for the packaging and labeling.

The section "Statement of Claims" defines the terms and procedure for filing complaints in connection with violation of quality, quantity, packaging, violation of delivery or payment terms, as well as in connection with other disputed issues.

In the section "Sanctions for non-fulfillment of obligations by the parties and compensation for damages" the amounts and maximum amounts of fines (they can be up to 10-15% of the contract price) for breach of contractual obligations are determined.

Force Majeure (or circumstances of force majeure) arise as a result of unforeseen and irreversible events of an extraordinary nature (natural disasters, fires, political coups, mass strikes, military actions, etc.). Force majeure may affect the terms of execution of the contract, suspend its execution. When

concluding agreements, it is necessary to clearly define which circumstances can be interpreted as force majeure in this agreement (Table 4.1).

Table 4.1

Violations committed by the parties during the execution of the agreement

Sellers	Buyers
Violation of delivery terms	Payment delay
Violation of terms of delivery	Default
Inconsistency in quality	Delay at customs
There is no suitable packaging	Untimely unloading

Arbitrationthis is the resolution of disputed issues that arise during the execution of the agreement.

The presence of such a clause in the agreement (contract) is absolutely necessary. After all, the parties are obliged to resolve all disputed issues and disagreements that arise between them. Otherwise, they will never be able to get out of the deal. In most cases, a record is made in the agreements (contracts) that if the parties cannot resolve any dispute through negotiations, the matter is referred to an arbitration court either in the country of the buyer, or in the country of the seller, or in a third country, or, finally , to the International Court of Justice in The Hague.

4.2. Communications of a business firm with clients

A company's communications with clients (they are sometimes called marketing communications) means a set of tools for market interaction of entrepreneurial business entities with end consumers of their products (services, works) with the aim of fully completing the logistics cycle, preparing futures contracts, or selling existing goods.

When setting up this group of communications, business entities should take into account that consumers are not always ready for an immediate positive perception of the goods and services offered to them. This happens for various reasons. Needs may not be satisfied due to ignorance of the content of market offers, or due to distortions of consumption due to the use of low-quality goods and services produced by competitors. Individual consumers may have quite specific, purely individual needs (they are "fat freaks"), for the satisfaction of which they need unusual products for mass demand (jewelry with rare stones, fashionable clothes and shoes that exist in a single copy, luxury cars, etc.). And, finally, consumers may have undiscovered (hidden) needs - this is a fairly common case when consumers themselves do not know what they want.

Founders and top managers of an entrepreneurial firm must also take into account in the process of preparing communication channels with customers that potential consumers may be guided by different motives when making their choice. These are the following:

- *rational* motives (they are consistent with personal benefits of clients, with their business interests as subjects of consumer business);

- *emotional* motives (they are determined by some feelings and emotions, which are physically the basis for making a consumer choice);

- *ethical* (moral) motives (they encourage consumers to feel justice and decency).

Communication - the transfer of information between members of the organization, the buyer and the seller, the understanding of this information

and the change of actions to clarify the movement towards the intended strategic goal.

Therefore, communications with clients are designed to solve explanatory and educational tasks, as well as perform the function of "imposing needs", including in terms of appealing to common sense, emotions, morals and ethics of consumers. It is these goals that are aimed at the communications, the content of which the entrepreneurial firm begins to build communications with clients.

When communicating with clients, entrepreneurial business entities need to identify the target client audience to which communications will be addressed. The target customer audience can be in one of six states of purchase readiness: awareness, knowledge, commitment, preference (it must be formed), confidence, readiness to make a purchase. When evaluating the nature of this audience, it is necessary to take into account the degree of its willingness to buy, as well as the degree of trust with which this audience perceives the sender of the communication.

The content of any communication sent by a business firm to clients should attract the attention of clients, form and support their consumer interest, arouse their desire to make a purchase.

Having determined the content of communications, the entrepreneurial firm is in a position to start creating communication tools, as well as communication channels, which are divided into personal and impersonal communication channels and provide direct and reverse communication of the movement of fresh information.Personal communication channelsrepresent the direct interaction of two or more persons in the form of personal communication, communication by telephone, or through correspondence.

Tonon-personal communication channelsmeans of information dissemination that transmit communications in the absence of personal contact of people.Inverse relationshipin non-personal communication channels, it is carried out by methods of detecting the effect produced by communications on the target client audience. It is mostly carried out through surveys of consumers, for example, about the range of goods desired for purchase, terms of sale of goods, prices and quality of goods.

To number communication tools, which fill communication channels, include advertising, sales promotion, propaganda (publicity), personal selling. All these methods are aimed at generating, maintaining and increasing demand, as well as at creating the best image of the company in the eyes of consumers.

Advertising is an important tool for the movement of informational communications about the subject of entrepreneurial business, its activities, the goods it creates, ideas generated, actions distributed in any way, with the help of any communication channels. These communications are intended for an unspecified circle of persons and are intended to form or maintain interest in the advertised business entity and its business activities in order to effectively implement the results of this activity.

A large firm should form its own functional advertising department, but the performance of the advertising function itself, as a rule, is delegated to specialized firms that serve the appropriate communication channels. Such channels are mass media, as well as other ways of presenting advertising communications (outdoor advertising, direct advertising, print advertising, video advertising, Internet advertising).

Advertising performs the following main functions:

- informative(bringing information to consumers about a new product or a new application of a known product, describing services, information on price changes, forming the company's image);

- teaching (convincing the buyer about the need to purchase the product, achieving changes in the perception of the product, forming a preference for the product brand);

- reminding(maintaining consumer awareness of the product, reminding consumers that they may need the product in the future, and where exactly they can buy it).

Advertising has different significance for different products. It is especially effective in relation to consumer goods, the demand for which is extremely subjective and subject to the influence of emotional factors (food, beverages, cosmetics, medicines). Informational advertising is used mainly in relation to new and little-known products. Reminder advertising is important at

the maturity stage of the product, it is used to support the already formed demand for it.

Advertising developmentgoes through a number of stages. First, the purpose of advertising and its objects are determined. Subsequently, the advertising practices of competitors are analyzed. The next crack is the development of a general creative approach and the formation of communication ideas. After that, the authors of the advertisement determine the style, tone, words and specific form of appeal.

There are somegeneral principles of advertising creation.It should present the product from the beneficial side not by itself, but as a means of satisfying a certain need. Therefore, it is important to achieve some associative image with the help of advertising. In the pharmaceutical business, for example, people's health is served in this way, in the cosmetics business - youth and beauty, in the production and sale of household goods - conveniences in everyday life, which are achieved due to the use of the named products.

Advertising communication should have a bright (noticeable), attention-grabbing headline, be easy to read and remember, contain illustrations, photos and caricatures. It may include the characteristics of the product and its advantages compared to competing products, the experience of customers using it and the benefits it promises. The text should call the buyer to certain actions - to purchase the product for the first time, to make a subsequent purchase, or to become its regular consumer.

An incorrectly chosen motive or an unsuccessful advertising image can lead to the opposite result compared to the expected one. In this sense, the story with the Exxon brand gasoline emblem is illustrative. The image of a roaring tiger on the emblem, according to the authors of the communique, should have symbolized the great power that the engine receives when refueling with gasoline of this brand. However, in a number of countries, the tiger had to be subjected to "plastic surgery", giving it softer forms and lengthening eyelashes, as its too fierce initial appearance scared away customers.

In the period of saturation of the market, advertising often has a demanding character: "Buy our products!" In a saturated market, an entrepreneurial firm acts more subtly, it seeks to influence the inner world of

the consumer. Advertising reminds him of unsatisfied or undisclosed desires. For example, by paying for advertising television spots about the beauty and sights of different countries, tourism business entities create mass demand for their offers.

It is also important not to make a mistake in choosing the address of the advertising appeal. Thus, products for younger consumers (but not the smallest ones) are accompanied by special "children's advertising" in which characters from films and books for children are used. Television advertising is mostly animated and shown during children's programs. Children are the most favorable audience from the point of view of persuasiveness, moreover, they are quite uncritical, and their parents are ready to "please" their beloved children. But the advertising of complex toys for high school students is often aimed specifically at parents, convincing them of the safety of the offered product and its ability to develop intelligence.

A very important moment is the choice of advertising communication channels. The main criterion is to ensure the greatest coverage of the target client audience. The choice is influenced by the frequency and stability of the appearance of communications, the degree of their impact on buyers, the possibility of conveying an artistic image to consumers, etc.

Each of the channels of advertising communications has its advantages and disadvantages. Yes, television advertising guarantees a wide audience reach. The form of presentation of the material (in color, movement, with sound) contributes to good memorization. However, this type of advertising often covers not only the target audience, but also a "useless" audience and is therefore quite expensive. Advertising in the press is cheaper, is distinguished by a wide variety of forms, thanks to specialized publications, it allows you to focus on the target market.

Sales promotion -this is the use of tools for short-term encouragement of consumers to purchase goods (services). The methods of customer activation are quite diverse. The following sales promotion tools are distinguished:

- various contests, lotteries and games;

- design of shop windows, organization of presentations of new products, free distribution or mailing of product samples;

- providing discounts, for example, in connection with the introduction of goods to the market, in connection with the end of the sales season, in connection with the celebration of some event and even for "product loyalty";

- rewarding buyers with gifts (souvenirs, compliments) from the company, or providing the opportunity to purchase goods at a low price as an incentive to buy another product;

- distribution of free coupons (certificates that give buyers the right to a specified discount when buying a specific product) and credit coupons (a kind of obligations that can be exchanged for goods in a certain amount at special exchange points);

- introduction into the assortment group of non-characteristic goods (books in a coffee shop) and selling them at a relatively low price.

Firms that produce equipment pay a lot of attention to the organization of after-sales service and other "extras" for the buyer. IBM management, for example, believes that a valid sale begins when the equipment is installed, and everything done for the customer after the customer signs the contract is in every way no less important than what is done to obtain the order.

The fantasies of specialists generate more and more new sales promotion tools. A successful invention, for example, for perfumery and cosmetic companies, were "beauty computers", which determine the optimal set of cosmetic products based on individual data about the client's appearance.

Advertisers (from the English word publicity - publicity) is the activation of consumers and demand for the goods (services) of a business firm thanks to the public dissemination of friendly and commercially important information about the firm itself, its activities and goods (services) using various communication channels (press, television, radio , Internet, statements of famous and authoritative people). With the help of publicity, a business firm has the opportunity to implicitly lobby for its business interests in various target client audiences, effectively avoiding the costs of additional advertising. Publicity contributes to the formation of favorable ideas about the company, counteracts the spread of negative rumors and information, thereby attracting potential buyers to it.

Personal selling –this is an oral presentation of the product during a conversation between a special functionary of the company or a commercial intermediary (usually a sales agent) with one or more buyers with the aim of subsequent sales.

The main task of the personal seller is to convince the buyer, who has already been prepared by other communication tools, to make the final decision to purchase the product. Along the way, the sales agent serves as a source of information about the product for the buyer who does not have information about it. In the process of personal selling, potential customers who are traditionally skeptical of advertising, or unaware of the sales promotion tools used, may make an unexpected choice in favor of the offered goods and services.

Personal selling is flexible and can be adapted to the requirements of a particular buyer. The effectiveness of this communication tool largely depends on the persistence of the personal seller, his ability to establish contacts, attention, and tact. There are also certain methods of "processing" the client - from nodding the head in agreement and expressing all sympathy to the interlocutor to lightly touching him if necessary. And, of course, a big smile is a must.

4.3. Communications of a business firm with competitors

Communications of a business firm with competitors is understood as a set of tools of market interaction of this firm with other business subjects, during which the opposite of the business interests of all the specified participants of the interaction is realized. Different business entities can be considered as competitors in relation to any entrepreneurial firm, but some may be, let us remind, in a staterelative competition (in particular, clients and counterparties of the firm), and other business subjects - in the stateabsolute competition.

Undercompetitionhere and in the future is understood the competitiveness, rivalry, of business subjects, based on their desire to realize their own business interests at the expense of the inevitable limitation (oppression) of the interests of other business subjects. In a broader sense,

competition is present wherever different interests and positions collide, where there is a struggle for some good (in sports, science, politics).

But this phenomenon plays a special role in business. Competition integrates exogenous factors that affect the functioning of entrepreneurial firms. The state of absolute competition necessitates the constant struggle of business firms for the best conditions for the production and sale of goods (providing services, performing work). It is through competition that the overall functional potential of an entrepreneurial firm is realized, and the measure of its competitiveness is confirmed.

Concept competitiveness, which we referred to in the previous material, is related, we will remind, with the definition of one of the important endogenous factors of the functioning of an entrepreneurial firm. However, being a comparative characteristic of the state of functions of an entrepreneurial business entity,competitiveness cannot be fully revealed without taking into account the external environment of the business and, first of all, without taking into account the company's communications with other business entities, first of all, with the firm's absolute competitors. In other words, it is possible to understand how competitive a business firm is only by looking at its external communications.

The specific nature of the communications of entrepreneurial business subjects with those who can be defined as absolute competitors is that the realization of the functional potential of each of the named business subjects limits the opportunities of other entrepreneurial business subjects to influence the market.

Absolute competitionis always conducted for a limited amount of consumer demand. It is the limited demand that forces companies to compete with each other, proving their competitiveness to each other, as well as to counterparties, customers and society. After all, if the demand is satisfied by a product or service supplied by one of the business firms, then all others are automatically deprived of the opportunity to sell their products despite the presence of the most effective marketing communications. Ago competition is a way of demonstrating the competitiveness of an entrepreneurial firm in the external business environment.

At the same time, establishing, supporting and developing competitive communications is an independent function of a business firm. This function consists increation and use of competitive communication tools (instruments of competition) in the external environment. Competitive strategies, types, forms and methods of competitive behavior of the firm should be included among the tools of competition.

First of all, it is necessary to develop a competition strategy, and on its basis, to determine tactical and conjunctural attitudes that would best take into account the strongest aspects of the entrepreneurial firm's activity, as well as the weakest aspects of its competitors.

Competitive strategyis the concept of competitive behavior and definition of the arsenal of forms, types, methods, methods of competitive actions of the firm, the totality of which constitutes the tactics of competition.

Depending on the strategic goals, a competitor firm can adopt a monopolization strategy, a cooperation strategy, or an integration strategy in relation to its rivals.

Monopolization strategyaimed at ousting competitors from the market, as a rule, by forceful methods, thanks to the weakening and destruction of competitors. The strategy of monopolization takes its name from the word "monopoly", which means absolute dominance in the market up to the complete absence of any competitors. The term "monopoly" is literally translated from Latin as "power of one". Monopolyis such a state of business relations, according to which one of the business subjects has a real opportunity to unimpededly impose his business interests on other business subjects.

A firm that strives to monopolize the market takes a close look at the competitor, studies its strengths and weaknesses, vulnerabilities, before starting to implement its strategy. The main goal is to first subjugate rivals to your will, then to bring them under your control, and finally to push them out of the market. As a result, the market share increases at the expense of the competitor's share. As a rule, the strategy of monopolization is used in the case when the company's management comes to the conclusion that other forms of influence on the competitor are hopeless, except for pushing it out of the market and destroying it.

The decision to mechanically oust a competitor from the market is determined by the fact that the competitor in this case is not considered an attractive object from the point of view of the technology of its activity, the presence of know-how, promising developments, interesting features in the business organization. A conclusion is made that cooperation with a competitor in any form is unattractive, and the competitor is evaluated exclusively as an obstacle to achieving one's own goals.

In this case, the company maximally mobilizes the entire arsenal of methods, forms and types of competitive struggle (these methods and methods of competition will be discussed below), so that the elimination of the competitor becomes a key task. Therefore, the strategy of monopolization would be more concretely defined as "*mechanical monopolization"*.

A firm can apply the strategy of monopolization by not sufficiently understanding the competitor, overestimating its own capabilities and underestimating its own needs. In this case, the decision to apply a monopolization strategy to a competitor turns out to be based on emotional assessments in the absence of unity of opinion among the company's top management. And it remains to be seen whether the company will emerge victorious in this competition.

Integration strategy can also be defined as a strategy of "non-mechanical monopolization". The essence of this strategy is to increase the company's share, which is achieved not by mechanical displacement of competitors, but by joining competing companies to one's own company in various ways.

In this case, using the strengths of competing firms in various fields of their activity, for example, in the diversity of the range of offered goods and services, advanced technologies, fruitful business ideas, effective management, in one's own interests is a more attractive task than the mechanical destruction of a competitor.

Organizationally, the integration strategy is carried out by attracting a competitor company to its side: first as an equal partner, then as a junior partner, and ultimately as its own structural division. The final stage of this process - the transformation of a competitor into its own structural unit - takes place by joining a competitor company to one's own company. It can be carried out either in the form of taking over a competing firm by consolidating a

significant block of shares in a competing firm, or by joining on the basis of special agreements, often with the use of credit schemes, or as a result of the rehabilitation of a competing firm in the event that it turned out to be a chronic debtor, and, finally, and the form of merger on the basis of full agreement of the parties.

The strategy of integration is embodied in such well-known types of organization of business entities as syndicates, trusts and concerns.

*The union*is a union of business firms of the same industry, when the ownership of the means of production is kept by the participants of the agreement, and the manufactured products are the property of the entire syndicate. At the same time, the production independence of the syndicate members is preserved, but their commercial independence is lost.

*Trust*is an association of entrepreneurial business subjects on the basis of joint ownership of the means of production.

*Concern*is a corporation that arises on the basis of share capital (or the capital of a limited liability company) and unites formally independent enterprises under the auspices of the main company ("holding") by establishing financial control over them.

Competing firms do not always seek to eliminate (or destroy) competitors, or to ignore them. Quite often, the interaction of entrepreneurial business entities with competitors represents implementation *cooperation strategies*, which is based on cooperation with competitors and implementation of joint actions with them both in relation to other competitors and in relation to other business subjects in general. Unlike the strategy of monopolization and the strategy of integration, which are generally aimed at reducing the number of competing firms, the strategy of cooperation is aimed at stabilizing one's own state by reducing the degree of risk due to long-, medium- or short-term cooperation with other entrepreneurial firms.

It should be emphasized that the strategy of cooperation is not an attitude towards friendly cooperation and mutual assistance. It is used, as a rule, when competitors realize the need to maintain a balance of forces in the external business environment in order to maintain the achieved degree of

competitiveness of each of them and preserve each of their competitive positions.

Lower forms of cooperation of entrepreneurial business entities are temporary agreements on the pooling of financial and investment resources or on prices - their participants undertake to sell their goods at uniform prices during a certain period (such agreements are called *conventions, pools, rings).* By signing the convention, business entities renounce mutual rivalry and agree on joint actions. Such an agreement is established, as a rule, for no more than one month, sometimes for one day, or for one agreement.

But strategic cooperation is more often manifested in the form of the so-called cartelization of the economy.*Cartel*- is the union of a number of enterprises of the same industry, when its participants, while retaining their ownership of the means and results of production, enter into a long-term agreement among themselves on the establishment of uniform prices, on the division of markets by consumers and products.

Thus, a cartel is understood as an alliance between competing firms, within which each of the participants retains their full legal and economic independence, but, at the same time, is forced to give up complete independence in the performance of some functions, if this conflicts with the interests of other cartel participants. As an example, we can cite the international cartel OPEC (the organization of oil exporting countries, which unites most of the leading oil exporters).

The cartel as a tool of competitive communications can be used by the participants of the agreement against other competitors who are not part of this cartel. Cartel members can lower prices, carry out boycotts, and carry out joint anti-advertising against competitors.

The entrepreneurial firm's definition of a competitive strategy (or at the same time a strategic combination of elements of monopolization, integration and cooperation) determines its choice of types, methods and forms of competitive behavior.

*Under competitive behavior*is understood as a set of specific actions applied by a business entity in relation to its competitors, seeking to realize business interests. Three main types of competitive behavior of entrepreneurial

firms can be distinguished: creative, adaptive (adaptive) and providing (guarantee) (Table 4.2).

Table 4.2

Characteristics of types of competitive behavior of the firm

Type of behavior	Characteristics of behavior
Creative	Creation of new components of the company's activity in order to ensure advantages over competitors. New products, improved design, new packaging, new fishing methods, new raw materials, new advertising, new way of training staff, new work motivation
Adaptable	Analysis and copying of competitors' achievements in order to modernize production, produce products at the level of competitors in a short period of time with the lowest costs. The company adapts its decisions to the decisions of its competitors. Adaptation to changes in demand, substitute goods, actions of suppliers.
Providing	The company's tactical actions aimed at preserving the achieved positions in the distant future. This behavior can be characterized as a balance between waiting for an unlikely attack and responding to imaginary moves by competitors. Various methods of fair and unfair price and non-price competition are used here.

Creative competitive behavior consists in creating new components of the company's activity (new products, improved design, new production and sales technologies). This type of behavior is used, as a rule, in innovative business.

Adaptable competitive behavior consists in copying the achievements (innovations) of competitors in order to modernize one's own business. This type of behavior is used in different situations, for example, by large corporations seeking to launch developed and successfully tested innovations, or by small and medium-sized companies that do not claim leadership positions in their chosen field of activity.

Providing competitive behavior consists in actions aimed at preserving the positions achieved by the entrepreneurial firm at the expense of, as a rule, the niche specialization of this firm. This type of behavior is mostly used by "leaders of narrow niches" - firms that do not practice wide diversification of their business activities.

Each type of competitive behavior of an entrepreneurial firm can manifest itself in different forms in different situations. The most common ***forms of competitive behavior*** is: aggressive, peaceful and impulsive.

If the firm seeks to displace and eliminate competitors from the market, then the form of behavior is aggressive in nature. This form of behavior can, under certain conditions, extend not only to competitors, but also to one's own officials, as well as to consumers of goods manufactured by competitors. Peaceful behavior is the complete opposite of aggressive behavior. It is characteristic for the implementation of the strategy of cooperation and is typical for such a phenomenon as franchising. Impulsive behavior is most often found in firms with an authoritarian management style, in which management decisions in relation to competitors are made by senior managers without appropriate processing and coordination with specialists.

The tools of competitive communications of entrepreneurial firms contain different ones ***methods of competition.***

If the firm tries to maneuver the prices of its products to achieve its goals, then this type of competition is called***price competition.*** It includes: playing on prices, providing additional services during the sale of goods, setting discounts for regular customers, price dumping (setting the price below the cost level).

If the entrepreneurial firm does not use price maneuvering to achieve its goals, then the applied methods of competition are called ***non-price***

competition. These include: competition on the assortment, competition on the after-sales service, competition on the assortment of consumer properties of the product, competition on the assortment of services provided by the company at the same time.

Both individual manifestations of competition strategies and most methods of competition are objects of consistent centralized regulation in many countries with a market-oriented economy, which significantly affects the arsenal of competition tools as a special type of communication between business entities in the external business environment.

4.4. Communications of a business firm with the public

Communications of the entrepreneurial firm with the public **-** it is a set of external relations in which this firm is at all levels of economic organization - from microeconomics to international economy. In ***broad understanding*** all external communications of a business firm can without exaggeration be called public relations, since the external business environment has a social (community) nature. Therefore, public relations sometimes include various tools for stimulating sales and activating consumers, such as publicity, advertising, presentations, exhibitions, as well as some methods of non-price competition.

At the same time, ***narrow understanding*** public relations means communications of a business firm that are not part of the logistics cycle and do not include tools for interaction with counterparties, competitors, and clients of this firm. These communications affect the indicators of business activity and the degree of competitiveness of the firm ***not directly, but indirectly.*** The level of effectiveness of their application does not directly affect the company's revenue, the scale of investments, or the composition of property objects. Nevertheless, the creation and use of the mentioned communications is sometimes vital for the company.

Communications of a business firm with the public (or public relations) are a separate set of functions of this firm and are part of the firm's functional environment. The term "public relations" it self is a literal translation from the

English language of the popular phrase "public relations" (PR), therefore, in the future, we will use the term "**PR communications".**

Today there are two approaches to the phenomenon called public relations. Within the undifferentiated interpretation, it is considered that PR communication tools are aimed at solving three groups of problems - strengthening the public status of this business firm, creating, maintaining and developing its favorable image and ensuring its security. Within the scope of the differentiated interpretation, only the imageological tools of the firm's activity in the external business environment belong to PR communications.

Let's consider the above groups of problems.

Strengthening of public statusentrepreneurial firm is provided with various tools, which include:

- a personal union (association) of the company's founders and managers, on the one hand, and major public figures, politicians, and sometimes famous scientists, cultural and artistic figures, on the other;

- participation of a business firm as a participant or sponsor in various socially significant projects, both with and without a commercial orientation;

- participation of an entrepreneurial firm as a founder in the creation of socially significant public associations, associations, unions, foundations;

- participation of the firm in lobbying activities of certain subjects of the entrepreneurial process within the country and abroad.

On the one hand, ***personal union*** consists in the fact that the managers of entrepreneurial firms are deputies, assistants or consultants of deputies, part-time members of the governing bodies of leading political parties, large scientific institutes, editorial boards of magazines, academic councils of universities, etc. On the other hand, leading figures from various spheres of politics, social life, culture, education, science, art and sports are invited to supervisory and scientific councils, which are created by business entities.

Personal union and other PR communication tools listed above are quite widespread in countries with a market-oriented economy, these tools are gradually developing in Ukraine as well. Their beneficial effect for business

entities is contained in the set of opportunities that open up for company managers due to the positioning of the company as a participant in social life on the same level as other status organizations, as well as personal acquaintance and joint activities with authoritative and famous people. The high social status of a business entity brings new opportunities to the firm's activities and, ultimately, ensures the growth of its efficiency, albeit indirectly, and not directly, as, say, the successful placement of imitation shares or the effective search for new market niches.

A separate indirect effect of the business firm's activity on strengthening its status is contained, among other things, in the creation, strengthening and development of a favorable image of this firm, although the actual impersonation of PR communications is an independent tool of the firm in the external environment. ***Favorable image*** of any entrepreneurial business entity (from the English word image - image) needs constant public confirmation by many trustworthy people. The main factors that cause public trust are: *professionalism, conscientiousness, attractiveness, popularity*these people

Image -it is the image of the company, product, service in the eyes of the public.

Just like a person, any product, a company has its own image, regardless of whether they like it or not. Why are some products, such as chocolate or Raffaello candies, considered culinary delicacies intended exclusively for gourmets, while others - hot dogs or hamburgers - are considered plebeian food? The answer here is simple: the difference lies in the image. A favorable (positive) image is as difficult to define as beauty or high quality, but when it is there, it is impossible not to feel it.

As practice shows, the company's image is not necessarily connected with the products it produces. When answering the question: "What comes to your mind when you think about the image of the company IM?", thousands of respondents during a study conducted in the mid-90s in the USA did not even mention computers. First of all, they noted the standards of clothing and the professional image of the company's representatives. Many respondents concluded that a company whose employees adhere to such high standards of clothing and appearance simply cannot but produce high-quality products.

A positive opinion of the public about an entrepreneurial business entity does not arise by itself. Therefore, the use of PR communications in this case is inevitable. Both for large companies and individual entrepreneurs, the first impression about them from the side of society (the public) is important. The image that is developed in the first days of the creation of a new firm largely determines its reputation in the future.

Inefficient PR communication activities can create a contradictory image of the business entity in the public. It is extremely bad when the management of the company claims one thing, and people see something completely different. On the contrary, the formation of an image based on the set of attitudes adopted by the company (they should become the foundation of the image) is the correct basis for future PR communications. It should also be remembered that creating the right image "at the start" helps the buyer to perceive the offered goods (services) as somewhat different from other similar goods, somewhat better.

First of all, it is necessary to form the standards of the external and internal image of the company. Under "***internal image"*** the atmosphere inside the entrepreneurial firm is understood, the positive or negative attitude of the functionaries to the management and policy of the firm, which are reflected in the degree of devotion of the functionaries to their firm.

Internal image is, to put it figuratively, the image of the company through the eyes of its employees, the image that arises in the company's customers, counterparties and competitors, as well as in society in the process of communication with its employees. Even the most famous companies maintain their internal image and strive to maintain the morale of employees. The team spirit and morale of employees determine whether a company with big plans and talented employees will become world famous or will leave only a faint trace in history. On the contrary, a negative internal image means that the firm will inevitably lose customers and lose its reputation.

External image (the image of the company in the eyes of the public) is a combination of direct and indirect PR communication tools designed to create a vivid impression on the public.

External image tools in direct PR communications include **tangible image**, accessible to all senses. It includes many things in the external

manifestations of the firm, starting from the slogans of the firm to its location. ***The name of the company and its slogan*** - the most visible external image tools.*Company name and slogan* - the most important informational communications, they inform people about the company for the first time and therefore must clearly reflect the profile of its activities. A company name has an obvious effect on people. The smaller the name, the stronger its effect. It should also be easy to remember. In business around the world, the name of a corporation is considered so important that thousands of companies change it every year after consulting with professionals.

The location of the company is of the business entity is also an important component of its image. If, for example, the management of the company is not satisfied with the image of a small street shop, and it believes that this company has a higher class, you can try to rent a mailbox with a more prestigious address in another district or city. Including the company's fax number, Internet website, and e-mail address on a business card or letterhead is also part of the image.

It is necessary to think in detail ***color scheme*** interior in the company's offices. It is known, for example, that black brings a person to a state of depression, red - excites a person, accelerates the pulse and increases blood pressure, while, say, green, on the contrary, calms and gives a feeling of confidence. The combination of too bright colors can in no way create a calming atmosphere, which is so necessary for those who, for example, are preparing to enter the office of a dentist or an insurance agent.

Among the tools of the external image, the appearance of the company's functionaries, as well as their stylistic features, is of great importance ***behavior*** If employees wear company uniforms, emblems or badges with its name or motto during working hours, stereotypes of their behavior (politeness, politeness, benevolence, constant readiness to help in any situation) must meet established standards.

External image tools used in direct PR communications also include *intangible image*, which means a set of opinions about a business firm, formed by real customers, counterparties and competitors of this firm and distributed by them in the external business environment.

And, finally, let's turn to the tools of indirect PR communications. This form of work with the public can be called ***explanatory propaganda.*** It relies, first of all, on mass media, advertising agencies and specialized PR companies, but, at the same time, it differs from advertising of a business firm and its product, and also strives to create a positive picture of a given business entity.

In indirect (mediated) PR communications the following tools are used:

- establishment of productive contacts with the press, radio and television;

- conducting press conferences;

- issuance of well-designed annual reports;

- release of anniversary editions;

- drafting of social forms and their publication;

- conducting tours according to the entrepreneurial formula and other similar events for the public (for example, "open days").

They stand separately in the totality of communications of a business firm with the public ***tools for ensuring external security*** of this company.

A start-up company needs to take care "at the start" not to go beyond the limits of the current legislation. This task is quite difficult, especially given that in our country the legislation is constantly developing and updating.

The company has two directions of progress towards solving this issue. The firm is obliged to create its own legal service, thus adding to the composition of the elements of its functional environment the regulatory and legal support of its own activities. At the same time, she can turn to the services of professional lawyers who are united in specialized law firms or act as individual entrepreneurs. Such firms must be able, on the one hand, to ensure the safety of the entrepreneurial business entity from destructive and other undesirable external influences, and on the other hand, to protect the business entity from its own reckless actions that could lead it to violate the law. As the experience of countries with a market economy shows, the most fruitful is a combination of both directions.

Thus, we can talk about the existence of two components of the security of the functioning of an entrepreneurial firm - the firm should not be exposed to danger from the outside, as a result of actions directed against it by the external business environment, and from the inside, as a result of actions that put it outside the boundaries of the law and thereby create the threat of its existence as an independent business entity.

Ensuring the security of the business firm is a complex of organizational-legal, social-economic, technical-technological, administrative, educational, financial and special measures aimed at identifying, preventing and stopping threats and encroachments from the outside and inside on the stability of the operation and development of this company.

In every country, there is a constitutionally proclaimed mechanism of entrepreneurial circulation (a set of organizational forms and norms of behavior on the market that regulate relations between business entities) and a real operating economic order. The state plays the role of a regulator of business circulation.

Thus, the state established administrative (fine) and criminal (imprisonment) liability for theft of property or property from business firms by employees of this firm, as well as by third parties.

Before business subjects exchange goods, they must reconcile their rights and responsibilities, i.e. establish their civil-legal equivalence. The seller must prove his right to the goods, and the buyer must prove his ability to pay. The equivalence of such exchanges is established either by the counterparties themselves, or by the judicial system, or by third parties.

Non-equivalence of such exchanges is called criminal, economic, administrative violations and crimes.

Countering external threats the functioning of the entrepreneurial firm provides for:

- performance by state administration bodies of actions to protect property and other rights of business subjects;

- independent actions of business entities to prevent leakage of confidential information, violation of trade secrets, racketeering, actions

carried out from the outside, disintegration of the company's team of employees, violation of agreements, improper advertising and other negative actions.

Such external threats can come from different sides - from criminal groups that make up the so-called organized crime, from competitors (both absolute and relative), as well as from individual government officials who conduct private-state business.

State forces to act in the conditions of an imperfect legal framework, and this is used by corrupt officials who rely on the repressive apparatus of the state and often demand bribes.

Illegal influence on the company by individual officials working in state administration bodies is carried out in the following ways:

- issuing decisions on termination of activity, or on suspension of the company's activity without sufficient legal grounds;

- illegal freezing of accounts of business firms by commercial banks at the direction of state administration bodies;

- unfounded claims and sanctions of tax authorities, antimonopoly and other authorities in relation to business firms;

- illegal application of measures of administrative and criminal prosecution of entrepreneurs;

- transfer by state administration bodies of confidential information about entrepreneurial firms (for example, information about the composition of the founders of the firm, the size of the authorized capital, the distribution of shares in the authorized capital among the founders, other information) to third parties.

All illegal and other methods of illegal intervention of bodies

of state administration in the affairs of a business firm may be challenged in court. Unfortunately, however, the current system of court-building in Ukraine makes such appeal procedures to the law extremely long and ineffective. In fact, quite often entrepreneurs remain defenseless against the

arbitrariness of state bodies and prefer other, compromising forms of resolving conflicts with the authorities.

Competitors exercise intellectual and financial influence on the company, striving to capture the main part of the market, to become leaders. At the same time, they mostly use criminal methods – from economic espionage methods to bribing top managers of competing firms. In addition, the "black market" has a strong influence on the company's security.

For example, trade in unlicensed video and audio products on wholesale and retail markets; the conduct by many competitors of anti-advertising companies that discredit specific companies (the case with the NTV TV channel), the organization of lawsuits for unfounded reasons and the bribery of officials (the situation with the Microsoft company).

A business firm may become the object of illegal external influence by individual individuals and legal entities that make up the so-called criminal sector of the economy ("criminal business" subjects). As a rule, such influence is caused either by the desire to eliminate competitors or limit their activities, or by the awareness of certain entrepreneurial business subjects of the impossibility of fulfilling their partnership obligations to another firm (for example, the impossibility of repaying a loan to a commercial bank), or by attempts to take the entrepreneurial firm away from its legitimate owners , or striving for extortion (racketeering) in the name of protecting entrepreneurs from enemies.

Examples can be the murders of entrepreneurs by various criminal groups that seek to put specific profitable firms under their administrative and financial control for profit.

Trying to protect it self from various external threats, the entrepreneurial firm resorts to the methods of protection available to it.

First of all, she has the right to appeal to state law enforcement agencies (prosecutor's office, police). However, such appeals are far from always effective. These services, of course, have experience in fighting crime in a market economy. At the same time, the low wages of law enforcement officers contributed to the outflow of specialists to private security and investigative firms in the recent past. In addition, some law enforcement officers are

psychologically unprepared to defend the legitimate interests of business entities. They have a negative attitude to non-state entrepreneurship in principle, considering it as a deception of people, the realization of beneficial interests, essentially identifying criminals and their victims. Such people are not inclined to demonstrate their professional qualities for the sake of ensuring the safe functioning of business firms.

Entrepreneurial business entities have the opportunity to turn to the services of other business entities as well, namely:

- legal security agencies formed by former officers of state law enforcement agencies;

- legal security agencies formed by criminal groups;

- illegal criminal groups.

All these business entities actually compete with each other in terms of spheres of influence and paying clientele. They are ready to supply any information, accompany major deals, monitor compliance with business obligations, resolve disputed situations, and facilitate debt repayment. Clarification with the help of criminal elements of relations with unscrupulous partners and clients costs business entities half of the returned amount, legal security agencies take from 15 to 40% of the amount of the agreement.

Today, many large business firms are faced with the need to seek support from organizations whose core is professional criminals. Tired of endless simultaneous confrontation with all criminal groups without exception, some business entities sometimes prefer patronage of one of them in order to ensure protection from other groups. For this service, entrepreneurs are forced to share with the "protectors" a part of their income, however, in this case, the "protection" assumes all costs associated with the protection of the firm and entrepreneurs from any forms of illegal outside influence on the part of other criminals, and even completely legal structures.

The use of such an opportunity reflects the extremely dangerous for society phenomenon of the convergence of crime and legal business. Other ways of such consolidation are "laundering" of money by criminals through the establishment by them of legally operating companies that are under their "protection".

Abroad, crime mostly controls only certain areas of entrepreneurship (gambling business, show business, drug business). In Ukraine, it is associated with such "usual" types of business as trade, banking and insurance, tourism, hotel management, etc.

Experience shows that economic and industrial espionage can harm an enterprise no less than an economic crisis, an unfounded management decision, etc. Unfortunately, little attention is still paid to these issues, because, firstly, the consequences of espionage, as a rule, are not immediately apparent; secondly, the lack of knowledge of domestic entrepreneurs leads to the fact that they cannot organize their own effective security service. In addition, there is practically no necessary literature in this field, state security agencies do not want to share their achievements, and the path through one's own mistakes can cost an entrepreneur very dearly.

All this requires that entrepreneurs, managers, financiers, economists of various levels know the theory of economic security, understand the essence of the economic security of the enterprise, its structure, objects of economic security, the main dangers and threats, quantitative and qualitative indicators of the level of economic security, the main directions ensuring safety, as well as being able to apply theoretical provisions in practice.

Key terms and concepts

Communication – communication, information transfer.

Firm - the generalized name of the enterprise, company, commercial institution. Each firm has an official name under which it participates in economic activity.

Counterparty -who agrees - a party to the contract.

The client isregular visitor, buyer, customer, depositor, etc.

Competitor –a person who competes competes in any field of activity with another.

Questions for self-testing

1. What is the environment of an entrepreneurial firm?

2. How does the organizational environment of the firm differ from that of the subject?

3. Describe endogenous factors. Which affect the functions of the entrepreneurial firm.

4. What is the company's potential?

5. Reasons for changes in the company's authorized capital.

6. The essence of the concept of "offer".

7. Name the main positions that form the structure of the concluded agreement.

8. What refers to the firm's communication tools?

9. Describe the main functions of advertising.

TOPIC V

RESOURCES AND THEIR USE

5.1. Extensive and intensive factors of economic growth

The economic environment is not in a state of rest and actively influences the firm due to its dynamic changes, and this influence can have both positive and negative consequences. The guarantee of successful functioning is the firm's ability to analyze and forecast trends in the economic environment and adapt to its changes.

One of the goals of the state is economic growth, which involves the growth of the economic potential of the national economy, the growth of the national product per capita, and therefore, the achievement of a high standard of living for all (Table 5.1).

Economic growth brings certain benefits to the entrepreneurial sector of the economy (firm sector) because it opens up new market alternatives in an expanding economy. Economic growth at the firm level is realized in the indicator of the efficiency of economic activity. Under which is understood the effectiveness of production and investment and financial activities.

Economic growth within the firm can be achieved on***on an extensive and intensive basis***. An increase in the volume of output and sale of products (services, works) and an increase in financial results can be obtained due to the expansion of the field of activity, i.e. by additionally involving in the production process means of labor, objects of labor, labor force, new construction, certain objects of the production sphere.

Intensive type of economic growthis characterized by the fact that the increase occurs due to the qualitative renewal of labor tools, labor items, and the introduction of new effective technologies. These types of production development do not exist in their pure form, and therefore speak of "mostly extensive" (or intensive) production development.***Extensive factors of economic growth***have practically exhausted themselves, as a result of which there is a need to concentrate efforts on identifying and mobilizing factors and reserves for the intensification and efficiency of economic activity.

There are two forms of intensive type of production: fund-intensive (capital-intensive) and fund-conserving (capital-conserving). ***A capital-intensive form of intensive type of production***is characterized by the fact that economic growth is ensured by an increase in the volume of output with an equal increase in costs.

Table 5.1

Gross domestic product per person*

(at international comparative prices of 2000, US dollars)

	1990	**1995**	**2000**	**2007**
Ukraine	8953	4316	4065	6559
Russia	10265	6379	7029	12793
Austria	23290	25044	28714	36045
Denmark	23161	25550	28818	35285
Netherlands	22360	23968	28377	36896
Germany	21493	23285	25553	32229
Norway	26644	31315	36266	48239
Luxembourg	35667	40338	50727	73042
Poland	7183	7915	10382	15381
Latvia	10268	5855	8078	16530
Great Britain	20632	22180	25691	33201

USA	28429	30128	34759	43269
Canada	23746	24385	28482	35868
Hungary	11028	9913	12195	17977
Finland	22320	20831	25808	33131
France	21985	22973	25947	30722
Czech Republic	14082	13460	14547	21501
Switzerland	28996	27941	30337	34515
Sweden	23255	23297	27175	37426
Japan	23146	24542	25480	…
Portugal	14175	15332	18372	20155
Italy	22194	23401	25513	28537

*Statistical yearbook of Ukraine for 2007

Capital-saving formcharacterized by the fact that the growth rate of production is higher than the growth rate of all types of resources that provide this growth.

5.2. Final results of the extensiveness and intensity of resource use

The main factors of growth of intensification and efficiency of economic activity are:

- scientific and technical progress and scientific and technical level of production and products;

- the level of production and labor organization;
- economic mechanism and level of management organization;
- social conditions and level of use of live labor;
- natural conditions;
- world economic relations and the level of their development.

The quantitative ratio of extensiveness and intensity of economic development is reflected in indicators of the use of production and financial resources.

Indicators of extensive developmentthere are quantitative indicators of the use of resources: the number of employees, the amount of fixed capital used (the amount of depreciation), the amount of advanced working capital.

Indicators of the intensity of development **-**qualitative indicators of resource use.

The improvement of production intensification factors is reflected in the reduction of labor intensity and the growth of labor productivity; increasing depreciation return and reducing material consumption; increasing the circulation of fixed and working capital. All this is reflected in saving resources and reducing production costs.

The final results of the intensification of production and the efficiency of economic activity are: an increase in the volume of output, an increase in the efficiency of economic activity (growth in the mass of profit and an increase in the level of profitability), and therefore, an increase in solvency and financial stability.

The dynamics of the level of profitability reflects the dynamics of comprehensive intensification of economic activity, which makes it the most generalizing indicator of the efficiency of the company's activity.

5.3. Composition of intangible assets. Types of estimates and amortization of intangible assets

As part of the non-current assets of the business entity (firm), a certain part of the property is occupied by intangible assets. Their share depends on the specifics of the industry.

Intangible assets are a new object of observation, accounting, analysis, and management of firms.

The economic interest of Ukrainian entrepreneurs is connected with the desire to use exclusive rights to the results of intellectual activity to increase the level of profitability.

Intangible assetsrepresent the costs of a business entity in intangible objects that belong to it by ownership rights and are used for a long period (more than a year) in business activities and bring income.

Intangible assets are displayed in form No. 1 "Accounting balance sheet", the appendix to the balance sheet is in form No.5.

Intangible assets include patents, licenses, trademarks (service marks), rights to use land, minerals, brokerage positions, goodwill, "know-how", software, business reputation of the firm, organizational costs, R&D, other assets that do not have a material and technical basis.

Investments in intangible assets will pay off within a certain period due to the additional profit that the firm receives as a result of their use and due to depreciation deductions.

A distinctive feature of intangible assetsis that the economic entity does not offer subsequent resale of this property, they do not have a material structure, are separated from other property, are used for a long period (more than 12 months) with a certain price in the production of products, when performing works or providing services, or for the management needs of the firm, capable of bringing economic benefits (income) in the future.

Intangible assets are heterogeneous in their composition, nature of use in the production process, degree of influence on economic and financial results. ***Intangible assets by sources of income***can be purchased for a fee or in

exchange for other property, received free of charge from legal entities and individuals, contributed by founders, received in the form of subsidies from state bodies.

Intangible assets are valueddepending on the source of acquisition, type of assets, their role in the economic activity of the economic entity:

- contributed by the founders to the account of their contributions to the authorized capital - at the price agreed by the parties;

- acquisition for a fee from other companies and individuals - based on the actual costs of acquisition and bringing them to a state in which they are suitable for use in the planned form;

- received from other companies and individuals free of charge - at the price of posting, established by an expert.

According to the degree of legal protectionallocate intangible assets protected by patents, licenses and copyrights and without corresponding protection.

Intangible assets differ according to their useful life.

Disposal of intangible assetscarried out as a result of:

- their write-off at the end of the service period and if they are fully amortized;

- their write-off of the previously established term of service;

- their sale of exclusive rights;

- their free transfer.

According to the degree of liquidity and the degree of investment risk, intangible assets are divided into three groups: highly liquid, medium liquid, and low liquid.

An unjustified growth of intangible assets leads to a decrease in own working capital, a decrease in current liquidity, and a slowdown in the turnover of total capital.

Directing funds to intangible assets, business entities pursue the goal of obtaining additional profit from their use. The growth rate of revenue and profit should exceed the growth rate of intangible assets.

The economic entity establishes the term of useful use for each type of intangible assets, if it is not established in the contract, patent, certificate.

Of special interest in the composition of intangible assets is the business reputation of the business entity, which is defined as the difference between the purchase price of the business property complex as a whole and the balance sheet value of all assets and liabilities.

The difference can be either positive or negative. Goodwill is a premium paid by the buyer in anticipation of future economic benefits. This indicates that the managing entity has something that is not defined as assets and liabilities. For example: reputation for quality, marketing and sales skills, business connections, management experience, technical know-how.

A negative business reputation is a kind of discount on the price, which indicates the absence of these factors.

As part of intangible assets, only positive business reputation is recorded, and negative business reputation is estimated as income of future periods.

Business reputation becomes an object of accounting only when the business entity is sold as a property complex as a whole.

5.4. Fixed capital and its role in production

Any economic entity, carrying out production activities, uses limited economic resources, which are divided into natural, material, labor, financial and entrepreneurship (as a special resource). In economics, the term "factors of production" is used instead of the term "economic resources". Capital is one of the factors of production. Externally, capital is presented in concrete forms - means of labor (production capital), money (monetary capital), goods (commodity).

Thus, all funds advanced to the activity of the business entity can be named ***capital*** Part of the productive capital invested in fixed assets (premises,

buildings, equipment, etc.) is named*fixed capital*. Another part of the productive capital, advanced for working capital, is represented *working capital.*

The determining component of the entire production and economic activity of the firm is the fixed capital (fixed funds).

Fixed capital (funds) is a value reflection of the means of labor. The defining feature of fixed assets is the method of transferring value to the product - gradually, during the cycle (production cycles), in parts as they wear out. Thus, at the same time, the advanced value in the part of the fixed capital carries out a constant turnover in the authorized capital (fund), passing from monetary to production, commodity and again to monetary form. This is the economic content of fixed assets.

Fixed capital (main production assets) takes part in many production cycles, keeping its physical form until the end of exploitation, transfers its value to the manufactured products in parts as they wear out, is reimbursed first in money, and then in kind. The law of reproduction of fixed capital is that, under conditions of normal economic development, its value, introduced into production, is fully restored, providing an opportunity for constant technical renewal of fixed assets.

A new system of labor tools, which is equal in value to the worn ones, is formed by simple reproduction due to the means of depreciation.

With extended reproduction, new investments of funds are required, which are attracted from profits, founders' contributions, the issue of securities, loans.

Subjects managing the main production assets use the main non-production assets. The main non-productive funds are on the company's balance sheet, but do not reproduce their value, it is lost. Their maintenance and development is carried out at the expense of profit.

The transition to a market economy system is impossible without solving the issue of increasing the efficiency of the use of fixed capital and production facilities. The company's place in the industry, its financial condition, and competitiveness in the market depend on solving this problem. The technical

level, quality, reliability, durability of products depend on the quality of the equipment and its effective use, which determines the efficiency of production.

5.5. Classification and structure of fixed capital (fixed assets)

Each type of fixed capital has a specific name and scope of purpose. Fixed assets differ in many ways, which requires their classification. Firms use a single typical classification of fixed capital. The main funds are grouped according to the branch, purpose, types, ownership, and use.

Grouping by branch (agriculture, industry, transport, trade, public catering, etc.) allows to obtain data on their value in each branch. The main criterion for grouping fixed assets by industry is the type of activity of a given firm or its divisions. The classification of fixed capital by sectors and branches of the national economy makes it possible to monitor and adjust the directions of economic development, to more effectively use the levers that stimulate the development of progressive and priority industries. The sectoral structure of fixed assets must be rebuilt: the specific weight of industries directly engaged in serving the life of the population will grow. The increase in the competitiveness of firms in the production sectors is primarily connected with intensive technical re-equipment.

According to the purpose and scope of application, fixed assets are divided into productive fixed assets of the main activity, productive fixed assets of other industries, and non-productive fixed assets.

For the management of fixed capital at all levels of management, the functional and specific grouping of labor resources is of primary importance. It allows you to obtain information about the most important qualitative changes that occur in the economic potential of a business entity. The dynamics of the species structure reflects changes in the technical equipment of production, the pace of innovation, the development of specialization, concentration, etc.

By type, fixed assets are divided into the following groups: buildings, working and power machines, equipment, measuring and regulating devices and devices, computer equipment, vehicles, tools, production and household

equipment, working, productive and breeding livestock, perennial plantations, other main funds The specific structure of fixed assets differs significantly by sectors and spheres of the economy, as well as by their branches.

According to the degree of participation in the production process, the main productive assets are divided into active and passive parts. The active part of fixed assets, which have a direct effect on changes in the form and properties of objects of work, include machines and equipment, vehicles, tools, inventory, etc. The passive part of funds includes buildings and structures, etc., that is, funds that provide conditions for the implementation of the production process. The higher the share of the active part of the funds, the more opportunities the business entity has to increase the volume of output. Classification of objects into active and passive parts depends on the specifics of the industry (for example, buildings - in the oil refining industry are classified as an active part).

The ratio of different groups of fixed assets in the total value, expressed as a percentage, constitutes the structure of fixed assets. The structure of the main production assets of various industries and companies is determined by the nature and volume of the products produced, the technical level of production, the level of specialization and cooperation, and natural and climatic conditions.

By ownership, fixed assets are divided into owned and leased.

According to the sign of use, fixed assets are divided into those that are in operation (active), in reconstruction and technical rearmament, in stock (reserve), and in conservation. Machine tools, machines, vehicles, etc., which are not used in this company, are classified as non-current fixed assets. To analyze the age structure of equipment, the grouping of fixed assets into the following age groups is mostly used: up to 5 years, from 5 to 10 years, from 10 to 15 years, from 15 to 20 years and over 20 years.

5.6. Accounting and valuation of fixed assets

In the process of operation, fixed assets are recorded and evaluated in kind and value form.

Accounting for fixed assets in kind is necessary to determine their technical composition, production capacity, and the extent of equipment use. The accounting of fixed assets in kind is called analytical accounting, it is carried out for each object. An inventory card is created for each object, which displays the name of the object, the inventory number, the original cost and the main technical and economic characteristics.

In the management of fixed assets, a differentiated system of valuations is used, which is determined by the target setting of determining the value of the fixed capital: to evaluate results, calculate depreciation and calculate taxes, sell and lease, mortgage operations, and calculate the economic efficiency of investments.

The following types of valuation of fixed assets are distinguished:

1. *Appraisal at full original cost*. The original value of the object depends on the nature of its purchase or receipt and is formed in different estimates. Fixed assets are credited to the balance sheet of the business entity at their initial cost. It includes: the cost (price) of the purchase of equipment (premises of buildings, structures), transportation costs for its transportation, the cost of installation work at the place of operation, that is, the amount of actual costs for acquisition, construction, production, excluding VAT and other return taxes.

In the case of receiving the object as a contribution to the statutory fund, the initial value of the object of fixed assets is determined in the amount agreed upon by the founders of the firm, unless otherwise provided by the legislation of Ukraine.

The initial value of fixed assets is not subject to change, except in the following cases:

- carrying out capital works at the existing object (completion, retrofitting, expansion, reconstruction, technical re-equipment);
- revaluation of the object;
- partial liquidation of the object.

Current prices and tariffs for fixed assets are constantly changing under the influence of supply and demand factors, inflation. There is a need to reassess fixed assets and bring them to uniform price measures, when the original value of fixed capital ceases to reflect its valid assessment in the current conditions of economic activity, the management of the process of reproduction of fixed assets becomes contaminated, obstacles to normal commercial activity arise, the calculated indicators do not reflect their valid level.

1. *Assessment at full replacement value,* that is, the cost of reproduction of fixed assets in modern conditions or after revaluation.

The replacement value of fixed assets is the estimated cost of restoring their exact copy in modern conditions using similar materials and maintaining all operational parameters.

The real price of an object of fixed assets can be established expertly, based on actual market prices or with the help of predetermined coefficients.

Book value -this is the value at which fixed assets are recorded in the firm's balance sheet based on data on their availability and movement. On the balance sheet, they are reflected in a mixed assessment: the objects for which the revaluation was carried out are recorded at the replacement value on the set date, and the new ones, purchased (or built) after the revaluation - at the original cost.

3. *Valuation at residual value.* The residual value is determined by deducting the amount of accumulated depreciation from the total book value of fixed assets. It shows the amount of the underdepreciated part of the cost of fixed assets. The residual value allows you to judge the degree of wear and tear of fixed assets, to plan their renewal and repair. The replacement value is determined, taking into account wear and tear. It is calculated as a percentage of the full replacement value based on accounting data or on the basis of the value after revaluation taking into account wear and tear.

4. *Liquidation value* -the value of fixed assets at the time of their removal from the production process, or the value of scrap metal.

Revaluation of fixed assets is carried out annually. In accordance with Ukrainian legislation, firms of all forms of ownership are granted the right to

revaluation of fixed assets when the book value is lower than current market prices. Objects of fixed assets are subject to revaluation in order to eliminate the difference in the value of homogeneous objects caused by the application in different periods of different prices for fixed assets. During the revaluation, the full replacement value is determined, that is, the full cost of the costs that the company owning them would have to incur if it had to replace them with similar new ones at market prices that exist on the date of the revaluation, and at the same time the rate of their wear and tear is determined.

Revaluation can be selective, when the assessment of individual groups of funds is clarified, and continuous, general, which covers all fixed assets. In most cases, it is preceded by an inventory of fixed assets. The revaluation can be carried out by the business entity independently or with the involvement of specialists-experts.

Fixed assets that are owned, managed, operationally managed and long-term leased with the right of redemption are subject to revaluation, regardless of the technical condition. The value of land plots and objects of nature use cannot be reassessed.

The full replacement value is determined at the discretion of the business entity: either by direct recalculation of the value of individual objects at documented market prices for new objects similar to the assessed ones (direct valuation method), or by indexing the book value of individual objects using index of changes in the value of fixed assets (deflator index), differentiated by types, regions, periods of manufacture, acquisition (index method).

The direct revaluation method is the most accurate, it allows you to correct the inaccuracies accumulated as a result of the use of average group indices during previous revaluations. When revaluation of fixed assets by means of indexation, the amount of depreciation of fixed assets is subject to multiplication by the corresponding index of changes in the value of fixed assets during their revaluation to replacement value.

5.7. Depreciation and depreciation of fixed assets

Fixed assets function for several years and are subject to replacement (reimbursement) in accordance with their physical and moral wear and tear.

Depreciation of fixed assets – partial or complete loss of consumer value and the value of fixed assets both in the process of operation and due to their inactivity. Physical and moral wear and tear are distinguished.

Physical wear and tear means loss of consumer value of fixed capital. It can occur either as a result of intensive use of fixed capital, or as a result of inactivity and the influence of natural factors (atmospheric precipitation, etc.), as a result of which nodes, mechanisms, parts are destroyed. As a result, the means of production become unsuitable for further use.

The cost of physical wear and tear of certain types of fixed capital depends on the activity and terms of their operation, the quality of construction and materials, operating conditions, the quality of repair and maintenance, and the qualifications of employees.

Coefficient of physical wear (K_{fz}) by terms of service is determined by the formula:

$$TO_{fz} = T_f / T_n,$$

where T_f - actual term of service; T_n - standard service life (depreciation period).

Moral wear and tear– means loss of fixed capital. Depreciation of fixed capital occurs as a result of the appearance of more modern equipment with better technical and economic characteristics. There are two types of moral wear:

1. Fixed capital depreciates, as similar equipment is produced at lower costs and becomes cheaper.

2. As a result of NTP, new high-performance types of machines and equipment are created, which are more economical in operation, but also have a higher cost.

Worn-out equipment must be updated. Technical modernization programs are being developed for this purpose. The implementation of such programs requires the expenditure of financial resources, which leads to the growth of capital investments that go to renewal, technical rearmament, and modernization of production.

Moral wear and tear of the first type is determined by the formula:

$M_{with1} = (ABOUT_{side} - ABOUT_{vok}) \times 100 / OK_b$,

where M_{with1} – moral wear of the 1st type;

$ABOUT_{side}$ - book value of fixed capital; AT_{vok}- replacement value of fixed capital. The amount of moral wear of the second type M_{with2} can be calculated using the formula:

$M_{with2} = OK_{ppv}$ pOK $_{but}$ p{IN_{his} pT_{his}) / (IN_n pT_n) },

de OK $_{ppv}$, OK $_{but}$ – respectively, the full initial cost of obsolete (old) and new equipment.

T $_{his}$, T_{his} – service life of obsolete and new equipment (years).

The use of morally outdated equipment and technology becomes ineffective, therefore, before the term of their physical wear and tear, they must be replaced with new models or modernized. In the conditions of competitive struggle, the rates of moral aging of machines and equipment and the need for their constant replacement have accelerated.

Reimbursement of depreciation of fixed capital is carried out on the basis of depreciation. ***Amortization*** – the process of gradually transferring the value of fixed capital to manufactured products in order to accumulate funds for the subsequent reproduction of fixed capital. In economic terms, depreciation is a monetary reflection of part of the cost of fixed capital, transferred to a newly created product.

The monetary reflection of the amount of depreciation, which corresponds to the rate of depreciation of the fixed capital, is*depreciation deductions.*These deductions are included in the costs of production and sale of products (services).

The size of the annual depreciation fund depends on the average annual value of the fixed capital and the rate of depreciation.

The rate of depreciation is the main lever of the depreciation policy of the state. Thanks to the rate of depreciation, the rate of turnover of fixed capital is regulated, and the process of its reproduction is intensified. The depreciation

rate is the ratio of the annual amount of depreciation to the initial cost of the fixed capital, expressed as a percentage and calculated according to the formula:

$N_a = (OK_p - ABOUT_l) / (OK_p \times T_n)$,

where N_a – rate of depreciation; OK_p, $ABOUT_l$ - respectively, the initial and liquid value of the fixed capital; T_n - normative term of service.

Depreciation deductions are made on the basis of depreciation rates for types of fixed capital. Depreciation rates are set per year. According to Ukrainian legislation, depreciable property includes property and the results of intellectual activity that are the property of the taxpayer and are used to extract income. Their value is extinguished by calculating depreciation.

5.8. Indicators of reproduction of the efficiency of the use of fixed capital

Production efficiency is characterized by the profit (loss) indicator. The increase in productive economic activity is determined by the efficiency of the use of all factors of production. The efficiency of the use of fixed capital is determined not only by the availability and composition of fixed capital, but also by the completeness of its use during the calculation period.

Improving the use of fixed capital solves many economic problems aimed at increasing production efficiency: increasing labor productivity, reducing cost, saving capital investments, increasing the volume of production, increasing profit and profitability, and therefore increasing solvency and financial stability.

Fixed capital is reflected in the company's balance sheet at the beginning and end of the reporting period. During the year, there is a movement of fixed capital as a result of receipts and disposals. The fixed capital is taken into account according to acts of acceptance into operation, in reserve or for preservation. Inflow of fixed capital can occur in the form of new fixed assets and in the form of previously used and transferred free of charge from legal entities and individuals.

Objects of fixed capital are disposed of for various reasons: due to their aging and wear and tear, sale of the object to another legal entity or individual, free transfer, etc. Machines, equipment, devices, vehicles can be transferred to a long-term (financial) lease with or without the right of subsequent redemption.

Availability and movement of fixed capital are displayed monthly. The cost of fixed capital at the end of the period is determined by the formula:

$OK_{To} = OK_n + OK_p - OK_V$,

de OK_{To}, OK_n, OK_p, and OK_V - respectively, the value of fixed capital at the end and beginning of the period, those that have arrived and that have been withdrawn.

To characterize the generalized indicators of the level of use of fixed capital, return on capital and capital intensity are included.

Capital return (KO) shows the volume of production calculated per UAH fixed capital. It can be calculated by the volume of sales, realized, shipped, marketable products:

$KO = Q_p (Q_p, Q_V, Q_{etc}) / OK_{sr}$,

and Q_p, Q_p, Q_V, Q_{etc}) - respectively, volumes: sales, sold, shipped and commodity products, OK_{sr} – average annual cost of fixed capital.

Capital intensity (KM)- the value is the inverse of the return on capital, it is determined by the ratio of the cost of fixed capital to the volume of production.

$KM = 1 / KO = OK / (Q_p, Q_p, Q_V, Q_{etc})$.

When calculating the named indicators, the average annual cost must be calculated using the simple or weighted arithmetic average, or using the chronological average formula.

Return on capital shows how much production is obtained from each hryvnia of operating fixed capital, capital intensity shows the value of the cost of fixed capital, which is necessary to obtain a given amount of production.

Return on capital is used to analyze the use of operating fixed capital, capital intensity is used to plan the need for fixed assets and capital investments.

The higher the return on capital and the lower the capital intensity, the more efficiently fixed capital is used.

To determine the efficiency of the use of fixed capital, the coefficient of variability and the coefficient of equipment loading are used. *Coefficient of variability (*TO_{zm}*)* determined by the ratio of the number of machine shifts worked to the total number of installed equipment (or the largest shift):

$$TO_{zm} = N_{mz} / N_{in},$$

where N_{mz} and N_{in} – respectively, the number of used machine changes and the number of installed equipment.

*Load factor*equipment is defined as the ratio of the cost of equipment operation time in hours, calculated according to the labor intensity of the work performed on this equipment, to the useful fund of equipment operation time under the established mode of use of the equipment. It is used in calculations at production capacity to synchronize the throughput properties of various types of machines and equipment.

Based on the data on the availability, movement and wear and tear of fixed capital, indicators are calculated that are important for the assessment of production potential. These include movement and state indicators.

Traffic indicators include the following group of indicators: input (receipt), renewal, disposal, growth, liquidation, replacement coefficients. *Input factor* (TO_V) is determined by the ratio of the value of newly introduced fixed capital to the value of fixed capital at the end of the reporting period:

$$TO_V = OK_V / OK_{To},$$

de OK_V – the value of the capital invested; OK_{To} – cost of fixed capital at the end of the reporting period.

Refresh rate (TO_{about}) is determined by the ratio of the value of the new fixed capital (OK_n) to the value of fixed capital at the end of the reporting period (OK_{To}):

$TO_{about} = OK_n / OK_{To.}$

Dropout rate (TO_{vb}) is determined by the ratio of the value of all discontinued fixed assets (fixed capital) to the value of fixed capital at the beginning of the reporting period:

$TO_{vb} = OK_{selected} / OK_p$,

de $OK_{selected}$ – the value of the fixed capital, which was removed during the reporting period; OK_p - the cost of fixed capital at the beginning of the reporting period.

Elimination coefficient (TO_l) of fixed capital is defined as the ratio of the value of liquidated fixed capital (due to aging and wear and tear) to the value of fixed capital at the beginning of the reporting period:

$TO_l = OK_l / OK_p$,

de OK_l - liquidated fixed capital.

The ratio of the value of the capital that was removed due to old age and wear and tear (liquidated) to the amount of newly introduced capital characterizes the intensity of replacement (K_{road}):

$TO_{road} = OK_l / OK_{V.}$

The coefficient of expansion of the fleet of machines and equipment (TO_p) is determined by the formula:

$TO_p = 1 – K_{road}$.

Along with indicators of the movement of fixed capital, it is necessary to determine indicators characterizing the state of fixed capital, and therefore, the possibility of increasing the volume, quality, demand and profit. These include the coefficients of wear and tear.

Depreciation rate ($TO_{i.e}$) characterizes the share of worn-out fixed capital ($OK_{i.e}$) in its total cost (OK_{north}):

$TO_{i.e} = OK_{i.e} / OK_{north}$.

Suitability factor (TO_p) characterizes the worn-out part of the fixed capital ($OK_{i.e}$):

$TO_p = O_{kz} / OK_{i.e}$or $1\ TO_{i.e}$.

It is expedient to determine movement and state indicators not only in general, but also by their individual types in terms of age groups. This will provide better management of the process of reproduction of the main groups.

5.9. Production capacity and its use

One of the characteristics of potential opportunities and the degree of use of resources of a business entity is production capacity. The production capacity of a company (shop, site) means the maximum possible output of products (works, services) of a certain quality with a given nomenclature and assortment, which can be produced per unit of working time (year, quarter, month, decade, day) under the condition of efficient use of equipment and area

The production capacity is determined by the nomenclature of the released products, which takes into account the activity profile. In market conditions, the activity of business entities is oriented towards satisfying the demand for one or another product. Customer demand is determined through market research, based on demand, the full amount of production capacity is determined. An increase in demand requires additional input of production capacity.

Under the conditions of economic independence and individuality, relations with consumers are changing: the flexibility of production, the ability to adequately and timely respond to changes in the external environment are brought to the fore. Production capacity is determined based on the formed product assortment - the value is not constant. It depends on a number of factors: the labor intensity of the production program, the mode of operation of the economic entity, and therefore the mode of operation of the equipment, the composition and quality of the raw materials and materials from which the products are made, the level of application of equipment and technology, the level of qualification of employees, etc.

Indicators of production capacity are necessary for developing a strategy of behavior in the long term. In the short term, it is necessary to increase the efficiency of the use of capacity due to the basic technology.

According to the types, the design, input, output and average annual power are distinguished.

*Design capacity*is determined during the manufacture of equipment, based on productivity per unit of working time.

*Input power*is the capacity at the beginning of the planning period. It is determined according to accounting data.

Output power (PV) –this is the capacity at the end of the reporting period. It is determined by calculation:

$PV = P_p + P_V - P_{selected}$,

where P_p , P_V , $P_{selected}$ - accordingly, the power at the beginning, introduced and that which was lost due to aging and wear.

Average annual capacity (P_{sr}) – this power is determined by the arithmetic average weighted taking into account the input and output of power by periods:

$P_{sr} = P_p + P_V \times n1/12 - P_{selected} \times n2/12$,

where n1 is the number of months of operation of the commissioned capacities during the reporting period;

n2 – the number of months from the moment of capacity withdrawal to the end of the reporting period.

Until recently, the balance of production capacity was made by all industrial enterprises, now it is made by large firms. The balance is made according to the nomenclature and assortment of the manufactured products. The balance sheet shows the amount of production capacity at the end of the year, changes (increase, decrease) for the year, the average annual production capacity, the degree of its utilization, the coefficient of variability of equipment operation and the average coefficient of equipment loading.

When calculating production capacity, all equipment is taken regardless of its condition (all available equipment that is on the balance sheet of the company: installed and not installed).

Norms and regulations, on the basis of which capacities are calculated, must take into account the achievements of NTP.

The initial data for calculating production capacity are the number of installed equipment by type (Q_{in}), the production capacity of assembly shops, the company's operating mode (S) (two, three, one shift), the labor intensity of manufacturing the product (t_{PC}), the coefficient of compliance (over-fulfillment) of norms (K_{vn}).

When determining production capacities, they proceed from the maximum possible working time fund. The maximum possible fund of equipment operation time in conditions of continuous production is equal to the product of calendar days and 24 hours a day.

The calendar or maximum possible fund is the starting value in accounting for the time of operation and inactivity of the equipment.

The calendar fund is calculated according to the formula:

$$F_{To} = N_p \times T_d,$$

where F_{To} – calendar fund, N_p - number of days in a year, T_d - length of day in hours.

The nominal fund of equipment working time is defined as the difference between calendar time and the time of weekends and holidays (N_{vs}), multiplied by the number of hours of equipment operation per day:

$$F_n = (N_p – N_{vs}) \times T_d,$$

where F_n - nominal fund.

For a set of machines, the time fund (calendar, regular) is equal to the product of the time fund of one machine by the number of machines.

Effective (valid, available) work fund equipment is equal to the nominal after deducting the time for repair, debugging, the time the equipment is in reserve, taking into account the use of the machine in time:

$F_{is} = N_p \times t_{zm} \times N_{zm} \times K_{in,}$

where F_{is} – effective time fund; t_{zm}- the duration of the work shift; N_{zm}- number of shifts per day, K_{in} – coefficient of use of machine tool equipment over time.

The company's production capacity is determined on an annual basis by the capacity of leading workshops, divisions, and units. The leading workshops, divisions, and units include those involved in the main technological operations for the production of products. At the station, the power is determined by the leading equipment. Leading equipment is the equipment on which the main, most time-consuming operations are performed.

5.10. Working capital and its role in business turnover of the firm

Financial resources of a business entity always have two spheres of practical application:

- part of the funds is invested (invested) in fixed capital for various purposes;

- the other part of the funds is advanced to working capital.

Working capital -these are financial resources invested in objects, the use of which is carried out by the firm either within one production cycle or within a relatively short calendar period of time (usually one year). Unlike fixed capital, working capital during one production cycle completely transfers its value to a newly created product, is compensated in monetary form after each cycle, and then in kind. Part of the working capital changes its physical form (raw materials, materials), part disappears without a trace as spent energy, fuel, gas.

Circulating funds are a part of working capital along with circulating funds. Circulating funds do not directly participate in the production process, but are necessary to ensure the unity of production and circulation. According to the nature of turnover and the method of transferring value, working capital

and circulating funds are combined into the common concept of "working capital" or current assets of the business entity.

Amount of current assets, *which are part of current production assets*, is determined by the organizational and technical level of production, the field of activity, the scale of production and the activity of the production cycle of manufactured products.

Amount of current assets, *which are part of the circulating funds*, determined by the organization of marketing research and sales of products, terms of sale of products, system of movement of goods, methods of payment for products.

The peculiarity of circulating funds is that they do not directly participate in the creation of value, but are carriers of already created value.

The main purpose of circulating funds is to ensure the rhythmicity of the circulation process with monetary means.

The unification of circulating funds and circulating funds into a single system of circulating capital is determined by the continuity of the advanced value at the three stages of the cycle of circulation, production and circulation.

Current assets include production stocks and production assets in the production process.

Inventories - stocks of raw materials, materials, components, fuel, containers, low-value and fast-wearing tools, household equipment.

*Working capital in the production process*consist of work in progress, semi-finished products and costs of future periods.

Work-in-progress and semi-finished products of own production - these are parts, units, products that have not passed all stages of processing, assembly, testing, acceptance, as well as work items, the manufacture of which is not completely finished from the point of view of this production, or is completed, but they are not transferred to the warehouse of finished products.

Expenses of future periods - expenses for the preparation and development of new types of products, new types of equipment, produced in the current period, but are included in the cost price of the future period.

As part of the working capital, which forms a certain part of the entire property of the business entity, there are tangible elements (inventories), receivables, cash and short-term financial investments, which can be a source of additional income for the firm - the owner of financial investments.

The composition of short-term financial investments, cash and cash equivalents does not depend on the profile of the main activity. The composition of material elements varies significantly depending on the type of activity. So, if the main activity of the company is of a production nature, then the largest part of property stocks will be production stocks and finished products. In the supply, trade and intermediary activities, a significant part of property stocks will be goods intended for sale.

Working capital ranks second in size after fixed capital in the total amount of resources that determine the economy of a business entity.

Since working capital is a significant amount, its rational use is an important requirement for successful management of the economy.

In financial activity, working capital plays an important role, as it directly affects solvency, the degree of "deadness" of capital, the amount of receivables, and therefore also payables.

5.11. Material resources and their use

Economic entities consume a large number of material resources, different in types, brands, grades and sizes.

The nomenclature and assortment of consumed material resources depend on the nomenclature and complexity of the manufactured products. The wider the range of products, the wider the range of consumed material resources. The basis of the classification of materials is the grouping based on the homogeneity of the characteristic features with the subsequent division into sections, which are assigned the appropriate index according to the decimal system.

The nomenclature of materials makes it possible to correctly systematize and group calculations of the need for the same materials.

Material resources are resource potential that allows production of products, provision of services and performance of works; these are various types of raw materials, materials, fuel, energy, components, semi-finished products, which the economic entity purchases for use in economic activities for the purpose of producing products, providing services and performing works.

Material resources are transformed into material costs, which represent a set of material resources used in the production process.

Material costs have accounting functions, act as an element of the cost price, regulate the amount of taxable income and profitability.

Raw material -these are labor items that are sent to production for primary processing by extractive industries and agriculture (ore, cotton, flour, flax fiber, etc.).

Materials- these are objects of work that have undergone partial processing (cast iron, steel, chintz, flour, etc.). Materials are divided into basic and auxiliary according to the nature of their use in the production process.

Basic materials intended for production of products, provision of services, performance of works. In the production sphere, they constitute the material content and are included in the weight of the manufactured product.

Auxiliary materials participate in the implementation of the production process. They are necessary for the implementation of various technological processes, maintain fixed capital in working order (lubricants, cleaning agents, chemicals, emulsions, alcohols, etc.).

Semi-finished products - these are labor items that have undergone several stages of industrial production, but require further processing (blanks, castings).

Energy, fuel, fuel -these are the items of work that drive equipment, vehicles and ensure the normal course of the work process.

Materials used in industry include plastics (about 500 types of plastics).

Scientific and technical progress puts forward high demands on the quality of material resources, as they represent not only the volume of output, but also the quality of the produced products.

The most important indicators of the use of material resources are:

- material expenses;
- specific costs of material resources per unit of production - cost rate;
- material capacity of products.

The classification of materials serves as the starting point for standardizing the consumption of materials for each item of the nomenclature.

In turn, the norms of consumption of materials initiate the basis for determining the need for materials for the production of a unit of production, followed by drawing up a plan for the purchase of material resources, calculating the cost price and developing a strategy for the economical use of material resources.

Under *rate of expenditure*it is necessary to understand the maximum allowable costs of the relevant resources per unit of production under the conditions of the given level, the applied equipment and the organization of production. When developing standards for material consumption, one should take into account not only the net weight (useful consumption of materials), but also irreversible losses and unutilized waste caused by the imperfection of technology, low level of personnel qualification, and organizational reasons. The quality of the established norms is assessed by indicators: the ratio of material utilization, the specific weight of production waste, the percentage of output of finished products.

Cost rate (N_V) (gross, rough consumption of materials) is defined as the ratio of the net weight of the material in the product (Ch_V) to the material utilization factor (K_{art}):

$N_V = Ch_V / TO_{art}$ or $N_V = Ch_V$ + waste or $N_V = M_{and}/g$

where M_{and} - the total cost of material of the ith resource in natural units (t, kg, m).

The coefficient of use of materials is determined by the formula:

$TO_V = Ch_V / N_V$.

It characterizes the specific weight of the net weight (useful expenses) in the amount of material expenses per unit of the product.

Waste are defined as the difference between the cost rate and the net weight.

$Waste = N_V - Ch_V$.

Waste is divided into those that will be used and those that cannot be used. Used waste is returnable waste (various segments) that can be used in further production.

Unused waste is irreversible waste (dust, sawdust, etc.). When calculating specific cost standards, it is necessary to take into account the possibility of defects due to the peculiarities of the technologies used.

Knowing the cost rate and the actual cost of materials per unit of production, it is possible to determine savings or overspending of material resources per unit of production and for the entire production.

Material capacity **(M_m)** *characterizes the ratio of the amount of material costs (M_V) to the cost of manufactured products (Svp).* The material intensity indicator characterizes, along with the cost rate, the efficiency of the application and use of labor items:

$M_m = M_V / S_{vp}$.

Material intensity in Ukraine is 30-35% higher than in developed foreign countries and is approximately 60%.

Managers of the company (structural divisions) that carry out production activities must constantly monitor compliance with regulations, the dynamics of actual specific costs, since material costs represent a high specific weight in the total costs of production, and therefore, these costs significantly affect the amount of profit received. It follows from this that the saving of material resources is the most important factor in increasing production efficiency.

Summarizing what has been said, it can be noted that there are three main directions of the economy of material resources:

1. Due to the improvement of the design of the machines, their quality characteristics and progressive technological processes, which leads to a reduction in quantities, specific costs (cost rates) and a reduction in production waste.

2. Due to the use of new types of materials instead of traditional ones with predetermined properties, which also reduces waste and the rate of material consumption and practically eliminates defects (instead of metal, various types of plastics and synthetic materials are used).

3. At the expense of improving the rationing of materials, their accounting and storage, increasing the level of standardization and unification of nodes, mechanisms.

5.12. Classification and composition of working capital

The operating funds of the business entity are successively transferred to the circulating funds and vice versa.

Monetary resources advanced to circulating production funds and circulating funds characterize current assets. The essence of circulating assets is determined by their economic role, the need to ensure the reproduction process, which includes both production and the process of circulation.

According to their composition, working capital is divided into circulating funds and circulating funds. Working capital is employed in the field of production. Circulating funds are engaged in the sphere of exchange (circulation). Working capital and circulating funds are divided into various elements that make up the material structure of current assets.

Working capital consists of production stocks and working capital in the production process.

Circulating funds consist of the following elements:

- finished products in warehouses;

- goods in transit (shipped products);
- funds in accounts (receivables);
- funds in cash and on a current account.

The ratio between individual elements of current assets or their constituent parts is called *structure of current assets*. The structure of working capital depends on the branch affiliation, the nature and peculiarities of the organization of production activities, terms of supply and sales, settlements with buyers and customers.

Circulating assets are constantly in motion (must be in motion). They successively go through the stages of circulation, production and the like and take three functional forms: monetary, production (productive) and commodity.

At the first stage, funds are used for the purchase of raw materials, materials, fuel, components, etc., necessary for the implementation of production activities.

In the second stage, production stocks are transformed into work-in-progress and finished products.

At the third stage, the process of product sales takes place.

The faster the transition of working capital from the sphere of circulation to production occurs, the more products a business entity can produce for each hryvnia invested, the greater the amount of profit, and, therefore, the greater the value of its own working capital.

In the course of production activities, a business entity may temporarily need funds that are covered by loans.

Under the conditions of economic independence and individuality of business entities, it is impossible to count on budget allocations, therefore sources of working capital formation are own and borrowed funds.

The amount of own funds is reflected in statutory, additional, reserve capital, profit, accumulation and consumption funds, transitional salary arrears

and deductions to extrabudgetary funds (due to the gap in the terms of accrual and payment).

Involved means - are in temporary use by the business entity. The main part of these funds is borrowed funds (long-term and short-term credits and loans). The funds involved include accounts payable, as well as various special funds formed by the economic entity, which may be in circulation before they are spent and represent internal financial sources (reserve for future expenses and payments).

The ratio of own and borrowed funds should be optimal. Firms that use only their own funds take less risk, but their rate of return is usually lower than that of those that use borrowed funds in addition to their own funds.

5.13. Rationing of working capital

Determining working capital needs is an integral part of financial planning, since a lack of working capital leads to disruption of the production process, and their excess leads to the "death" of a part of working capital in the form of commodity values. To ensure a smooth (uninterrupted) production process, it is necessary to have a planned amount of working capital. The planned amount of working capital is established by rationing. In this regard, they are divided into two groups:

- normalized;

- abnormal.

Rationing of working capital is the basis of rational use of economic assets. It consists in the development of justified norms and standards of their costs, necessary for the creation of permanent minimum reserves, sufficient for the smooth operation of the firm.

Norms of working capital characterize the minimum stocks of goods and material values, calculated in days of stock or in other units.

The rate of working capital is determined in monetary terms for individual elements (groups) of working capital and as a whole for the business entity.

Normalized working capital includes all working capital and part of the working capital in the form of finished products in the warehouse.

Non-normalized current assets include all working capital, with the exception of finished products in the warehouse.

Norms are established for each element of working capital and finished products separately. After determining the partial standards, the general standard is determined.

The norm of current assets in stocks of finished products in the warehouse (N_{Mr}) is determined by the profit of the daily output of finished products at production cost:

$N_{Mr}= Q_{\text{hot water supply}} / TO_{dp}$ x Z_{dn}or $N_{Mr} = B_{dn}$ x Z_{dn},

where K_{dp} - number of days in the planning period (quarter, month, year);

$Q_{\text{hot water supply}}$ - release of finished products at production cost;

$WITH_{dn}$– reserve rate in days;

IN_{dn}– average annual output at production cost.

The standard of stock for finished products depends on the duration of transportation of products from the warehouse to the dispatch station and loading into vehicles, on the time for the accumulation of certain types of products for assembly in batches and processing of payment documents.

The value of the standard of working capital in work-in-progress depends on four factors: the volume and composition of the products produced, the duration of the production cycle (T_h) cost of production and the nature of cost growth (K_{nv}). All costs in the production process are divided into simultaneous and cumulative. Concurrent costs include costs incurred at the beginning of the production cycle - costs of raw materials, materials, and semi-finished products. Other costs are considered cumulative:

N_{Mr} - standard working capital in stocks of finished products in the warehouse;

N_{Mr} - standard working capital in stocks of finished products in the warehouse;

$TO_{nv} = 0.5 \times (1 + C_p / S_{To})$,

where S_n – initial costs; S_{To} – final (full) costs.

Cost escalation can occur unevenly or evenly.

The norm of working capital in production costs (Nvz) determined by the product of the norm in days for their daily expenses (Z_{dn}).

$N_{vz} = Q_{dr} \times Z_{dn}$

and Q_{dr} – daily (daily) need for material resources.

General standard of current assets (N_{ok}) is defined as the sum of individual (partial) standards:

$N_{ok} = N_{Mr} + N_{Mr} + K_{nv} + N_{vz}$.

The rate of working capital for raw materials and materials consists of time:

- their stay on the road (transport stock);
- delivery and storage of materials;
- preparation of materials for production (technological stock);
- availability of materials in the form of current stock;
- holding the material in the form of an insurance stock.

The largest specific weight in the total rate of working capital by group of materials is occupied by the rate of current stock.*Current stock (Z_p)* – a constant stock of materials, fully prepared for launch into production and intended for continuous operation. Its value depends on the average daily need for materials (M_{with}), material delivery interval (I_p) and the delay ratio of materials in stock (K_{with}):

$WITH_p = M_{with} \times I_p \times K_{with}$.

The size of the current stock is affected by the periodicity of supplies of materials and the volume of their consumption in production.

Insurance reserve ($WITH_{Art}$) – the second largest type of stock, created in case of unforeseen deviations in supply (disruption of supplies in time, arrival of low-quality material). The insurance reserve is accepted in the amount of 50% of the current reserve, but it can be less than this amount:

$WITH_{Art} = 0.5\ Z_{p}$.

Transport stock is created when the freight turnover exceeds the document turnover (Z_{tr}):

$WITH_{tr} = M_{with}$ x Z_{dn},

where Z_{dn} - the number of days between cargo turnover and document turnover.

The amount of production stock (Z_{top}) is equal to the sum of current, insurance and transport stock. Technological reserves are created for those types of raw materials that require pre-processing (drying, oxidation, grinding, etc.), exposure to give certain consumer properties before starting production. They are taken into account if they are not part of the production process.

5.14. Indicators and ways of accelerating the turnover of current assets

Working capital is constantly in motion. At each moment of time, the firm buys, produces, sells, reforges or sells, etc. This ensures the smoothness and continuity of the production and sales process. The amount of working capital must be sufficient for the production of products in the range and quantity that the market calls for, while at the same time minimal, which does not lead to an increase in production costs due to excessive stocks.

An important requirement for the successful management of the economy is the rational use of working capital. The rational use of working capital is reflected in the acceleration of their circulation: the faster the circulation is carried out, the smaller the amount of working capital serves the production process.

The efficiency of the use of current assets is measured by indicators of their circulation. The turnover of current assets is understood as the duration of

successive passage of assets through individual stages of production and circulation. The circulation of working capital is completed by crediting the revenue to the account of the business entity.

The turnover of working capital is not the same, which depends on branch affiliation, organization of production and sales of products, placement of working capital and other factors.

The turnover of current assets is characterized by a number of interrelated indicators: turnover ratio (K_{about}), the duration of one turnover in days (T_d), the load factor of working capital (K_{with}).

Turnover ratio of current assets (speed of turnover) characterizes the number of turnovers carried out by a given amount of current assets during the period. It is calculated as*ratio of revenue from sales* (BP) *to the average value of current assets for the period (remains of current assets)* ($IN_{himself}$):

$TO_{about} = BP / V_{himself}$, or $Ko = V_{himself} \times T / BP$,

T is the number of days in the calculation period, the duration of the period (T = 30, 90, 360 days).

The higher the turnover ratio, the better the current assets are used.

The average annual balance of working capital is calculated according to the arithmetic average or the chronological average.

The turnover ratio shows that each hryvnia invested in working capital has made N turnovers in a year.

The duration of one revolution shows *duration of one turnover in days:*

$T_d = T_{sq} / TO_{about}$.

A decrease in the duration of one turnover indicates an improvement in the use of working capital. The peculiarity of this indicator compared to the turnover ratio is that it does not depend on the duration of the period for which it is calculated. For example, two turnovers of funds in each quarter will correspond to eight turnovers per year with the same duration of one turnover in days.

Coefficient of fixation of assets in circulation (K_{with}) – inverse turnover ratio:

$TO_{with} = 1 / K_{about}$ or $K_{with} = B_{himself} / VR$.

Its economic meaning is that it characterizes the amount of the average balance of working capital, which corresponds to 1 hryvnia sales proceeds.

When evaluating the effectiveness of the use of working capital, the index of return on working capital (working capital) can be used (K_{from}):

$TO_{from} = P / B_{himself}$,

where P is profit from product sales.

The turnover rate can be calculated for the entire working capital and for individual elements.

The acceleration or deceleration of the turnover of current assets is revealed by comparing the actual indicators with the planned or previous period.

When the turnover of current assets accelerates, material resources and the sources of their formation are released from turnover, and when it slows down, additional funds are involved in turnover.

The release of working capital due to the acceleration of turnover can be relative or absolute.

Absolute release takes place if the actual balances of current assets are less than the norm or the balances of the previous period while maintaining or exceeding the volume of sales for the current period.

Relative release takes place in the case when the acceleration of their turnover occurs simultaneously with the growth of the volume of output, and the rate of growth of the volume of production and sales is ahead of the rate of growth of the balance of working capital.

Released working capital is determined by the formulas:

$IN_{himself} = (T_{call} - T_{dpl}) \times (BP / T_{sq})$ or

$IN_{himself} = (BP_{call} / TO_{so\ called}) – (BP_{call} / TO_{opl})$.

If the duration of one turnover has decreased compared to the previous period, then there is a relative release of current assets, if it has increased compared to the previous period, then there is an additional involvement in the turnover of current assets.

The increase in the volume of production due to the acceleration of turnover (+/- VP) is determined by the formula:

VP \u003d BP x ($K_{oops} / TO_{opl} – 1$),

where VR is the volume of production in the base (past) period;

TO_{oops}, TO_{opl} - turnover ratios of the past and the planned period.

Indicators of turnover of current assets are important for assessing the financial condition. In addition, the acceleration of the speed of turnover of current assets, other things being equal, increases the attractiveness of the firm from the point of view of investment activity.

In accordance with the stages of circulation of current assets, three directions of acceleration of their turnover can be distinguished:

1. At the stage of production stocks:

- establishment of progressive norms of consumption of raw materials, materials, fuel, energy;

- systematic checking of warehouse stocks;

- correct accounting and planning of resources;

- replacement of expensive types of material resources with cheap ones without reducing quality.

2. At the production stage:

- improving the quality of production;

- reduction of production losses;

- complex use of raw materials and use of production waste;

- reducing the duration of the production cycle and increasing its continuity;

- compliance with the rhythm of work.

3. In the sphere of circulation:

- comprehensive provision of the company with raw materials and materials;

- organization of marketing research; reduction of receivables and payables;

- acceleration of sales of products;

- improvement of payment methods for products.

5.15. Formation of entrepreneurial capital

a) capital as the material basis of entrepreneurial activity

The ultimate goal and driving motive of entrepreneurial activity is profit. The mechanism of its formation is complex. Most economists associate the process of profit formation with capital. Elements of the doctrine of capital were laid down by Aristotle, who introduced the concept of "chremastics", which comes from the word "khrema" and means "property", "possession". Since trade and monetary capital played an important role in the ancient world, according to Aristotle, chremastics means the accumulation of wealth in monetary form. In the future, this concept was the subject of research by mercantilists, physiocrats, and classics. However, the first systematic study of capital and surplus value was carried out by K. Marx.

The movement of capital, noted K. Marx, always begins with money. However, the latter are not capital in themselves, but become capital only if they are used for profit. That is, *money should grow by itself*, that is, to bring additional value. K. Marx saw the source of additional value in a unique product that the owner of the means of production finds on the market - in labor power, the consumption value of which is capable of creating value greater than it is worth. Researchers of the 20th century do not provide an

unambiguous interpretation of the concept of capital. The English economist J. Hicks, for example, defined*capital as a set of production goods.* So, he essentially continued the traditional views expressed by K. Marx, E. Behm-Baverk and A. Marshall.

Representatives of the neoclassical direction - I. Fisher and F. Knight - considered*capital as a good, the use of which makes it possible to increase future benefits.* The author of one of the popular textbooks on economics P. Heine (Economic image of thinking. - M., 1993) adheres to the same point of view. The novelty introduced by P. Heine to the concept of capital is that he adds "human capital" to equipment, buildings, and land: knowledge, skills of people, which they acquired thanks to general education, professional training, and practical experience, because their carriers provide production or other services to other people.

This approach in determining capital is a significant step forward in economic science, especially in the conditions of the information era, when companies that sell information and knowledge have appeared and are growing at a faster pace. Knowledge in the conditions of the scientific and technological revolution is becoming*a new important resource and source of wealth.*

Information and knowledge, unlike monetary, natural, technical and labor resources, are not alienated. The owner of the house or boots, having sold them, can no longer dispose of them or consume them. Knowledge embodied in licenses, know-how and implemented are not alienated from the person who created them. Similarly, information and knowledge cannot be retrieved by their owner. Therefore, knowledge exists independently of space.

Knowledge and information differ from traditional resources in terms of pricing. The prices for the first increase due to their rarity, and for the second - on the contrary, due to their excess. In the conditions of scientific research and development, the law applies: the more knowledge, the greater the need for it. That is why the amount of knowledge and information is growing, as evidenced by the growing consumption of patents, licenses, etc. in the world.

The specificity and ever-growing role of information as a production resource dictates the growth of long-term*investments in scientific research, R&D and personnel training.* According to the American economist and

publicist T. Stewart, 1991 was the first informational year. It was at this time in the USA that spending on the purchase of industrial equipment ($107 billion) and information technology ($112 billion) crossed, if we show the dynamics of capital expenditures in the form of graphs. Since the mid-1990s, companies have spent more money on equipment needed to collect, process, analyze, and disseminate information than on machines for punching, cutting, loading, and the like.

Companies that sell information and knowledge have qualitative differences from the traditional ones in terms of the organization of forms of capital and ownership. They replaced*basic funds with knowledge, and goods and material stocks with information.*Who they belong to, who is responsible for the content of knowledge (fundamentals), is also not easy to answer if we consider these questions from a traditional point of view.

The information capacity of intellectual companies, as opposed to production funds, makes information and knowledge the most important capital in the modern business world. This contributes, firstly, to the growth of the number of people engaged in mental work, the displacement of types of occupations that are easy to automate (telephone exchange operators, bank tellers, secretaries - they have been replaced by ATMs, e-mail, answering machines), the intellectual content of work (instead of physically developed worker or farmer, a modern worker carries out operations in a control room with air conditioning, a computer, watching the process on the screen, etc.). Secondly, education, knowledge, information influence the creation of value and material values. Economist J. Rich of the University of California at San Diego has shown that the productivity of the urban workforce increases by 2.8 percent in proportion to each year of additional schooling.

As we can see, capital cannot be considered as something once and for all given, frozen. It is constantly in motion, changing. Economic science has not resolved the question of the source of self-growth.

It is known for certain that capital makes a constant movement, a kind of circulation. The capital invested in production begins its movement with the advance of a certain amount of money (G) for the purchase of means of production (3B) and labor power (RS), which are used for the purpose of producing (B) certain goods containing added value in commodity form (T_1).

After the sale of the created goods, the owner of the advance capital receives additional value not only in commodity form, but also in monetary form (G_1). It can be seen from this that the movement of capital, which includes advances, application in production, sale of goods and return to the initial monetary form, forms its circulation, which can be denoted by the formula

$$G - T... \quad IN ... \quad T_1 – G_1$$

Stage 1 Stage 2 Stage Z

As can be seen from the above formula, in the process of product production, the movement of capital within the circulation is divided into three stages. At the first stage, capital appears in monetary form and is used to purchase means of production and labor; on the second, the process of production and creation of additional value is carried out; on the third, the newly created product is sold, the value of which includes additional value.

In order to realize additional value, capital must be in constant circulation, which is **capital circulation.**

Capital turnover rate measured by the number of rounds it makes per year. In the process of circulation, working capital is divided into fixed and working capital.

Fixed capital - the share of production capital (premises, buildings, machines, equipment and other means of labor), which participates in production and partially transfers its value to the newly created product.

Working capital -share of productive capital (objects of labor and labor), which, participating in production, transfers all its value to the newly created product completely at once.

Fixed capital is not eternal, it wears out. There are two types of wear and tear - physical and moral.

Physical wear and tear - material wear and tear of machines, tools, buildings and structures and other means of labor during their operation in the process of production or non-use. It is a consequence of production loads, the

influence of atmospheric conditions, changes in the structure of the material from which work tools are made, etc.

Depreciation is the premature loss of capital's value or its reduction. It is premature because it occurs before the end of the normative service life of the means of labor. Suppose the machine is designed for 10 years of use, and moral wear turns out to be less than this term. There are two types (two forms) of moral wear.

For*first form* labor productivity in the field of labor production is increasing. This leads to a decrease in labor costs for the reproduction of fixed capital. A decrease in the cost of labor means that fixed capital must be revalued, that is, its value decreases.

For *second form* new means of work appear with higher design characteristics and operational qualities. In other words, new means of labor have higher productivity. With the appearance of such means of labor, there are two ways to determine the use of old means of labor: they need to be modernized, that is, to increase their productivity to the level of new means of labor; in case of impossibility of modernization, old means of labor are removed from fixed capital. Of course, there are certain costs involved. So, in the second form of moral wear, the value of fixed capital decreases as a result of scientific and technological progress. That is, as a result of the functioning of capital, it is partially depreciated.

Under **depreciation**understand the shift in monetary form of worn out means of labor by the gradual transfer of value to the manufactured product.

The ratio of the amount of amortization deductions to the value of the fixed capital in percentage is called **depreciation rate.** At the time of wear and tear of material elements of the fixed capital in the depreciation fund, an amount of money is accumulated, which ensures the replacement of the worn-out fixed capital or its capital repair.

b) entrepreneurial capital: essence and constituent elements

To carry out business activities, it is necessary to have a certain starting capital. Without the presence of the latter, there can be no entrepreneurship. The more significant and effective an entrepreneur's capital is, the more powerful and large-scale are the results of his activity.

Society cannot prevent an entrepreneur from accumulating his own capital for further business development, since it is the total amount of entrepreneurial capital that determines the level of national wealth. Therefore, as business experience shows, the state must necessarily support entrepreneurship, especially in the period of its formation. New industrial and economic formations in the field of entrepreneurial activity promote and ensure:

- increasing the level of competition in the company's environment;

- reduction and then elimination of the deficit, increase in production volumes, improvement of the quality of goods;

- lowering prices for manufactured goods and increasing consumer incomes.

Under **capital** it is customary to understand material and monetary resources, as well as intellectual development and organizational skills, which are used in the process of production and its maintenance and are a source and means of obtaining profit. The economic and elementary structure of the company's entrepreneurial capita.

It can be seen from the figure that entrepreneurial capital includes certain capital-forming elements, namely:

1) all technical means of production (buildings, structures, equipment, rolling stock, tools, etc.), used by the entrepreneur on a legal basis (not only as property objects, but also on the basis of lease, leasing, temporary use, etc.);

2) material turnover elements of production (raw materials and materials, devices and tools of one-time or short-term use);

3) material turnover elements of production (raw materials and materials, devices and tools of one-time or short-term use);

4) working capital in monetary form (salary fund, funds for the purchase of elements of working capital, circulating funds, including cash on a bank account);

5) intellectual property (if it is perceived as such by production or the market), i.e. the actual entrepreneurial idea, the method of manufacturing raw

materials or finished products, the method of giving the product new properties and quality characteristics - all that is commonly called "know-how".

In the end, you need to realize that the capital of any entrepreneurial production structure (enterprises, firms, companies, corporations) is always divided into the main and circulating capital according to the economic purpose.

To **fixed capital** includes all technical means of production, without which it is impossible to organize a normal production process. **Working capital** covers everything that "passes" through the enterprise and is intended for production and personal (collectively working) consumption or sale on the market. These are primarily raw materials and materials; finished products (not yet sold, as well as sold, but not yet paid for by buyers); cash in the company's cash register and in bank accounts, including funds for staff wages.

Distribution capital for fixed and working capital is of practical importance due to the time-varying circulation and return period. As you know, the circulation and return (reimbursement) of working capital is carried out faster compared to the same processes for fixed capital. If the fixed capital is reimbursed in parts in the form of depreciation deductions as it wears out (physical operation), then the working capital - immediately after the production and sale of the product, its payment by consumers. All this is worth knowing when organizing a new enterprise, practical implementation of a new entrepreneurial project or idea.

c) formation of initial (start-up) capital

A wise rule of business people who deeply respect their profession emphasizes: "Without money in the enterprise, you can't achieve anything." In this case, money is understood as capital intended for investment in production or another sphere of activity for the purpose of obtaining profit.

The organization of a new enterprise of any type is inevitably connected with the availability of sufficient capital. The entrepreneur's need for a certain amount of capital depends on his business plans, his entrepreneurial idea, the complexity and scale of its practical implementation. The amount of initial capital depends on the industry in which the business idea is implemented.

Initial it is customary to call the capital that is invested in any of the entrepreneur's own business from the moment of the practical implementation of the entrepreneurial project, that is, at the initial stage of entrepreneurial activity.

The available entrepreneurial capital (the totality of all expenses in monetary form, which must be carried out in order to implement the project and obtain the expected economic effect) can create an appropriate image of the entrepreneur as a business person, as well as be one of the possible guarantees of achieving commercial success in one's own activity.

When developing a specific investment plan, it is advisable to take into account possible options for the formation of individual elements (components) of capital.

1. Necessary premises (production, office, etc.) can be rented rather than bought. Since the rent will be included in the cost of the company's products, there is no need to provide for the relevant investments. Therefore, with such an opportunity, the entrepreneur can reduce the need for start-up capital. This reduction in the volume of investments is quite noticeable if the necessary premises (administrative, production, warehouse, etc.) are purchased together with the corresponding land plot.

2. It is possible to buy (acquire) not new, but somewhat narrowed (the kind that was in use) equipment or purchase it on the basis of leasing. This can also significantly reduce the required start-up capital.

3. If it is necessary to purchase new equipment, you can also save a certain amount of your own entrepreneurial capital. To do this, it is necessary to thoroughly study possible market offers, sales prices for equipment that fluctuate within certain limits, and choose the most economical types of it.

4. When determining the amount of the required cash, one must take into account the time period between the start of production and the receipt of the first income, since wages must be paid within this period. In accordance with the duration of such a period, it is necessary to adjust the volume of financial funds for the corresponding items of estimated expenses.

In the process of calculating the starting capital, you should not spare time to analyze possible options and choose the best of them, which will ensure the minimization of the necessary investment resources.

d) sources of entrepreneurial capital formation

It is necessary to identify possible methods of formation of entrepreneurial capital, which, in particular, include:

- the first - financial results of previous business activity (own or inherited);

- the second- personal savings (not only in monetary form, but also in material, commodity form);

- the third - loan funds, i.e. borrowed with certain obligations (for example, payment of a set interest per year).

The third method of forming the initial authorized capital is quite common in Ukraine; this is the so-called "growth from scratch". At the same time, it is worth noting that getting a loan is not so easy - you need a firm guarantee for its timely return. Such a guarantee can be the quality of the entrepreneurial project, the accuracy of economic calculations, a high probability of a significant effect, quick turnover and return on capital.

In view of economic understanding, the terms "loan" and "credit" should not be confused (identified) (although credit sometimes takes the form of a loan - an interest-free loan).

loan (loan) - a type of economic transaction, in the course of which one party (lender) transfers to another party (borrower) temporary ownership of money or goods (things), and the borrower undertakes to return the same amount or quantity of goods within the stipulated time. Therefore, the loan is always provided on the terms of return, but without commercial profit, that is, free of charge.

Credit - an economic transaction involving the provision by one party (an ordinary legal entity) to another (a legal entity or an individual) of money or a certain product on loan (a certain period of use on the basis of return) and, as a

rule, for a certain fee (payment of a set percentage of the total amount of the loan).

According to the sign of dependence on the form of security (collateral), so-called blank loans are distinguished, that is, loans without any security (material or financial). *Promissory notes, commodity and fund loans* mean credit operations carried out under collateral in accordance with promissory notes, commodity values (property) and securities.

Any loans may have different repayment terms. There are so-called *oncology loans,* that is, demand loans, which are returned at the first demand of the lender. *Short-, medium- and long-term loans*granted respectively for the term: up to one year, from one to five years, over five years.

The largest category of borrowers includes firms (enterprises, organizations, institutions), which are provided with appropriate loans *loans for replenishing own working capital or for investing in various purpose-built objects.*

The amount is relatively large *agricultural loans,* which are often received by collective farms and farmers for the purchase of agricultural machinery, equipment, productive livestock, fuels and lubricants, mineral fertilizers, herbicides, etc. *Loans to stock market intermediaries and mortgage loans,*which are provided as collateral for securities and real estate, respectively, have not yet gained significant popularity in Ukraine; such lending is only initiated in business practice.

The main method of repaying loans *there is a one-time return* with the payment of a certain percentage for their use. At the same time, it is possible to return credit resources and*payouts* that is, making several consecutive payments within the total amount of the loan, taking into account the interest for using it.

Recently, in Ukraine, it was recognized that it is necessary to distinguish between possible methods of collecting interest on a loan. A certain percentage is allowed to be paid *at the time of granting or returning the loan, as well as by installments of the corresponding amounts after certain (regular) intervals of time.* Such methods provide greater flexibility and efficiency of the lending system.

Key terms and concepts

Depreciation deductions -monetary expression of the amount of depreciation, which corresponds to the rate of wear and tear of fixed assets.

Depreciation –the process of gradually transferring the cost of fixed assets to manufactured products, with the aim of subsequent reproduction.

Material resources- these are various types of raw materials, materials, etc., which the economic entity buys for use in economic activities for the purpose of production.

Modernization- a method of eliminating the moral wear and tear of the means of labor by improving them based on the achievement of technical progress.

Intangible assets- expenses on intangible objects owned by the company on ownership rights, used for a long period of time in economic activity and bring income.

Standard of working capitalis the minimum permissible amount of working capital, sufficient for the smooth operation of the business entity.

Turnover of current assets- sequential passage by means of separate stages of production and circulation.

Revolving production assets- a part of production funds that are fully consumed in each production cycle and fully transfer their value to finished products.

Circulating means- totality of circulating funds and circulating funds in monetary form.

Fixed capital -part of the resources invested in the fixed assets of the business entity.

Basic funds- take part in many production cycles, transfer their cost to the manufactured products in parts according to wear and tear.

Initial cost of fixed assets -this is the cost of newly commissioned fixed assets.

Indicators of extensive development– quantitative indicators of resource use.

Full recoverable valueis the cost of reproduction of fixed assets in modern conditions.

Production capacity- as much as possible production of products (works, materials) of appropriate quality with a given assortment, which can be produced in a unit of working time with effective use of equipment and areas.

Fund return -characterizes the amount of output per hryvnia of fixed assets.

Fund-saving formintensive type of production is characterized by the fact that the growth rate of production is higher than the growth rate of all types of resources that provide this growth.

Efficiency of economic activity -productivity of production, investment and financial activities.

Questions for self-testing

1. What is the essence of fixed assets?
2. Name the types of estimates of fixed assets.
3. At what cost are fixed assets credited to the company's balance sheet?
4. At what cost are they reflected in the company's balance sheet?
5. What are the methods of revaluation of fixed assets?
6. Name the types of depreciation of fixed assets.
7. Describe the methods of calculating depreciation?
8. What is the difference between indicators of fund return and fund intensity?
9. What are the types of production capacity?

10. What is the purpose of revaluation of fixed assets?

11. List the factors affecting the amount of production capacity.

12. What types of equipment operating time funds are used in production capacity calculations?

13. What indicators of movement of fixed assets do you know?

14. In what units of measurement is production capacity defined?

15. What are the main characteristics of the classification of fixed capital?

16. What is the basis for the division of productive funds into fixed and variable funds?

17. Describe the composition of current assets.

18. What is meant by the specific consumption of the material?

19. What is the cancellation of circulating funds and circulating funds?

20. Name the types of stocks.

21. What elements of current assets include normalized current assets?

22. What is the difference between turnover ratio and anchorage ratio?

23. List the indicators that characterize the use of working capital.

24. What groups are current assets divided into according to the sources of formation and replenishment?

25. Name the types of economic growth.

26. What is the difference between capital-intensive and capital-saving form of intensive type of production?

27. List the factors of growth of intensification and efficiency of economic activity.

28. What are the characteristics of intangible assets?

29. Describe the sources of intangible assets.

30. What is the importance of the insurance reserve?

31. What is the importance of inventory management?

32. Name the directions for accelerating the turnover of current assets.

TOPIC VI

LABOR RESOURCES OF THE COMPANY

6.1. The importance of the "labor force" factor in the market economy

The specificity of the current situation in the Ukrainian economy is determined by the transition from a regulated planned economy to a market economy. One of the central links is the formation of the labor market with all the resulting consequences for production and the population. An important result of the emergence and functioning of the labor market was progressive unemployment in open and closed form.

The labor market is a balanced and viable structure of labor supply and demand.*Labor market (labour force)* -a system of economic relations regarding the purchase and sale of such a specific product as labor power. The labor market is an important sphere of the economic and socio-political life of society. Salary rates and employment conditions are fixed in the labor market.

The labor market, like any other, is based on supply and demand. Demand appears in the form of the need to hire free workers and perform work, and supply - in the presence of unemployed labor or the desire to change the workplace. Demand and supply are realized in the competition between workers for occupying this or that workplace or performing work and between employers for the attraction of the required labor force, both in terms of its qualitative and quantitative composition.

On the demand side, the main factor affecting the dynamics of employment is the state of the economic conjuncture of the economic cycle, the development of scientific and technological progress. Demographic and migration factors that characterize the economic activity of various population groups affect the supply and demand of labor force, and the state of the economy affects demand.

In modern conditions, the labor market is characterized by the following features.

With a general reduction of jobs in the material production industries, the number of jobs in the field of commercial services, finance, trade and brokerage, and banking is increasing. But the growth of jobs in the mentioned industries is not enough to compensate for the reduction of employment in the industries of material production.

However, the situation on the labor market remains quite difficult even with the growth of production. This is due to the effect of the demographic factor and the general psychological and professional unpreparedness of workers for market realities. The economic structure of society is changing, the economy is mainly of a raw material nature, the use of manual labor becomes profitable due to the high cost of equipment and technologies. In these conditions, the labor market clearly reacted to the sharp drop in demand for highly qualified professional labor. The conversion of military industrial complex enterprises and the reduction of the number of military personnel led to the formation of a new squad of highly qualified contingent of people who needed professional reorientation.

Due to the decrease in the general standard of living of the population, the number of people willing to study away from production is sharply decreasing. An increasing number of young people enter the labor market immediately after school and even before graduation.

The transition to a free market economy requires a different culture of work and social behavior, other skills of social influence (quality of work, attitude to innovations, responsibility and obligation, etc.). Their formation is a long process. Changing the forms of ownership, freedom of entrepreneurship and business cannot automatically solve existing social problems.

An important stage of the transition to scientific management of labor force reproduction is the diagnosis of labor resources and workplaces in the regions, determination of labor migration trends. It is important to determine the supply of labor and the demand for labor, the number of unemployed, their socio-demographic and professional composition, the extent and types of unemployment. After that, a system of measures for adaptation to the labor market of the liberating population, its professional repurposing and upgrading of qualifications is determined.

The development of the employment service network, which should ensure the balance of the number of jobs and the number of employees, and the payment of appropriate assistance, is of great importance for solving problems related to the formation of the labor market.

In the period of market relations, the role of labor resources is growing extremely. The investment nature of production, its knowledge-intensiveness, the priority of product quality issues have changed the requirements for the employee, increased the importance of a creative attitude to work and high professionalism.

No matter what technical capabilities, organizational and managerial advantages open up to the company, it will not begin to work effectively without the appropriate human resource. Ultimately, everything depends on people, their qualifications, skills and willingness to work.

It is human capital, not factories, firms, equipment and production stocks, that is the cornerstone of competitiveness, economic growth and efficiency.

The main aspects of the influence of the human factor (work force) on increasing the efficiency of the company's work are:

- personnel selection and promotion;
- personnel training and their continuous training;
- stability and flexibility of the workforce;
- improvement of the material and moral assessment of workers' work.

6.2. Employment and unemployment: forms and types

Each worker, participating in the production process, pursues certain goals:

- strives to meet the needs of means of livelihood for himself and his family members;

- satisfies the persistent need to combine one's professional activity with institutionally established means and institutions existing in society;

- implements the values and standards of social behavior learned by him.

Regardless of the reasons that encourage a person to join the production process, he must meet the requirements of the production company in his work that provides him with the necessary conditions for the realization of his professional abilities.

Under professional abilities means the set of knowledge, skills, production skills and experience possessed by an individual. The presence of professional abilities is one of the reasons for its inclusion in the production process along with others: a sufficient number of suitable jobs, that is, a certain demand for professional labor; the employee has a positive motivation to take these jobs based on his professional and life interests; the presence of socio-economic mechanisms and institutions that ensure the necessary combination of workers with specific workplaces.

Involvement in production activities is carried out through employment - a process of official registration, securing for an individual the right to occupy a certain workplace and perform specialized labor functions.

In terms of employment, any person can be classified into one of three groups: employed, unemployed, and outside the labor force.

To*busy* includes persons of working age who perform work for hire and for remuneration in companies of any form of ownership, as well as other work that brings income; engage in entrepreneurial activity; independently provide themselves with work; perform unpaid work in a family firm, perform work under civil law contracts. Persons who perform military service and service in internal affairs bodies are considered employed; pupils (students) of a stationary form of education and persons who are absent from the workplace for a good reason (vacation, incapacity, retraining, etc.).

Unemployed- able-bodied citizens of working age who do not have a job or income, are registered with the employment service, want, are able and ready to work, but do not find a suitable demand for their professional abilities on the labor market.

The employed and the unemployed form the economically active population, or the total labor force. *Economically active population, or total*

labor force, this is the part of the country's population that provides labor demand for the production of goods and services.

The total labor force does not include groups of people who make up the economically inactive population. These are privileged pensioners; disabled people of working age who have completely lost their ability to work; persons who are in prisons; persons of working age, temporarily out of work for some reason, but potentially able to fill the labor market in the future; housewives; persons who have stopped looking for work; persons who do not need work as a means of sustaining existence.

The employed include the unemployed and that part of the active population that needs work, but is not registered as unemployed.

The unemployment rate is considered a quantitative indicator of the state of affairs in the labor market. It is determined *as the ratio of the number of unemployed to the total labor force*and displayed as a percentage.

$$B = N_{\text{the unemployed}} / N_{\text{aggregate workforce}} \times 100\%.$$

Unemployment has a detrimental effect on the economic life of society, leads to economic losses, and a decrease in the volume of production. They distinguish the natural level of unemployment, when there is no increase in the general level of prices (inflation). It includes such types of unemployment as frictional, institutional, and voluntary. Unemployment characterizes the best labor reserve for the economy, which is able to make inter-branch and inter-regional movements quickly enough, depending on fluctuations in demand and determined features of production.

Below the natural rate of unemployment understand the percentage of unemployed people in society that corresponds to the economically feasible level of employment. Unemployment in the amount of 5-7% is acceptable and expedient. There is an economic regularity: the level of unemployment in the country is inversely proportional to the level of inflation. According to specialists' calculations, in 2006 the natural rate of unemployment, which ensured economic balance in Ukraine, was 4-5% of the economically active population.

According to Oaken's law, an excess of the actual unemployment rate by 1% above the natural unemployment rate leads to a decrease in GDP by 2.5-2.7% compared to the potentially possible level of GDP.

A market economy needs highly qualified workers. Under the influence of NTP, the structure of production is changing, which leads to a reduction in hard types of work, an increase in the availability of material goods and services. However, the high labor-saving effect of the new technology leads to the release of labor from the production process. The main causes of unemployment in Ukraine are economic instability; aggravation of national relations; reduction of the armed forces; reduction of the volume of capital construction; expanding the independence of firms. For the population, unemployment turns into a complete or partial loss of income, a decrease in the standard of living, an increase in crime, an increase in mortality, and an increase in the number of mental illnesses.

Natural and forced (actual) forms of unemployment are distinguished, which increase the general level of unemployment.

Functional, or*current unemployment* due to staff turnover, dismissals from companies (institutions) in most cases at their own will and is of a natural nature. Employees are looking for a place to work in search of better working conditions, opportunities for promotion, and a higher salary. This type of unemployment exists even in conditions of a healthy economy during the period of growth of production.

*Cyclical unemploymen t*associated with fluctuations in labor demand caused by cyclically alternating drops and rises in production. During a period of decline in production, unemployment rises sharply, and vice versa.

Institutional unemployment determined by legal norms; features of regulating the labor market; factors that affect the supply and demand for it. The structure of professions, skill levels and other characteristics of the labor market change relatively slowly, lagging behind the needs of production, as a result of which a special variety of institutional unemployment arises. It includes unemployment, which arises due to the imperfection of information about job vacancies.

Voluntary unemployment due to the fact that among the able-bodied population there are always people who for some reason do not want to work.

Technological unemployment takes place in those countries where NTP is combined with a high level of income.

Structural unemployment is the most severe and dangerous for society. It arises as a result of the lack of demand for the profession, insufficiently high qualifications, sexual discrimination based on gender and age. This group of unemployed includes people who have lost their jobs due to the automation of production, with a steady decrease in demand for certain goods or services, or the closing of a company. Structural unemployment is characterized by the fact that the supply of labor and the demand for it are constantly inconsistent with each other due to structural changes.

Regional unemployment arises in the conditions of a surplus of labor in areas that, due to geographical or natural factors, are relatively unfavorable for economic activity.

Hidden unemployment characteristic mainly for countries with deep deformations of market mechanisms. This group of unemployed includes those who work part-time or weekly, who have lost the right to receive subsidies, who are on forced leave at the initiative of the administration without maintenance or with partial payment. A manifestation of hidden unemployment in Ukraine can be considered such a phenomenon as non-payment of wages; a large part of people who officially have a job and are considered employed, in reality, do not take a real part in production for a long time. Hidden unemployment is 3-5 times higher than the officially registered level.

The economy is going through a difficult transition period, which is reflected in the labor market. State policy regarding employment of the population needs improvement. The main directions of labor market regulation policy can be programs to stimulate employment, increase the number of jobs, develop small businesses, as well as programs that provide solutions to the issues of training and retraining of personnel.

In the Ukrainian labor market, it is advisable to:

a) to make maximum use of market mechanisms for accumulating additional funds in funds necessary for the creation of new and renewal of outdated jobs;

b) develop a system of measures to create new permanent vacancies;

c) direct part of the funds of the employment and support fund for small businesses to investment projects to stimulate entrepreneurship in labor-intensive industries, which ensure the creation of new and renewal of old jobs;

d) distribute funds for the creation of new jobs on a competitive basis between regions with the greatest tension in the labor market;

e) to provide companies that create additional jobs with soft loans to pay for workers hired for these jobs, etc.

6.3. Company personnel. Planning and recruitment

Labor resources occupy a special place in the entire set of company resources. In the period of market relations, the role of labor resources increases significantly. The investment nature of production, its knowledge-intensiveness, increasing the competitiveness of products have changed the requirements for the worker, increased the importance of a creative attitude to work and high professionalism. This led to significant changes in the company's personnel management. Labor resources, as a factor of production, are noticeably different from other factors of production. At the level of a separate business entity, the term "personnel" or "personnel" is used instead of the term "labor resources".

All employees, depending on the extent of their participation in production activities, are divided into industrial and non-production personnel.

To industrial and production personnel includes workers who are directly engaged in the production of products, the performance of works and the provision of services.

Non-industrial personnel -workers who serve non-industrial farms and companies of the economic entity. They include workers of housing and

communal services (ZhKG), children's, cultural and educational and health care institutions, etc.

Depending on the nature of the functions performed in the production process, industrial and production personnel are divided into workers (main and auxiliary), employees and engineering and technical workers (specialists and managers).

To *workers* include employees directly engaged in the creation of material values and the provision of production and transport services. Workers are divided into main and auxiliary. Their ratio is an analytical indicator of the business entity's performance.

Main workers directly engaged in the production of products, provision of services and performance of works.

Auxiliary workers serve the technological processes of the main and auxiliary production.

Servants -workers who perform accounting and bookkeeping, statistical, documentation, supply and sales, and administrative and economic functions.

Engineering and technical workers perform the functions of technical, organizational and economic leadership and management.

It is quite useful to divide personnel into the following categories when analyzing production and economic activity: managers, specialists, employees, and workers.

An important direction of personnel classification is their distribution by professions, specialties, and qualifications.

According to the level of qualification, workers are divided into unskilled, low-skilled, skilled and highly skilled. Qualification of workers is determined by grades. Specialists are divided into qualification categories: 1st, 2nd, 3rd category specialist and no category.

Managers are divided into management structures and management units.

According to management structures, managers are divided into linear and functional managers, and according to management levels, managers are divided into higher, middle and lower managers.

In the conditions of the formation of market relations, new elements appear in the classification of personnel - managers of different levels. They include managers of all management branches, as well as specialists of management services: managers of advertising, sales, personnel, etc.

An essential attribute of a worker with a new type of qualification is his ability to quickly adapt to changing technology, new forms of labor organization and production.

NTP significantly changes the nature of the work of engineering and technical personnel. The introduction of computers changes the content of work and functions of many categories of office workers: they become operators of computers, personal computers and terminal devices.

Planning and the need for labor force is carried out separately for each category of employees and for the business entity as a whole.

The company's personnel planning is designed to answer the following questions:

1. How many personnel and what qualifications are required?

2. When, in what time period?

3. Where and at which production site?

The need for personnel is influenced by internal and external factors.

To *external factors*include: market situation, market structure, competition, economic situation in the country, etc.

To *internal factors*include: level of technology, organization of work, downtime, program changes, etc.

Ascending data for workforce planning are: production program, staff list, plan for organizational and technical activities, personnel movement, turnover and working time budget.

Determination of the number of workers is carried out by various methods: according to labor intensity, according to service standards and the number of workplaces.

The method of calculating labor intensity is used for standard works. This method determines the number of employees for the business entity as a whole, by structural divisions, professions and qualification level.

The number of personnel is determined by dividing the established amount of work (normative labor intensity) by the effective time fund and the rate of compliance with the norms:

$$Ch_{go\ to\ bed} = T / F_{is} \times K_{vn},$$

$$Ch_{go\ to\ bed} = Q_{sq} / N_{mon},$$

where $Ch_{go\ to\ bed}$ - the number of main workers, T - labor intensity of the graduation program in natural terms, F_{is} - the effective fund of working time of one worker (in hours), K_{vn}, - coefficient of compliance with norms, N_{mon}, - the planned rate of production in the calculation.

The number of part-time workers is determined on the basis of service standards established for the industry or a given economic entity and the number of workplaces.

The number of auxiliary workers engaged in equipment maintenance and unemployed is determined separately. The number of auxiliary personnel (Ch_{to}), which serves the equipment, is determined by the formula:

$$Ch_{to} = N_m \times Q_{with} / N_{obs} \times K_n,$$

where Ch_{to}- list number of auxiliary workers engaged in equipment maintenance; N_m - number of jobs; Q – number of work shifts; N_{obs} – standard equipment maintenance; K_n, - non-attendance rate; $N_m \times Q_{with} / N_{obs}$ - fruit number.

The calculation of the need for IT and employees is carried out based on the goals of the company, the structure and management scheme of the company, the list of functional duties of individual workers or groups of

homogeneous industry standards the companies	positions, standards or developed by themselves.

The staff list is established in accordance with the typical structure and management scheme of the company.

The number of ITR and employees ($Ch_{business}$) is determined by the formula:

$$Ch_{business} = Vp / N_{obs},$$

where Vp - volume of completed works; N_{obs} – service rate for the relevant period.

Manpower planning is completed by drawing up a balance sheet of manpower requirements. In the balance sheet, the planned need for manpower is compared with its availability, any deviation is completed by the development of personnel training measures, improvement of the qualification level, transfer to other workplaces.

In the process of planning, an assessment of available resources, future needs and the development of a program to meet future needs is carried out in stages.

6.4. Composition of employees. Average roster number

In the labor report, the number of the list staff is given not only for a certain date, but also on average for the reporting period (for a month, quarter, since the beginning of the year, for half a year, a year). To determine the number of employees in the period, it is not enough to accept the number of employees on the date, since these indicators do not take into account the changes that occurred during the period.

*Average number of employees per month*is calculated by summing up the number of employees for each calendar day of the month, including holidays

and weekends (determined by the previous day), and dividing the received amount by the number of calendar days of the month.

The calculation of the average number of employees is carried out on the basis of the daily accounting of the number of employees, which must correspond to the data of the record of the number of employees, which must correspond to the data of the record of the use of working time, based on which the number of employees who left and did not go to work is determined.

When determining the number of employees, some employees of the number of employees are not included in the average number of employees: women who are on maternity leave; employees studying in educational institutions, etc.

*Average number of employees per quarter*is determined by summing up the average number of employees for all months of the company's work in the quarter and dividing the received amount by three.

*The average number of employees for the period from the beginning of the year to the reporting month inclusive*is determined by summing up the average number of employees for all months that have passed from the beginning of the year to the reporting month inclusively, and dividing the received amount by the number of months of work for the period since the beginning of the year.

Average number per year is determined by summing up the average number of employees for all months of the reporting year and dividing the received amount by 12.

The average number of employees per part-time month (for example, newly created ones that have a seasonal nature of production) is determined by dividing the sum of the number of employees on the roster for all working days in the reporting month, including weekends and holidays during the working period, by the total number of calendar days in the reporting month.

If the company did not work for a full quarter, then ***average number of employees per quarter*** is determined by summing up the average number of employees for the months of work in the reporting quarter and dividing the received amount by 3.

If the company did not work for a full year (seasonal nature of work or created after January), then ***average number per year*** determined by summing up the average number of employees for all months of work and dividing the received amount by 12.

6.5. Personnel movement indicators

Personnel planning is closely related to selection, which is carried out from two sources: internal and external.

Using an external source involves recruiting from outside. Various means of mass information, regional employment service, appeals to educational institutions are used.

To*internal sources* transfer to another place of work, moving up the career ladder, training employees through the system of production and team training can be attributed. The advantage of using an internal source is economy. Moving personnel within the company is always cheaper than hiring new ones from the outside. This improves the moral climate, strengthens attachment to the company. The lack of influx of people with new views can be attributed to the disadvantages.

Changes in the list of personnel occur as a result of hiring and dismissal. Changes in the number of employees, associated with their acceptance and dismissal, regardless of the reasons for leaving and sources of replenishment is called *labor turnover*.

Among the sources of income, the following are usually distinguished: accepted at the initiative of the company, accepted at the referral of employment agencies, accepted after graduation from educational institutions, accepted in the order of transfer from other companies.

Among the directions of dismissal, it is customary to distinguish dismissal due to reasons of a physiological nature (in connection with death, illness, retirement, occupational diseases); for the reasons directly provided by the law - the so-called *necessary labor turnover* (draft into the army, admission to a university with a break from production, elections to elected bodies, transfer to other companies, moving to the place of residence of one of the spouses), as

well as turnover for reasons not directly provided for by law and related to the personality of the employee: voluntary dismissal, for omissions and other violations of labor discipline, in connection with a court decision.

To assess the quality of work with personnel, a system of indicators is used that characterize the turnover of the workforce and detail the specifics of this turnover. The main indicators include:

1. Reception turnover ratio (K_{whop}) is the ratio of the number of admissions per period (N_p) to the average number of employees for the same period (N_{pp}):

$$TO_{whop} = N_p / N_{pp}.$$

2. Turnover ratio by disposal (K_V) is the ratio of the number of dropouts during the period (N_{call}) to the average list number for the same period:

$$TO_V = N_{call} / N_{pp}.$$

3. Turnover rate (K_{sq}) – the ratio of the number of exits during the period due to reasons that characterize excess turnover, (N_{call} (excess turnover)) to the average list quantity for the same period.

$$TO_{sq} = N_{call} / N_{pp}.$$

4. Coefficient of total turnover (replacement) (K_{zo}) - the ratio of the difference between the number of admitted and dismissed persons for the period to the average number on the list for the same period:

$$(TO_{zo}) = N_{accepted} – N_{dismissed} / N_{pp}.$$

If the difference in the numerator is positive, then the number of hires exceeds the number of leavers, so part of the hires compensates for the reduction in labor resources due to layoffs, and part of the hires is used in newly created jobs. The negative value of the coefficient occurs in those cases when the number of laid-offs exceeds the number of new hires, which may be due to a reduction in the volume of production, the elimination of part of the jobs due to technical rearmament, etc.

5. The coefficient of personnel constancy (K_{PC}) – the ratio of the number of employees who worked throughout the period (N_{navel}) to the average list number for the same period:

$$TO_{PC} = N_{navel} / N_{pp}.$$

It is adopted to evaluate the effectiveness of personnel policy, since labor turnover, which occurs due to subjective reasons, reduces the efficiency of the use of labor in production.

Newly hired employees must be adapted to the specific conditions of work at this production. In this case, there is a need to train employees, but in connection with the dismissal of employees, the company bears losses related to the costs incurred by it earlier for training and meeting some social needs of the dismissed employees.

According to the data on the availability and movement of personnel in general, it is advisable to draw up a balance of labor resources by categories and groups of personnel.

6.6. Working time and its use

Working time is taken as the upstream data when calculating the number of employees.

The main units of accounting for working time are man-hours and man-days. A person can and should work daily no more than the time that is defined as the duration of a work shift, and sometimes more, but only within the limit of overtime hours allowed by law.

A man-hour of worked or unworked time is taken to be one hour of an employee's stay during a shift at the company, and a man-day is one day of an employee during his stay as part of the company's staff.

To determine and evaluate the actually achieved results of the use of labor resources, it is necessary to determine:

- the total number of labor resources;

- the dimensions of useful use and losses.

The estimate of the number of labor force based on the data on the average list size of employees is the most general and practically does not reflect the picture of their actual or possible use. The determination of the average number of employees is based on the total amount of calendar time of available labor resources, which is determined in man-days.

The calendar fund of employees' time both as a whole and for individual categories and groups can be determined in two ways: either by the sum of the number of employees on the list for all calendar days of the period, or by multiplying the average number of employees on the list by the number of calendar days in the same period for which the average was determined list number.

In practice, not all of the calendar time is actually used. The calendar fund of time of each employee for a long period of time will include days off, holidays, and vacations provided for by labor legislation; days of absence from work due to illness, with the permission of the administration, absenteeism, etc.

When calculating the balance of working time, together with normative materials, data characterizing the actual state of affairs in previous periods (absence due to illness, distraction from performing state and public duties, as well as data from the timesheet record of attendance and absences at work with the interpretation of the latter by reasons) are used.

The current practice considers any day when the employee went to work and actually began to perform his duties as worked. If the employee came to the workplace, but for some reason did not start work, this is a full-day layoff.

The structure of the calendar fund of time of the business entity as a whole, by individual categories and groups of employees is determined by drawing up the working time balance.

It is expedient to present the structure of the calendar fund of time in an aggregated form, distinguishing as part of the calendar fund the timesheet fund, maximum possible (nominal), actual planned, actual actual and effective working time fund (real fund).

Time sheet fund of working time is equal to the difference between the calendar fund of working hours and the number of days falling on holidays and weekends.

The maximum possible working time fund is equal to the difference between the timesheet fund of working hours and the number of days that belong to regular vacations.

The time fund is in the form of a planned and actual fund.

Voluntary planning fund of working time is defined as the difference between the maximum possible working time fund and full-time losses of working time, which are provided for by labor legislation: leave for the birth and care of a child, study leave, absenteeism due to illness, etc.

Actual actual fund of working time it is defined as the difference between the planned attendance fund of working time and unplanned full-time losses of working time, not provided for by labor legislation: absenteeism, not going to work with the permission of the administration, all-day downtime.

All the above types of working time funds are determined in days, the effective (real) time fund is calculated in hours. When determining the effective time fund, the working mode and the average duration of the working day are taken into account. The effective working time fund of one worker characterizes the average number of hours that the worker must work during the planned period.

The labor legislation regulates the duration of the working week in hours (40 g) as a basic standard, but the legislation also provides for a reduction in the duration of the working day. Such groups of workers include teenagers who have not reached the age of 18; workers who are engaged in hard and harmful jobs.

Average number of man-hours worked calculated by dividing the total number of man-hours worked in the reporting period by the average number of the corresponding category of workers for the same period.

The number of man-hours worked includes hours actually worked by workers, including overtime and hours worked on holidays (non-working days)

and weekends (according to the schedule) both at the main job and part-time in the same company, including hours of work on business trips.

Worked person-hours do not include: time spent on work, study, and additional vacations; vacations at the initiative of the administration; time of illness; idle internal variables; times of breaks in mothers' work while feeding the child; hours of reduced working day of teenagers, etc.

One of the indicators of the use of working time is the coefficient of variability of workers. *Employee turnover rate* is determined by dividing the total number of actually working (scheduled) workers by the number of workers working in the largest shift.

The number of actual workers for a certain period is determined on the basis of data from the primary accounting documents for each shop with their distribution by shifts and the number of workers working in the largest shift in all shops is added.

Example. The total number of workers working on the last day of the reporting period, by shop: A – 100 people, B – 70, C – 50 people. Including by shifts: 1st shift - shop A - 70, shop B - 20, shop B - 40; 2nd shift - shop A - 20, shop B - 40, shop B - 10; 3rd shift shop A, shop B - 10.

The total number of workers who worked on the last working day of the reporting period is 220 people = 100+70+50.

The total number of workers working in the largest shift is 150 = 70+40+40.

The coefficient of variability of workers will be 220/150 = 1.47.

6.7. Labor rationing is the basis of rational labor organization

Economic entities that carry out different types of commercial activities bear different costs. Costs associated with the use of live labor make up a noticeable, and sometimes the predominant part of all production costs. In all cases when it comes to the use of hired labor, the entrepreneur is interested in the full use of the maximum possible working time fund by reducing those elements of idle time, the value of which can be purposefully influenced.

For the correct organization of work, it is necessary to know what amount of work is necessary to perform this or that work - to establish the measure of the work of each worker, that is, the work rate, correctly established work norms.

Labor rationing - determination of the maximum allowable amount of time to perform a specific job or operation under the conditions of a given enterprise (minimum allowable amount of products produced per unit of time: hour, day, shift). Labor rationing involves determining the amount and structure of working time. Labor rationing is the basis of the correct organization of labor and wages. It should be based on the introduction of progressive, technically sound norms. Correctly established labor standards, which correspond to the achieved level of technology, progressive organization of production and take into account best practices, contribute to the increase of labor productivity, allow to control the rate of work and consumption, ensure effective arrangement and use of equipment and labor.

Labor standards are distinguished depending on the unit of measurement of labor: standards of time, production, service, number, standardized task, technically justified standards, experimental and statistical standards.

Time norms - the time required for the production of a unit of production by one or a group of workers under the given organizational and technical conditions.

Production rate - the number of products, operations produced per unit of working time by one or a group of workers under certain organizational and technical conditions.

Service rate - an area of work or units of equipment that must be serviced by one or a group of workers of a certain qualification in certain organizational and technical conditions.

The norm of numbers - the number of workers of a certain qualification to perform a certain amount of work.

Normative task establishment of specific volumes of work that must be performed under these conditions for a certain period.

Technically justified norm -is established based on the most complete use of equipment and working time, taking into account the psychophysiological capabilities of a person.

Research and statistical norm is set for the entire work (for the entire operation) without dismemberment. It is calculated based on the method of analogy of personal experience of the rater and reported data.

According to the scope of application, labor standards are divided into *republican and industry.*

According to the complexity of the structure, labor standards are divided into differential, aggregated, and complex.

Differential norms are set for one work operation.

Consolidated norms is set for a product, a technological process or a certain amount of work.

Comprehensive norms are installed on the final aggregated meter, which characterizes a complex of interconnected works (for example, for the product of 1 ton of coal).

According to the term of validity of labor standards can be*one-time, seasonal, temporary.*

The main methods of labor regulation are research-statistical and analytical.

The most progressive method is the analytical method, as it defines scientific approaches to the formation of labor standards. The research-statistical method only records the situation that developed in the previous planning period and considers it as a basis of comparison for the new period.

*Analytical method*labor regulation includes a number of interrelated elements:

- the labor process is broken down into constituent elements and investigated;

- all factors affecting labor costs are studied;

- more advanced variants of operations and methods of their implementation are designed;

- the time to complete the work is calculated;

- standards are implemented in production.

The analytical method of labor regulation can take the form of a calculation-analytical method, which uses ready-made time standards, and an analytical-research method, in accordance with which the standards are determined directly by studying working hours. The main methods of studying the costs of working time are: timekeeping, a photograph of the working day, a selective method of studying the loss of working time.

Timing - it is a method of studying operational time costs by observing and measuring repetitive elements, operations to establish their normal duration. He studies repeatedly repeated elements, operations, parts of the technological process.

Its main elements:

1. Preparation for observation.

2. Observation.

3. Processing, analysis of observation data - checking the duration of each element of the operation, checking the stability of time series, comparing with current standards.

4. Determination of the rational composition of the operation, the duration of its elements and the operation as a whole, taking into account best practices and implemented organizational measures.

Photo of working day - this is a method of studying working time by observing and measuring its duration during all or part of the working day. The time of maintenance of the workplace, the preparatory and final time and the time of work breaks are determined, and the time spent during the entire working day is recorded. These working day photos are used for:

- elimination of losses and unproductive spending of time;

- determination of equipment maintenance standards;

- normalization of working hours for workplace maintenance;

- normalization of operational time.

When rationing, a self-photograph of the working day and a photo of the working day, which is taken by the rationer, are distinguished. If there are several objects of observation, then classifications of working time costs are aggregated, and time measurements at each workplace are carried out at intervals.

There is a distinction between a photo of a working day: stationary, route, multi-machine worker.

A photo of a working day includes 3 stages:

1. Preparation for observation.

2. Observation.

3. Data processing and analysis.

Based on the results of the research, measures are being developed to improve working hours, design a normative balance of working hours, and determine a possible increase in labor productivity.

Both the timekeeping and the photo of the working day make it possible to identify and substantiate the time norms - time spent per unit of production or work per product or operation. The time rate is set in man-hours or man-minutes.

The following cost elements are included in the standard time per unit of production or work for manual, machine-manual and machine work:

$t_n = t_{about} + t_d + t_{obs} + t_{n-z} + t_{from} + t_{pt}$,

where t_n - the rate of time per unit of production; t_{about} - main time; t_d – auxiliary time; t_{obs} - service time of the workplace; t_{n-z}- preparatory and final time; t_{from} – time for rest and personal needs; t_{pt}, - time of interruptions for technological reasons.

In modern conditions, photochronometry is widely used, which is a combined type of observation. The essence of this method of observing

working time is as follows: the work process is broken down and observations are made with the same granularity during the shift as about the photos of the working day.

Thus, the timekeeping method is sufficiently accurate even in those cases where the units of time accounting are minutes and seconds. However, this method requires a lot of work by observers. Less accurate, but with lower costs of observers, is the method of photographing a working day.

Both chronometers and photographs of the working day cannot in practice cover all workers engaged in a shift, therefore they belong to the class of discontinuous observations. The results contain both random and systematic errors.

In this sense, the method of instantaneous observations has a greater advantage. The essence of this method is that it is selective in time and continuous in coverage of observation objects in space. A form is being developed - an observation sheet, in which the elements of working time that must be recorded are previously provided: work, waiting for a debugger, a rest break, etc. The permissible average and marginal error of observation are determined. Based on this, the number of observations (moments) required to ensure the specified accuracy is calculated. Then the route along which the observer will move is planned. The time spent on one round is determined; the number of rounds required to obtain the required total number of observations, and finally, the total number of observations that ensures obtaining results in a practically acceptable time frame.

Key terms and concepts

Unemployed -persons of working age who do not have a job and an income, are registered with the employment service, want, are able and ready to work, but do not find a suitable demand for their professional abilities on the labor market.

Calendar fund of working hoursis determined by summing up the list of workers for all calendar days of the period.

Unemployment rateis defined as the ratio of the number of unemployed to the total labor force, expressed as a percentage.

Labor rationing is a determination of the amount and structure of working time costs.

Labor turnovercharacterizes the change of employees in connection with their acceptance and dismissal, regardless of the reasons for leaving and sources of replenishment.

Labor market (labour force) -the system of economic relations regarding the purchase and sale of the commodity "labour force".

Aggregate labor force -it is the part of the country's population that provides the supply of labor for the production of goods and services.

List size -the number of personnel of the company on a certain date.

Time sheet fund of working timeis equal to the difference between the calendar fund of working hours and the number of days falling on holidays and weekends.

Effective fund of working timeper worker characterizes the average number of hours that a worker must work during the period.

The composition of working people -these are persons who are at work and perform certain functions.

Questions for self-testing

1. What is labor demand?

2. What groups is the country's population divided into in terms of employment?

3. What is an economically active population?

4. What should be understood by the natural rate of unemployment?

5. What is the difference between the list and average number of employees?

6. Name the types of unemployment.

7. What groups are the personnel divided into, depending on the degree of participation in production?

8. What is the unit of measurement of the effective (real) fund of working time?

9. What is meant by the average duration of the working day?

10. What are the essence and tasks of labor regulation?

11. What methods are used in labor rationing?

12. What are the advantages of the method of instantaneous observations?

13. Which form of unemployment is the most dangerous and difficult for society?

14. What groups are the personnel divided into depending on the degree of participation in production activities?

15. What indicator is used to evaluate an effective personnel policy?

16. What is the difference between the timesheet and the maximum possible working time fund?

17. Name the categories of company personnel.

TOPIC VII

PRODUCTIVITY AND PAYMENT

7.1. Characteristics of the labor productivity of the firm's personnel

The efficiency of the use of labor resources is reflected in the change in labor productivity. The labor productivity indicator is a general indicator of the work of business entities. This indicator reflects both the positive aspects of the work and all its shortcomings.

Productivity characterizes the effectiveness, fruitfulness, efficiency of a specific type of work. Labor productivity is the cost saving of live and reified (past) labor. At the same time, the share of living labor decreases, and the share of embodied labor increases, but increases so that the total mass of labor included in the product decreases.

Labor productivity, characterizing the effectiveness of labor costs in material production, is determined by the amount of products produced per unit of working time, or labor costs per unit of production. A distinction is made between the productivity of living labor and the productivity of aggregate embodied labor.

The productivity of living labor is determined by the cost of working time in a given production at a given enterprise. The increase in the productivity of living labor leads to an increase in the output of an individual worker, and therefore to an increase in his wages and standard of living.

The productivity of embodied labor is determined by the costs of living and embodied labor. As NTP develops, production is improved, the share of actual labor costs increases, as the worker's equipment with new means of production increases. The main trend is that the absolute value of the costs of live and physical labor per unit of production is reduced (the labor intensity of production is reduced), and therefore, the volume of output increases, which leads to economic growth and an increase in the standard of living of the population as a whole.

Depending on the specific conditions of the business entity's labor productivity, data on products (works, services) can be used in kind or in monetary terms. Methods of measuring labor productivity differ depending on the methods of determining the volume of products produced. To calculate the production volume of products (works, services) and, accordingly, labor productivity, three methods of determining labor productivity are distinguished: natural, value, and labor.

A natural method of calculation the most simple and reliable, when the volume of production is calculated in natural terms (tons, kilograms, pieces, meters, etc.). This method is widely used when the produced products are homogeneous in content, purpose and quality. With the help of this meter, it is possible to measure labor productivity only within the limits of certain types of products or works. The advantage of this method is direct comparability of labor productivity indicators.

If the enterprise produces several types or brands of homogeneous products, then the output is determined in conventional units (based on the content of the main substance).

Cost method of calculation labor productivity is used when producing heterogeneous products, when calculating labor productivity in territorial and sectoral sections. Using the cost method, you can calculate and compare any types of products (works, services).

At individual workplaces, sections, and workshops, when producing heterogeneous products that cannot be measured either in physical or value metrics, labor productivity is determined in standard hours. With unchanged standards, the number of standard hours spent accurately characterizes the dynamics of labor productivity. It *labor meter* volume of output and level of labor productivity.

7.2. Labor productivity measurement indicators

The measure of labor costs is working time. Labor productivity - efficiency, effectiveness of labor in the production process. Practitioners know various methods and indicators for measuring labor productivity, which is determined by the specifics of production, the used equipment, raw materials,

materials, the organization of production and management, as well as the goals of economic research.

Calculation of labor productivity is carried out by comparing labor results in the form of the volume of manufactured products with labor costs. Depending on the direct or inverse relationship of these values, there are two indicators: output and labor intensity.*Yield* characterizes the number of products per unit of working time. *Labor intensity* characterizes the cost of working time per unit of manufactured products.

Production - the most widespread and universal indicator of labor productivity. Due to the fact that working time costs can be reflected by the number of man-hours worked, man-days, the average number of workers on the list or all workers, indicators of average hourly, average daily and average annual earnings per worker are distinguished. The average annual output is determined both per employee and per worker.

Average hourly production (per man-hour worked) is determined by the ratio of the number of produced products to the working time spent on the production of these products, i.e. to the total number of man-hours worked:

$IN_h = V_{tn} : N \times F_{is}$,

where V_{tn} – volume of manufactured products; N - the number of personnel; F_{is},- the effective fund of the employee's working time, or

$IN_h = B_{dn} : t$,

where V_{dn} – average hourly output; t is the duration of the working day (hours).

Average daily out put (per one worked man-day) is determined by the ratio of the number (volume) of manufactured products to the total number of man-days worked:

$IN_{dn} = V_{tn} : N \times D$,

where D is the number of working days in the period or the length of the period in days.

Average annual output (per one average registered worker) is determined by the ratio of the number (volume) of manufactured goods to the average number of registered workers:

$Vg = V_{t\,n} : N_{ppp}$,

where N_{pvp} – the average number of industrial and production personnel (PVP).

The average hourly output is the most accurate indicator of the level of labor productivity, as it excludes any loss of working time. The main accounting indicator is the average annual output.

The inverse indicator is the indicator of labor intensity of production. Labor intensity is measured in hours. Depending on the composition of labor costs and their role in the production process, the following types of labor intensity are taken into account: technological, maintenance, management, full and production.

Technological labor intensity includes all costs of main workers, dispatchers and hourly workers (Vol_{those}).

Labor intensity of service production includes labor costs of auxiliary workers (T_{obs}).

Productive labor intensity includes labor costs of all workers (main and auxiliary) (Vol_{etc}).

Labor intensity of management production includes labor costs of R&D, employees, security (Vol_{ex}.).

Full labor intensity includes labor costs of all categories of personnel (Vol_{gender}):

$T_{gender} = T_{those} + T_{obs} + T_{ex} = T_{etc} + T_{ex}$.

Labor intensity is determined by the calculation object *for operation, part, product, merchandise and gross products.*

Labor intensity is distinguished by the place of application of labor *firms (enterprises), shop units, divisions, teams and workplaces.*

According to the nature and purpose of labor costs, normative, planned and actual labor intensity are distinguished.

Normative labor intensity (Tn) reflects the labor costs under the current norms. It is either displayed in the technological map or calculated according to the formula:

$T_n = N_{top}$ (in standard hours per unit);

$Tn = N_{top}$ x g/60,

Where N_{top} – time rate in minutes per product unit; g - the number of manufactured products.

Actual labor intensity (Vol_f) reflects actual labor costs, including lost working time.

Labor intensity is determined per unit of production in natural terms across the entire nomenclature of products and services; for a large volume and assortment of products - for typical products, to which all others are reduced. Unlike the indicator *labor intensive production* has a number of advantages: it establishes a direct relationship between the volume of production and labor costs, more realistically reflects the savings of live labor under the influence of changes in production conditions, it does not depend on shifts in the range of products, ensures the comparability of results for the same products, for services at different enterprise prices.

The structure of the labor intensity indicator provides for the grouping of costs according to the functions performed by the employee in the production process. This makes it possible to identify reserves of labor savings, and therefore, further growth of labor productivity.

In practice, this method of measuring labor productivity is not widely used, as it requires objective standardization of labor and accounting of labor costs per unit of production of all categories of workers. The normative basis of labor intensity is only for the main workers.

Labor productivity is one of the most important factors in increasing production efficiency. In turn, labor productivity is determined by a number of

factors that determine its changes (growth or decline). The entire set of factors that affect labor productivity can be grouped into several groups:

1. Factors to increase the technical level of production, and therefore labor productivity (new equipment, technology, quality improvement).

2. Factors for improving the organization of production, labor and management (increasing norms and service areas, changing the working period, simplifying the management structure, increasing the level of production specialization, etc.).

3. Factors of change in the volume and structure of production (change in the specific weight of certain types of products, labor intensity of the production program, change in the specific weight of new products, purchased semi-finished products and components).

4. Industry factors (change in external natural conditions).

All of the above factors reduce labor costs. The effect of their action is determined by identifying the relative (conditional) economy of labor force based on the facts. In order to determine savings due to the influence of various factors, and thus the growth of labor productivity, it is necessary to determine:

1. The rising number of employees in the planned period, that is, the conditional number that would be required for the planned output of products while maintaining the basic level of production per one employee:

$$N_{vcpvp} = V_{sq} N_b x\ T_{sq} : IN_b \text{ p. } 100,$$

where N_{vcpvp} - increasing number of industrial and production personnel of the enterprise; V_{sq}- volume of production in the planned year; IN_b– basic level production; N_b– the number of employees in the base year; T_{sq}– growth rate of production volume in the planned year (%).

2. Then the calculation of the relative economy of labor force by factors (EN) is carried out.

3. Determine labor savings due to the merger of factors, general savings (EN_{ok}):

$$EN_{ok} = EN_1 + EN_2 + EN_3 + EN_4 + ... + EN_p.$$

1. Determine the planned number of employees (N_{sq}):

$N_{sq} = N_{vpvp} - EN_{ok}$.

2. Determine the planned output (V_{sq}):

$IN_{sq} = V_{sq} : N_{sq}$.

3. Determine the growth of labor productivity due to the influence of factors ($PT_{\%}$):

$$PT_{\%} = EN_{ok} : N_{vpvp} - EN_{ok} \text{ x } 100\% \text{ or } PT = [V_{sq} - IN_b]: IN_b \text{x } 100\%.$$

The method of calculating the economy of numbers due to the influence of factors.

1. Due to the increase in the technical level of production (reduction in labor intensity of production) ($E_{tp}N$):

$Well_{tp}N = (T_b - T_{sq}) \text{ x } Q_{sq} \text{ x } M : F_{is} \text{ x } 12 \text{ x } K_{vn}$,

where T_b, T_l – labor intensity of a unit of production in the base and planning period (standard hours); Q_{sq} – output of products in the planned year in natural terms; M is the number of months after reducing the labor intensity of the product.

2. Savings in numbers due to changes in production volume (EVN):

$EVN = Nb \text{ x } V_{sq} – N_{ppwp} : 100$,

where N_b – the number of personnel (without main workers) in the base year; N_{ppwp} - increase in the number of personnel (excluding core workers) for the planned year.

3. Savings in numbers due to changes in the specific weight of cooperative supplies of production specialization ($E_{kp}N$):

$$Well_{kp}N = (j_{pkp} – j_{bkp}) \text{ x } V_{sq} : IN_{b.}$$

as well j_{pkp}, j_{bkp} – specific weight of cooperative supplies in the volume of production.

4. Savings in numbers due to better use of the working time fund ($E_{fe}N$):

$$Well_{fe}N = (F_{whether} - F_{it\ was}) \times N_{vpvp} : F_{it\ was},$$

where $F_{whether}$, $F_{it\ was}$ - an effective fund of working time in the planned and reporting year.

5. Savings in numbers due to changes in the production structure. A change in the structure of production can lead not only to a reduction, but also to an increase in the number (E_pN):

$$Well_pN = (T_{this\ is} - T_{pu}) \times N_b : T_{this\ is},$$

where $T_{this\ I\ s}$, T_{pu} - specific labor intensity of products, that is, labor costs in standard hours for 1 hryvnia, 100 hryvnias, 1000 hryvnias.

The economy of numbers by factors indicates reserves of labor productivity. Under *labor productivity reserves* untapped opportunities to save costs of living and embodied labor are understood. Internal production reserves due to improvement and more effective use of labor and equipment, reduction of unproductive losses of working time, rational use of all types of resources.

Having determined the reserves of labor productivity growth, it is necessary to develop a set of measures to implement these reserves.

An important indicator of a market economy is the indicator of marginal labor productivity.

Marginal labor productivity is an increase in the volume of output caused by the use of an additional unit of labor, while other factors remain unchanged. In these conditions, the law of diminishing labor productivity begins to operate, which indicates that starting from a certain point, each additional unit of labor brings a smaller increase (increase) in the total volume of output than the previous one.

Thus, the marginal labor productivity of the variable factor of production sooner or later begins to decrease. Therefore, the management of the economic entity, based on the need to optimize all factors of production, will apply or displace labor, reaching the level of marginal productivity in an attempt to survive under competitive conditions.

7.3. Transformation of the wage system in modern conditions

In the conditions of the formation of new management mechanisms, there is a need to work in a new way, to reckon with laws and market requirements. In this regard, the contribution of each employee to the final results of the enterprise's activity increases. One of the main tasks in these conditions is to find effective methods of labor management that ensure the activation of the human factor.

Motivation is a decisive causal factor in the effectiveness of people's activities.

Motivation [eng.motivation; from Latin moveo - I move] – conscious or unconscious mental*factors*, which encourage the implementation of certain actions; presence of a cause-and-effect relationship between actions, deeds, phenomena.

From a management point of view *motivation*is considered as the process of forming employees' motives for activities to achieve personal goals or goals of the business entity.

Management of a social system and a person, in contrast to the management of technical systems, contains as a necessary element the coordination of the goals of the object and the subject of management. Its result will be the labor behavior of the object of management and ultimately a certain result of labor activity.

For labor management based on motivation, such prerequisites as identifying the employee's inclinations and interests, taking into account his personal and professional abilities, are necessary.

The salary is based on the price of labor as a factor of production, which is reduced to its marginal productivity. According to the theory of marginal labor productivity, the worker must produce a product that compensates his salary, therefore, the salary is directly dependent on the efficiency of the worker's work.

*Salary for the worker*is the main and main article of his personal income, a means of ensuring the well-being of himself and his family members. The

stimulating role of the salary is to improve work results to increase the amount of remuneration received.

Salary for the employer worker represents production costs, and he seeks to minimize them, especially per unit of production.

The salary performs a motivational and reproductive function, as the salary is a form of payment for work and an important incentive for the employee.

The wage organization mechanism reflects the process of converting the price of labor into wages. Through the organization of wages, a compromise is reached between the interests of the worker and the employer, which should contribute to the development of social partnership relations between the two forces of the market economy.

The company's policy in the field of labor remuneration is determined by the following factors:

- financial condition, which is determined by its economic activity;

- the level of unemployment in the region among workers in relevant specialties;

- the level of state regulation in the field of salary;

- the salary level paid by competitors;

- the influence of trade unions and employers' associations.

Salary organization includes:

- establishment of reasonable labor standards;

- development of the tariff system;

- definition of forms and systems of labor remuneration;

- formation of the salary fund.

The remuneration system should be flexible, stimulate the increase in labor productivity, and have a sufficient motivational effect. The growth of wages should not outpace the growth rate of productivity and efficiency. The

flexibility of the salary system consists in the fact that a certain part of earnings depends on the overall efficiency of the enterprise.

In modern conditions, in order to stimulate the improvement of efficiency and productivity, it is necessary to change not only the remuneration system, but also the very approach to its formation, other psychological attitudes, thinking and rating scales are needed. The change in approaches to labor payment is manifested in the fact that it is not costs that are paid, but the results of labor - the recognition of the product of labor as a commodity. Means from the sale of goods become the highest criterion for assessing the quality and quantity of labor of goods producers and the main source of their personal income.

Each entrepreneur (manager) chooses the option that best meets the specific conditions of production (technological process, level of specialization, nature of production, availability of production resources) from all the variety of existing forms and systems of labor payment.

7.4. The basics of the organization of labor remuneration in accordance with the current legislation

The legislative framework that regulates wages in Ukraine is the Law of Ukraine "On Labor Wages" (1997); Convention 131 of the International Labor Organization "On establishing a minimum wage with special regard to developing countries" was adopted at the 54th session of the International Labor Organization (ILO) on June 22, 1970; Convention 26 of the International Labor Organization "On the establishment of a procedure for establishing a minimum wage", adopted by the Eleventh General Conference of the ILO on June 16, 1928; Convention (No. 99) on the procedure for establishing the minimum wage in agriculture //ILO, 1919 – 1956, Volume 1. – Geneva, etc.

The Labor Code of Ukraine, which entered into force in March 2003, did not make fundamental changes to the organization, changing only the principles of calculating the average wage, the basis of payment for downtime, and also established the employer's responsibility for late payment of wages.

The new Labor Code of Ukraine gives separate definitions of such terms as "wages" and "wages".

Under *remuneration means a system of relations,* connected with ensuring that the employer establishes and implements payments to workers for their work in accordance with laws, other normative legal acts, collective agreements, agreements, local normative acts and labor contracts.

In turn, the salary is a reward for work depending on the worker's qualifications, complexity, quantity, quality and conditions of work, as well as compensatory and incentive payments.

Thus, the concept of "wages" is much broader than "wages" and differs from the latter in that it includes not only the system of calculating (determining) wages, but also the working time regimes, rules for the use and documentation of working time, used labor standards, salary payment terms, etc.

The wage system, the general levels of wages and individual payments are directly established by the following normative documents:

- in relation to employees of organizations financed from the budget, - by relevant laws and other normative legal acts;

- in relation to employees of organizations with a mixed form of financing (budgetary financing and income from entrepreneurial activity) - laws, other normative legal acts, collective agreements, agreements, local normative acts of organizations;

- in relation to employees of other organizations - collective agreements, agreements, local normative acts of organizations, labor contracts.

The state, as a participant in labor relations, establishes and guarantees:

- the amount of the minimum wage in Ukraine;

- the amount of the minimum tariff rate (salary) of public sector employees in Ukraine;

- measures that ensure an increase in the level of the real content of wages;

- limitation of the list of grounds and amounts of withholding from wages at the discretion of the employer, as well as the amount of taxation of income from wages;

- limitation of payment in kind (only up to 20% of the amount actually due before receiving the salary);

- ensuring that the employee receives a salary in the event of termination of the employer's activity and his insolvency in accordance with the current legislation;

- state supervision and control over the full and timely payment of wages and the implementation of state guarantees on wages.

All other conditions of payment of labor are applied by agreement of the parties of labor relations, but in compliance with the requirements of legislative acts.

As before, the minimum wage established by state legislation is used as the basis for calculating wages.

Below this level cannot be paid for the work of workers who work for a month the norm of working hours and fulfill the norms of work (labor obligations), if the reporting month is not fully worked, then the minimum permissible level of wages must be calculated in proportion to the number of working hours worked (performed labor standards).

When determining the level of the minimum wage that can be charged to the benefit of the employee, additional payments and allowances, bonuses and other incentive payments, as well as payments for work in conditions that deviate from normal, for work in special climatic conditions, should still not be taken into account and in the territories affected by radioactive contamination, other compensatory and social payments.

In connection with tying the minimum wage to the subsistence minimum, the Labor Code of Ukraine established a mechanism for indexation of the wages of working persons.

In budget institutions and other organizations that use the tariff system, the amount of the tariff rate (salary) of the first category of the ETS cannot be lower than the minimum wage.

For the first time, the Labor Code of Ukraine (Labor Code) allows the possibility of using in-kind remuneration (previously this form of wages was used only on the basis of the conditions of collective and labor agreements accepted by the parties).

Such a form of remuneration may be stipulated by a collective or labor agreement and may be used only with the written consent (or, to be more precise, a written statement) of the employee. At the same time, in accordance with the Labor Code of Ukraine, the share of wages paid in non-monetary form cannot be more than 20% of the total amount of wages (it is assumed that the amount of wages to be paid to the employee should be used in these calculations).

7.5. Forms and payment systems

Tariff wage system. Labor rationing serves as the basis for the development of standards for the performance of various operations, and allows each employee to establish a normalized (necessary for performance) amount of labor costs. The purpose of tariffing is to establish rates (tariffs) for the relevant types of work and operations, which makes it possible to organize work on determining the amount of workers' wages.

The tariff system is the connecting link between labor regulation and wages. *The tariff system is* a set of standards, with the help of which differentiation and regulation of salary are carried out depending on the complexity, working conditions, its social significance and features.

The tariff system includes:

- tariff grid;
- tariff rate;
- tariff coefficients;

- tariff and qualification guides;
- allowances, additional payments to tariff rates and salaries.

The tariff grid is a set of tariff classes and their corresponding coefficients or ratio of tariff rates by class. It serves to establish the ratio of wages depending on the level of qualification. From the practice of tariff grids, four main types of six-digit grids are known, which differ in the nature of the change in tariff coefficients from digit to digit:

1. Progressive absolute and relative growth of tariff coefficients.

2. Progressive absolute and constant relative growth of tariff coefficients.

3. Constant absolute and regressive relative growth of tariff coefficients.

4. Regressive absolute and relative growth of tariff coefficients.

In modern conditions, the tariff rates can be changed by the business entity in the necessary direction: the network range can be increased or decreased, that is, the ratio of rates of the extreme discharges; the mixed nature of the construction of grid parameters, the use of a combination of progressive, regressive and equal relative and absolute growth of tariff coefficients can be selected.

For all institutions, organizations and enterprises that are financed by the budget, it is mandatory to use the unified tariff grid (UTS). The size of the tariff rate (salary) of the 1st category is established by the Government of Ukraine. The rates (salaries) of employees of other categories of ETS are established by multiplying the tariff rate (salary) of the 1st category by the corresponding tariff coefficient.

The tariff rate determines the amount of remuneration per unit of working time (minute, hour, day, month) and depends on the form of remuneration, conditions, importance and complexity of the work. Its size increases as the complexity of the performed work increases. The tariff rate of the 1st category determines the level of payment for simple labor per unit of working time, it is the basis for determining the employee's salary based on the level of qualification. Tier 1 tariff rates, differentiated by intensity, types of work and working conditions, form the so-called tier 1 rate vertical.

Tariff rates for categories of workers, differentiated by the complexity of the work they perform (qualifications of workers) form the so-called horizontal rates, or tariff grid.

The ratio between the sizes of the tariff rates depending on the grade of the work performed is determined using the tariff coefficient, which is indicated in the tariff grid for each grade. *The tariff coefficient shows* how many times the tariff rate of this category is higher than the tariff rate of the first category. The tariff coefficient of the 1st digit is equal to 1. Starting from the 2nd digit, it increases and reaches its maximum value for the last – the highest digit.

The tariff category determines the level of qualification of the employee and, depending on this, the amount of remuneration.

The classification of work and the classification of the worker are determined through the tariff and qualification directory (TKD). TKD*is*a list of professions, specialties of workers by type of work, as well as qualifications necessary for the performance of these works. TKD are single (for the same professions) and sectoral. TKD serve for tariffication of works and employees and assignment of grades to them. It consists of three sections. The first section describes the work to be performed by a worker of this qualification.

The second section displays information about what an employee of the relevant profession and qualification should know about his equipment and the materials used.

The third section contains examples of works typical for each grade. Based on these examples, tasks are set for workers when assigning them the appropriate qualification. The TKD specifies what a worker of each profession and grade should know theoretically and be able to perform practically.

The enterprise can independently carry out work on the tariffing of workers and employees, but usually for these purposes a single tariff and qualification directory (ETKD) is used.

The resolution of the issue of payment of workers based on the salary system is assigned to the competence of the organization, which independently approves the lists of professions of workers whose work is subject to payment on the basis of salaries, with an indication of their sizes. Such lists can also be

drawn up in the form of appendices to the collective agreement. When approving these lists, the general classifier of workers' professions can be used.

Under the conditions of a planned, centralized economy, the tariff system of labor remuneration was one of the main elements of salary organization. Under the conditions of economic independence and individuality of business entities, when enterprises independently build their policy in the field of labor remuneration, it turns into a system of standards that is purely recommended in nature. In this capacity, the regulations can find application at enterprises of any organizational and legal form.

Tariff-free system of labor payment. Paying for labor according to tariffs and salaries does not allow to get rid of the leveler, to overcome the contradiction between the interests of an individual employee and the entire team.

A possible option for improving the organization and stimulating labor is a tariff-free system of labor remuneration. It synthesizes the main advantages of hourly and unit wages and ensures flexible interdependence of wages with the results of the enterprise and individual employees.

The use of this system is connected with the fact that, under the conditions of the transition to a market economy, there is a need to revise the procedure for forming the wage fund. It should depend, first of all, on the volume of products sold (works, services), which can change, and therefore the size of the wage fund will change.

In the case of a tariff-free wage system, earnings directly depend on the final results of the activity of both the structural unit and the business entity as a whole.

According to this system, the salary of all employees - from the manager to the individual worker - represents the share of the employee in the wage fund (FOP), depending on various criteria.

At the same time, divisions and each worker are arranged based on their qualifications and work efficiency. The salary of each worker depends on:

- from the qualification level of the employee;

- from the coefficient of labor participation (KTU);

- from actually worked time.

Each employee is assigned his own qualification level. It is defined as a share of the division of the employee's actual earnings for the previous period by the minimum salary, which was established at the enterprise for the same period.

Depending on the qualification level, all employees are divided into qualification groups, the number of which may be different.

The following criteria can be used to assess the qualification level: education, professional qualifications, business acumen, etc. The system of qualification levels creates great opportunities for material stimulation of more qualified labor than the system of tariff categories, which restrains the growth of the category and, therefore, wages. The qualification level can be repeated during the entire labor activity.

Salary calculation for non-tariff payment is determined in the following sequence:

1. The number of points earned by each employee is determined:

$Q_b = KU \times KTU \times Q_h.$,

where KU - qualification level; KTU - coefficient of labor participation; Q_h.- the number of man-hours worked.

2. The total amount of points earned by all employees of the unit:

$QN_b = \Sigma Q_b.$

3. The share of the labor remuneration fund that accounts for the payment of one point (UAH):

$d = FOP : QN_b$,

where d is the share of the wage fund; FOP - wage fund.

4. The salary of each employee is determined:

5. $FOPN = d \times Q_b$,

where FOPN is the employee's salary.

Such a system changes the proportions of the FOP distribution at the same qualification level. The earnings of some may increase, and others may decrease.

The volume of products sold (works, services) is an evaluative indicator of the business entity's work. The effectiveness of the work is manifested through the volume of implementation. The higher the volume of sales, the higher the salary should be. This is especially effective for managerial staff and support workers, as these two categories of workers are not so closely related to the volume of output. Payment of labor of these categories can be made through coefficients or percentages.

The manager - 1.5 from the volume of product sales, the deputy manager - 0.9 from the accrued salary of the director, etc.

In this case, fixed salaries are not set for the administrative staff, the monthly payment varies depending on the volume of products sold.

It can be considered a type of non-tariff payment system *rating system of remuneration.* It takes into account the contribution of employees to the results of the enterprise and is based on the equity distribution of the labor remuneration fund.

The rating system involves accounting for the following components of the educational level: work experience, the employee's ability to use his knowledge and experience in a specific activity. The labor rating is determined by the product of three coefficients ($R_{etc} = K_{about} \times K_{with} \times K_{with}$), where K_{about} - the coefficient of educational level, which increases proportionally to the growth of the employee's knowledge from 0.8 to 2.0; K_{with} - a coefficient that characterizes work experience, the value of which is from 2 to 4.5, in order to reduce staff turnover in the first years of work and ensure a stable annual salary increase by a certain percentage; K_{with} - the coefficient that characterizes the employee's place in the structure of the enterprise and his corresponding rank.

In order to link the salary with the work results, the price of the rating is determined by dividing the wage fund by the sum of the ratings of all employees. The basic salary is formed on the basis of the "unit price of the

coefficient". If compared with the tariff grid, this is the minimum salary set at the enterprise for the current period.

To improve the dynamics of the production process to the salary of each employee, obtained as a product of the basic salary (B_{zp}) on the labor rating, enter three variable coefficients:

TO_p - the planned coefficient, which is proportional to the percentage of the planned task for workers and the time worked for employees;

TO_{yap} - the coefficient of labor quality, which is formed on the basis of the current standards of the enterprise;

TO_{ck} - the insurance coefficient, which is introduced to create an insurance reserve necessary to pay the wages of new entrants, as well as to stimulate the improvement of the educational level.

Then the worker's salary will be determined by the formula:

$WITH_{sq} = B_{zp} \times K_p \times K_{yap} \times K_{ck}$.

The labor rating takes into account the worker's potential abilities, and other indicators adjust it depending on the worker's contribution to the company's performance. The labor rating system takes into account the personal characteristics of the worker.

Another type of non-tariff payment system is*contract system.* An agreement (contract) is concluded between the employer and the employee for a certain period of time, which stipulates the working conditions, the responsibilities of the parties, the working regime, the term of the contract and the level of remuneration.

Unit form of payment. In modern conditions, three forms of remuneration can be distinguished: piecework, hourly and mixed. Each of the forms includes several systems that are selected in accordance with specific production conditions.

It is expedient to apply piece rate payment in those areas and types of work where it is possible to standardize and account for individual or collective contribution and the final result of production, the increase of the volume depends on the level of the employee's qualification. It makes it

possible to stimulate an increase in the output of products (services, works). In case of piecework payment, the worker's work is paid at piecework rates in accordance with the number of manufactured products or operations. Unit pay is individual and collective.

Individual payment is used in those jobs where the work of the worker is subject to accurate accounting, while taking into account the amount of suitable products produced by the worker.

Collective form payment system is characterized by the fact that the worker's work is paid depending on the results of the work of the entire team (team, department), through the coefficient of each worker's participation.

Piece salary is divided into a number of systems: direct piecework, piecework-premium, piecework-progressive, piecework, relative-piecework.

Direct unitary salary (Z_{Acting}) is determined based on the quantity of products produced for the estimated period of time and unit price per unit of production:

Zvb \u003d Q x r,

where Q is the number of products produced by the employee; r - piece rate.

Individual piece rate (I_{top}) for a unit of production or work is determined by multiplying the hourly tariff rate (T_{with}), established in accordance with the rate of work performed per unit of production time (N_h) in regular hours:

$I_{top} = T_{with}\ p_{Nh,}$ or $I_{top} = T_{with} \times H_h/60$,

where N_h - time norm in minutes.

Or by dividing the hourly tariff rate by the rate of production (Nv):

$I_{top} = T_{with} /N_V$.

Unit-premium salary is used to increase the interest of workers in improving quality, increasing labor productivity, saving material resources, reducing cost. The bonus is paid for specific quantitative and qualitative indicators of work, set as a percentage of the direct salary. The amount of the bonus, the terms of the bonus are determined by the regulation on the bonus:

$WITH_{vp} = Z_V + P$,

where P is premium; $WITH_V$ x %P/100.

$P = Z_V$x %P/100.

Premiums are divided into those conditioned and not conditioned by the system of labor remuneration. Bonuses determined by the labor payment system are additional over-tariff payment for work achievements. Bonuses that are not determined by the wage system are incentive bonuses. Such awarding is a right, not an obligation of the administration.

Piece-progressive salary (Z_{vp}) is used in the case when it is necessary to perform the set amount of work qualitatively and in a short period of time or to increase the volume of output without reducing the quality. This system is mostly used in works related to the development of new equipment and products. It provides for payment at direct unit rates within the limits of compliance with the norms (R_n), and in case of production exceeding the norm - at increased rates (R_p):

$WITH_{vp} = R_n$ x $Q_p + R_p(Q_f - Q_p)$

and Q_f and Q_p- actual and planned release.

The relative unit wage is applied to those workers who service technological processes. They are employed in maintenance and support jobs (adjusters, repairmen, vehicle drivers - within the company). The size of their wages depends on the results of the activities of the main temporary workers serving. The salary is determined by multiplying the relative unit price (Pvv) by the amount of products produced by the workers of the service station (Q_{ro}):

$WITH_{centuries} = R_{centuries}$ x Q_{ro},

$R_{centuries} = T_{with} / (N_{obs}$ x $H_V)$,

where N_{obs} - worker service rate; N_V- rate of production.

The relative unit wage is used to pay those groups of auxiliary workers who have a significant impact on the output of the main workers.

Accord premium salary provides payment not for each individual operation, but for the entire scope of work. The cost of the entire work is

determined on the basis of the current norms and estimates for individual elements of the work by summing them up. Piece rate payment is introduced for certain groups of workers in order to strengthen their material interest in increasing labor productivity and shortening working hours. Bonuses are introduced for shortening the deadlines for the completion of the task, provided that the work is performed in a high-quality manner.

Part-time form of payment. Along with piecework payment, part-time is also used.*Hourly wages,*at first glance, it excludes the stimulation of higher labor productivity, since the time spent at the workplace does not say anything about the results achieved, however, this form of wages is closely related to labor results, since it is based on formally defined or actually expected work results per unit of time. With hourly wages, the amount of the worker's earnings depends on the time actually worked by him (FH) and his tariff rate (salary) (Tg).

Hourly wages are divided into simple hourly, hourly-premium and hourly with a standardized task.

With simple hourly wages (Z_{chap}) the salary is calculated by multiplying the hourly (daily) tariff rate of a specific work category (Ts or Tdn) by the amount of time actually worked for the calculation period in hours (days):

$WITH_{could} = T_{with} x\ Q_p$.

*With the time-based bonus system (ZPP)*the amount is set based on the amount of the bonus as a percentage of the tariff rate for exceeding the established indicators and bonus conditions (defect-free production of products, saving materials, tools, etc.):

$WITH_{pp}$ = Was able + P.

In the case of monthly payment, the hourly salary is determined based on the monthly salary (rate) (Tsm), the number of working hours provided for by the work schedule in this period (t_{rg}), and the number of working hours actually worked in this period (t_f):

$WITH_{pump} = (T_{cm} : t_{rg}) \times t_f$,

where Z_{pump} - salary for actually worked time during the month.

A salary system is used for managers, specialists and employees.*Salary* - the absolute amount of salary, which is established in accordance with the position. It can be in a certain range - from the minimum to the maximum.

Currently employed part-time *payment for labor with a standardized task,*or piece-time wages. The composition and volume of work is established for the worker or team, which must be performed in a certain period of time on hourly paid work in compliance with the requirements for the quality of products (work). This standardized task, depending on the specifics of production and the nature of the work, is set per shift, day, month. There is no concept of pricing per detail. Hourly wages with standardized tasks are used for work related to production maintenance (equipment repair).

The choice of forms of payment depends on a number of factors: the nature of the equipment, features of the technological process, quality requirements, availability and use of resources. In connection with the difficulties of rationing and quantitative measurement of labor, an hourly salary is used to pay support workers, workers of technical control services. NTP promotes the replacement of piece-rate pay with hourly pay. In order to maintain a high level of production efficiency, it is necessary to maintain a high level of labor rationing and organizational support for production (raw materials, transport, repairs, etc.) from the technical services of the enterprise.

The mixed form of remuneration is in the form of non-tariff, rating and contract.

Nominal and real wages are distinguished by types.

Nominal salary - the amount of money that the employee receives for the time worked or the amount of products produced.

Real salary - the number of consumer goods and services that an employee can purchase for his nominal salary. It depends on the size of the nominal salary, the prices of basic necessities and the level of taxes (Table 7.1).

Table 7.1

Average monthly nominal wages of employees by type of economic activity*

Activity	2010	2012	2014	2015
That's all	**2239**	**3026**	**3480**	**4195**
Agriculture and forestry, hunting	**1472**	**2086**	**2556**	**3309**
Industry	**2570**	**3478**	**3988**	**4789**
Construction	**1758**	**2516**	**2860**	**3551**
Trade	**1877**	**2704**	**3439**	**4692**
Transport and communication	**2658**	**3412**	**3768**	**4653**

***Source: Data from the State Statistics Service of Ukraine**

7.6. The wage fund and its structure

Payments in kind and in cash to the employees of this enterprise belong to the means that are directed to consumption. The composition of means directed to consumption includes:

- sums accrued for wages to all employees (wages fund);

- income (dividends, %) on shares, bonds and contributions of members of the labor team to the property of the enterprise, accrued for payment to employees;

- amounts of labor and social benefits provided, including material assistance.

The wage fund represents the total amount of expenses for wages of employees and payments of a social nature. In recent years, labor costs and deductions for social activities make up only one-sixth of total costs, for example, in the field of agriculture (Table 7.2). In developed countries, their share is three times larger.

Table 7.2

The structure of costs for the production of agricultural products in agricultural enterprises, %*

	2010	**2015**	**2020**
salary expenses	**9,2**	**7,1**	**5,4**
Deductions for social events	**3,4**	**2,7**	**1,9**
Material costs	**68,7**	**70,5**	**73,7**
including: seeds and planting material	**13,9**	**13,3**	**12,5**
- feeds	**20,8**	**19,5**	**19,2**
- other products of rural areas	**3,5**	**1,7**	**1,8**
- mineral fertilizers	**16,6**	**14,6**	**19,2**

- fuel and lubricants	**14,5**	**16,1**	**13,7**
- electricity	**2,0**	**1,8**	**1,5**
- fuel and energy	**1,9**	**1,5**	**1,4**
- spare parts	**7,1**	**7,4**	**8,1**
- payment of services and works	**19,7**	**24,1**	**22,6**
Depreciation of fixed assets	**5,3**	**5,4**	**4,5**
Other operating expenses - total	**13,4**	**14,3**	**14,5**
Including rent: - for land shares	**59,2**	**58,4**	**60,3**
- property shares	**0,4**	**0,5**	**0,7**

***Source: data from the State Statistics Service of Ukraine**

The composition of the wage fund includes accruals by the enterprise, institution, organization of the amount of remuneration in cash and in kind for the time worked and not worked, incentive bonuses and allowances, compensatory payments related to work and working conditions, bonuses and simultaneous payments of an encouraged nature, as well as payments for food, housing, fuel, which are of a regular nature.

The following shall be included in the wage fund:

- payment of time worked;

- payment of unused time (annual, additional, educational leave, etc.);

- one-time incentive payments (bonuses, rewards based on work results, material assistance, etc.);

- payments for food, housing, fuel;

- payments of a social nature (payment of vouchers, travel costs, insurance payments, allowances for employee pensions, one-time benefits for persons retiring, etc.).

The wage fund is planned and determined separately by the same groups and categories by which the number of employees is determined. The procedure for calculating the wage fund by fund category is as follows:

1. The direct (tariff) wage fund is determined.

2. Payments, additional payments to the hourly and monthly fund and bonuses are determined in accordance with the wage system.

3. The sum of the direct (tariff) wage fund, supplementary payments and bonuses characterizes the basic salary (basic wage fund).

4. The sum of the basic salary and additional salary characterizes the general wage fund.

The direct (tariff) wage fund is calculated separately for temporary workers and part-time workers.

For expats, the fund is direct (tariff) (Z_{north}) is determined by the formula:

$WITH_{north} = Q \times Tc \times K_{vn}$;

$WITH_{north} = T_{pp} \times T_{with} \times K_{vn}$

The tariff fund of watchmakers is determined according to the formula

$WITH_{chap.} = T_{with} \times T_{pp} \times K_{vn}$.

The salary fund of ITR and employees is determined on the basis of salaries and the number of employees (ITR and employees) of each category:

$FOT_{itr} = Q_{itr}$ x average monthly salary x 12.

The calculation of the wage fund is completed by determining the average salary for the enterprise (firm).

Average salary (Z_p) is determined on the basis of the general wage fund of workers on the roster (including part-time employees) and the average number of employees on the roster:

$WITH_p = FOT_{ok} / N.$

Key terms and concepts

Yield characterizes the amount of products produced by a worker per unit of working time.

Motivation – the process of forming employees' motives for activities to achieve personal goals or goals of the business entity.

Productivity - effectiveness, fruitfulness and efficiency of a specific type of work.

Real salary - the amount of consumer goods and services that a worker can purchase for his nominal salary.

Labor productivity reserves - untapped opportunities for the costs of living and embodied labor.

Tariff system - a set of regulations, with the help of which salary differentiation and regulation is carried out.

Wage rate determines the amount of remuneration per unit of working time.

Tariff class determines the level of qualification of the worker and, depending on it, the amount of remuneration.

Labor intensity characterizes the cost of working time per unit of manufactured products.

Remuneration fund represents the total amount of costs for workers' wages and social benefits.

Questions for self-testing

1. Define the concept of "labor productivity". What methods are used for its calculation?

2. What indicators are used to measure labor productivity?

3. Name the types of labor intensity, based on the role of labor costs in the production process.

4. Name the constituent elements of wages.

5. What elements does the tariff pay system include?

6. What element of the tariff system of labor payment is used to rate works and workers?

7. Name the piecework payment systems.

8. What is hourly payment for labor with a standardized task?

9. Name the forms of payment that are used in modern conditions.

10. What is the difference between real wages and nominal wages?

11. Name the types of non-tariff payment system.

12. What is the difference between the consumption fund and the wage fund?

13. What is included in the wage fund?

14. What analytical problems can be solved with the help of indicators of production and labor intensity?

15. Describe the difference in wages for the worker and for the employer.

16. What is additional remuneration?

17. Types of bonus payments.

18. What is the labor participation rate?

19. What is the essence of the profit sharing system?

TOPIC VIII

VALUE AND NATURAL INDICATORS PRODUCTION RESULTS

8. 1. Product and service: methods and units of measurement

The result of the business entity's production activity is its production, which acts as a product or service.

Product - a product obtained from raw materials and materials by a technological method, as a result of which the properties of the raw material completely disappear, and the product acquires an independent consumer value. Thus, products (products) are objects that have a material form and are able to satisfy certain needs. Society as a collective consumer is interested in satisfying its needs precisely with consumer values in their natural material form (bread is needed, not its hryvnia equivalent; hairstyle, not the cost of this service).

*The service is*this type of activity, which does not change the physical form of the product, adds a certain amount to its original cost (price), because the final consumer of the product is interested in it and agrees to pay for it. Examples of services are home appliance repair, cargo transportation, product advertising, etc. Social and cultural and household services are allocated. Products in their physical form are considered in natural (physical) units of measurement (pieces, kilograms, meters, etc.).

Accounting in natural units of measurement is carried out if the products are homogeneous in terms of purpose and content.

In order to simplify accounting and technical and economic calculations, in addition to natural units of measurement, conventional natural units of measurement are used.

This meter is appropriate in the case when several varieties of the product are produced, which have common basic consumer properties, but are different in purpose. The production of toilet soap can be calculated not only by physical weight (this is necessary to determine the need for means of transportation), but also by the content of the main substance (fat) in terms of

its standard content or 100% content of active ingredients. In cases where varieties of similar products are produced on the same equipment, conventional units of product accounting are used, recalculating the physical volume of each variety into conventional units, which serve more or less arbitrarily selected specific varieties of such products (the conversion coefficients in this case are set according to weight, volume, working time, electricity consumption, etc.).

The value meter allows you to obtain consolidated data at any level of generalization (from individual types of products produced by one company to the country's economy as a whole). The basis of production accounting is the monetary meter. Depending on the completeness of socially necessary expenses, monetary measures can be represented by specific types of products, their unit cost or price.

In a market economy, both the cost price and the price at which products are sold to the intermediate or final consumer are individual in nature. However, the conditions of market competition lead to equalization and standardization of prices, which makes them a much more objective tool for evaluating the volume of production than the cost price of its unit, which always remains individual due to changes in production.

To measure the volume of work of services, a labor meter can be used in terms of working time (hours).

All products produced within the business entity must meet established requirements and standards and must be certified.

Let's consider in more detail the formation of a product - "service" using the example of tourism.

8.2. Tourist product as an object of production entrepreneurship

Formulation of the problem. The development of tourism according to the principles of sustainability can be ensured thanks to the action of organizational and economic mechanisms regulating the market as a whole and each of its elements. The main elements of the market, as you know, are demand, supply, pricing and competition. The offer in tourism, which is

represented by a product, in modern literature and practice is characterized ambiguously and represented by heterogeneous objects.

The specificity of economic activity in the field of tourism and products produced and offered on the market by business entities of a whole complex of economic sectors led to the formation and use of such terms as "tourist service", "tourist product", "tourist product". The peculiarity of the sources of formation and resource provision of the tourist product led to the emergence of such specific objects of offer as a destination - places (localities) that are attractive to tourists as a ready-made tourist product (tourist centers and destinations, specific cities and villages, tourism enterprises with a well-known brand), natural and anthropogenic resources, accommodation facilities, food establishments, entertainment establishments, etc.

Tourism, like most branches of the intangible sphere of the economy, has its own production base and production cycle, where as a result of the combination of means of production with labor force, a certain product is produced, certain consumer values, which, as a rule, have an intangible origin and take the form of a service.

At the same time, there is a problem of assigning certain types of economic activity in tourism to the production or commercial sphere of entrepreneurship.

Analysis of the latest research and publications shows that until now there is no unified understanding of the meaning of the above terms in legislative and regulatory documents, special literature on tourism development. Often, all concepts are equated, which is due to the ambiguity of the interpretation of the concepts "tourism" and "goods" in their broad and narrow sense. So, for example, according to the famous scientist from the USA Kotler F "*product*is a set of everything that can be offered on the market to the attention of the consumer for purchase, use or consumption, which can satisfy a need or desire.

It includes physical objects, services, places, organizations and ideas".

A group of Ukrainian authors examines the tourist product from the purely organizational and technological side of tour formation and implementation (authors of the Law of Ukraine "On Tourism" from 1995);

some Russian scientists – characterize the tourist product from a legal point of view (Puzakova E.P., Chestnikova V.A.);

A certain part of scientists, taking into account the peculiarities of market relations, points to the economic role of the tourist product in the process of meeting the paying demand of tourists for tourist services during their trip (Beydyk O.O., Ismaev D.K., Durovych O.P., Kopanev O. WITH.

The authors' full solidarity regarding the complex nature of the tourism product separates their platforms regarding the constituent elements of the tourism product. The lack of methodological approaches to the essential characteristics of the tourist product, as an object of offer on the market, further negatively affects the clarity of strategy development and justification of the economic and commercial policy of tourist enterprises.

Thus, the need to determine the economic essence of the tourist product and its constituent elements from different points of view, to distinguish the characteristic features of tourist products as objects of offer in the consumer market should be attributed to the unsolved problems in tourism.

The main goal of the article is to clarify the terminology regarding the final product in tourism, to identify the characteristic features of its offer, as well as to determine the conceptual basis of the classification of entrepreneurial activity in tourism to a certain type.

Teaching the main material. At the heart of any human activity are: the goal, the means, the result and the process itself. Human activity is the basis of human existence and the real driving force of social progress. The subject of activity (a person) affects the object of activity - material (spiritual or material), which after the end of the corresponding process must acquire a new form and properties, i.e. turn into a product of activity (idea, creative product, material product, service, knowledge). The variety of types and forms of human activity determines the division of the process into spiritual and material, production, labor and non-labor activity, this is how the Great Soviet Encyclopedia interprets the concept of human activity at the modern stage.

All the variety of entrepreneurial activity is classified by type and purpose into production, commercial, financial and consulting (consulting) groups.

Manufacturing enterprise includes the following types of activities: innovative, scientific and technical activities, direct production of goods and services, organization of their consumption, as well as information activities in these areas.

To *commercial enterprise* include: trade, trade-purchasing and trade-intermediary activities, as well as various agreements and operations on commodity exchanges.

A special type of entrepreneurial activity is *financial* (or*financial and credit*) and *consulting* (*consulting*) entrepreneurship. The first group includes the circulation and exchange of values, which permeate both the production and commercial spheres (leasing, auditing, insurance business, banking operations, as well as stock exchanges). The second group includes such a promising group as consulting entrepreneurship in various forms and types of business activities in market conditions.

From the above classification, it is possible to conclude that the tourism business, as a unique type of activity, gravitates to the first classification group - manufacturing entrepreneurship. It is more difficult to determine the final result of tourist activity - a tourist product, discussions about the essence and components of which continue in scientific circles until now.

The most complete definition of the studied term from an economic point of view is given in the Law of Ukraine "On Tourism" (as amended in 2003), which states that "a tourist product is a pre-developed set of tourist services that combines at least two such services, that is sold or offered for sale at a specified price, which includes transportation services, accommodation services and other tourist services not related to transportation and accommodation (services for organizing visits to cultural, recreational and entertainment facilities, selling souvenir products, etc.)".

Scientists of the Moscow school under the leadership of V.O. Kvartalnov. claim that "*tourism product*is a set of material (consumables) and immaterial (in the form of a service) use values necessary to meet the needs of tourists, which are provided during their journey. At the same time, piznishe, pidvodyachi podbags schodo shodo storatskogo to a product, the authors mean: “A tourist product consists of three parts: a tour, tourist and excursion services,

goods", which, in our opinion, cannot be correctly understood from a glance, but the authors understand " tour " and "tourist-excursion service".

Foreign specialists Diane A. and Bookerel F. characterize the tourist product much more broadly.

The term "product" is interpreted by the authors as the quality or essence of concrete or abstract things: food prepared by a restaurant chef, or the service of a guide who introduces a tourist to a given area or museum, that is, a tourist product is a set of diverse elements. By the elements of the tourist product, the authors understand various types of resources - natural, cultural, architectural, historical, places of interest, technological possibilities, natural-climatic and anthropogenic resources that create the conditions and are the determining resource factors of the trip, as well as accommodation facilities, catering establishments, transport companies , that is, everything that we understand as the infrastructure or material and technical base of tourism.

It is difficult to agree with such an opinion at first glance, because during the trip, the tourist consumes ready-made goods and services as a product of the labor of the enterprises of the tourism industry, and not the enterprises themselves. However, in this case there is no meaningful translation error. We are talking about a different approach to the characterization of a tourist product as a product on the market. Most foreign authors - well-known marketers - focus on this characteristic of the tourist product.

From the point of view of marketing, any service provided on a commercial basis is a product. In this regard, there is a point of view that most of the provisions of "classical" industrial marketing can be attributed to institutions for which the provision of services is the main direction of their activity.

From the manufacturer's point of view, the tourist product is a collection of a certain quantity and quality of goods and services of a mainly recreational nature, prepared at a specific moment for sale to consumers and recorded in the tour program. For consumers, a tourist product (potential demand) is an abstract product consisting of goods, the sources of which are found in nature (climatic conditions), in material (buildings, infrastructure, tourist goods), and in non-material (services, public environment) form, which is offered on the market and there is a potential possibility of its purchase and consumption.

The unification of all these benefits into one concept is an objective necessity, since the consumer cannot satisfy his diverse needs for the restoration of vitality only at the expense of one type of tourist goods or services, but only in a complex, and at the same time in a certain place under certain conditions circumstances Of course, the consumer is interested in the basic conditions of the trip, its safety, the degree of comfort, which is realized through the completeness and level of quality of the services and goods provided. However, the main factor of satisfaction remains the impressions that the consumer receives from the expected and seen historical monuments, the beauty of the natural environment, traditions, culture and life of local peoples, etc.

Having analyzed the existing definitions and taking into account the content that is included in the concept of a product offered and sold by a tourist enterprise and consumed by a tourist, it is possible to state that the proposition of a tourist product in the conditions of developed market relations has a dual nature, and, accordingly, a characteristic: economic and marketing is implemented in the form of a complex of tourist services and goods, and which satisfy the material and immaterial basic and non-basic life-supporting needs of a person. At the same time, the needs are realized by the tourist planned or spontaneously, before, during and after the trip. We will remind that the basic needs according to Maslow's hierarchy include: needs for housing, food, necessary amenities, sanitary and hygienic and household conditions, basic necessities. This form of production in the field of tourism characterizes its economic nature.

On the one hand, the tourist product is the product of the labor of the workers of the tourism industry, and the above-mentioned approaches require carrying out an inventory of various types of tourist display objects (historical, architectural, domestic, natural and landscape, etc.) in Ukraine, and determining their potential market value. It should be noted that the work on the inventory of cultural and historical tourist resources was started by the Scientific Center of the State Tourism Administration of Ukraine in 2002, but did not reach a logical conclusion. In developed tourist countries, such objects are on a special register and are classified by categories in accordance with the level of demand on the international market, and are also included in the UNESCO list of attractions of world history and culture.

On the other hand, a tourist product is a set of objects of tourist display and benefits in the form of natural and anthropogenic conditions and resources that satisfy the needs of a different, psychophysical nature during the tourist's trip and remain in his mind for a long time after the trip. It is these objects and conditions presented in the tourist program that are the main subject of the product offer and sale of the tourist product on the market. First of all, they consciously interest the consumer, they are the purpose of his trip.

Tourist goods and services in the marketing approach act only as "materialized" means of achieving the goal of travel and consumption of such a specific product as a tourist product; and the objects offered in the tour program are a certain commodity form of the tourist product, ensuring its value and consumer value.

The entire set of tourist products from an economic point of view is presented in the international statistical document "Auxiliary accounts in tourism" (DRT), which was developed by the UN from the perspective of demand.

Schematically, the entire set of goods and services of tourist destination according to the DRT can be presented as follows.

Typical tourism products of the DRT include services for temporary accommodation, drinks and food, passenger transport services, services of travel agents, tour operators and tour guides, services in the field of culture, organization of recreation and entertainment, other services (financial and insurance, rental of tourist goods and services) .

Characterization of a tourist product from a marketing point of view can have several approaches.

One of them can be based on the classification of resources presented in the WTO report, in which all resources are divided into 7 special groups:

- natural resources;

- energy wealth;

- "human factor", which is considered from the point of view of demographic data, living conditions, habits and inclinations of the population

in relation to tourist services, as well as from the point of view of data about various aspects of culture;

- institutional, political, legal and administrative aspects;

- social aspects, especially the social structure of the country, the participation of the population in the management of the state, the relationship between working time and rest time, the availability of paid leave, the level and traditions of education, health care, and recreation;

- various goods and services, transport and equipment, which constitute the infrastructure of the sphere of rest and leisure;

- economic and financial activity.

Thus, the offer on the market of tourist services is the whole mass of tourist goods and services intended for sale, assembled into tours, as well as resources that make up the material basis of the subsequent consumption of the tourist product. The structure of the supply in the tourist market is characterized by a clear advantage of services that are created in industries specialized to satisfy the demand of tourists and in industries that simultaneously satisfy the demand of the local population. The offer on the tourist market is characterized by a complex of features. Let's dwell on the characteristics of some of them.

The tourist product has a double source: the results of labor - the current useful labor of the population (tourist services and goods) and the past useful labor of the population (material goods that are the subject of interest of tourists: architectural monuments, historical and cultural values, objects of tourist infrastructure) , as well as various kinds of goods that are personified in tourism in the category of "resources" - natural, which exist objectively (air, landscape, sun, etc.), social and everyday, which are formed in society and condition the way and conditions of life (arrangement of life , everyday life, national traditions, etc.). A characteristic feature of the tourist business is that both components are used equally and cannot exist without each other, as they are the subject of tourists' interest. A significant excess of the specific weight of fixed assets over circulating assets determines the need for significant investments, for example, in such objects of general and special tourism infrastructure as roads, hotels, restaurants, parks, cable cars.

The seasonal nature of the consumption of tourist services has a negative effect on the turnover and profit of tourist enterprises, leads to an increase in fixed costs in the cost price of tourist services, an increase in the payback period of direct investments and a decrease in the efficiency of the operation of the material and technical base of tourism, and, as a result, to a slowdown in the reaction to change in the tourist market situation.

The low elasticity of the offer of the tourist product by geospatial directions of tours is due to the spatial connection of the consumption of a certain good in territorially limited certain places - destinations. In addition, it does not allow importing a tourist product in the event of an irrationally high demand, since each destination can accept a clearly defined number of tourists for service, provide a limited number of places in accommodation facilities, food establishments, ensure the carrying capacity of the transport network, withstand the load on the environment.

The tourist enterprise tries to satisfy most of the consumer's needs - both basic and additional, related and not directly related to the tourist trip. The complexity of the offer of services and goods in the tourist product contributes to the achievement of economic benefits by the organizers of tourist trips due to the most complete satisfaction of the needs of the consumer and the quality of tourist services.

A feature of tourist services is the impossibility of comparing the offer of different enterprises, since the service does not exist before it is provided. Unlike products that have a material form, services cannot be accumulated for their subsequent sale. The seller of the service can only describe the benefits that the customer will receive after receiving the service, compare the expected benefits.

The intangible nature of services requires a wide use of informational, in particular, advertising measures to promote a tourist product. Therefore, the offer in tourism is characterized by a high level of information saturation.

The dominance of a tourist product is characterized by the obligatory presence of an object in the tour program, which is the main goal (dominant) in the set of travel goals. The complementarity (harmony) of the tourist product is manifested in the fact that the achievement of one goal contributes at the same time to the realization of another goal of the trip.

The proposed characterization of the tourist product as a product of labor and a specific product can be considered as the basic object of entrepreneurship and its logistical promotion in the tourist business. The classification of the tourist product will contribute to the provision of a systematic approach to the development of management optimization measures in tourism.

In the tourism sector, the main commercial units are not only individual services and goods, but also individual areas as tourist products. The well-known classic marketing approach to the sale and promotion of objects on a certain type of market in the form of goods, services, organizations, persons, places and ideas has found a special place in tourism.

According to WTO forecasts, it can be said that the tourism sector will continue to develop in the future.

The main factors of growth will be: increase in population, increase in people's standard of living, improvement and expansion of the transport system, increase in people's free time. These processes will lead to a further increase in the "load" on natural, cultural and socio-economic systems in those places that are popular with tourists. It will also determine the need to improve methods and techniques of planning and management, to create a special infrastructure to protect nature reserves popular among tourists and ecosystems that are the most vulnerable.

These problems are particularly acute in front of Ukraine, since the objects of the nature reserve fund based on the existing ecosystems of the country are the subject of interest not only for domestic, but also for foreign tourists. Sometimes they cover the territory of adjacent administrative divisions of countries. We are talking, for example, about such biosphere reserves as "Western Carpathians" (Poland, Slovakia, Ukraine), "Western Polissia" and "Roztochchya" (Poland and Ukraine), regions of Crimea and Russia, which are promising destinations for ecological, natural, rural, green and other types of tourism that correspond to the principles of its sustainable development

Tourism in Ukraine can become one of the alternative and significant sources of foreign currency income. In this regard, the directions of further research should be: development of destination development methods in the

context of sustainability - definition of criteria and load limits, development and improvement of current schemes, models and mechanisms of destination management at different hierarchical levels; implementation of monitoring and forecasting of directions and volumes of tourist flows to specific destinations and, first of all, in the territories of priority tourism development.

8.3. Marketing research is the basis of planning graduation programs

The process of developing the goals of the development and functioning of the firm, as well as ways of using means to achieve the goals, characterizes the business strategy.

The choice of an economic strategy depends on many conditions of the form and degree of competition, the rate and nature of inflation, the economic policy of the government, the advantages of the national economy on the world market in certain areas, as well as internal factors related to the capabilities and characteristics of the enterprise itself.

In modern conditions, the solvency of a business entity depends on the speed of turnover of working capital and the amount of profit, which in turn are determined by the degree of market research. The success or failure of the firm in the conditions of the market economy depends on the extent to which the level, nature, structure and trends of demand are studied and determined in detail.

A certain course of action and the presence of pre-thought-out principles of the producer's behavior determine his product strategy. It acts as an integral part of economic and marketing policy, which determine the program of production and sale of products. The results of marketing research are used in the development of production programs.

When determining the production program, it is necessary to know not only the size and structure of demand, but also the factors that affect the demand for this type of products (works, services). Depending on what the economic entity produces or intends to produce, factors that directly affect demand are analyzed, then those that affect it indirectly are determined. When

analyzing the factors affecting demand, it is necessary to highlight general economic factors, as they determine the consumer's ability to pay.

The entire set of factors that determine demand, and therefore the production and implementation programs, can be conditionally divided into three groups:

- general economic (level of income, prices, savings);

- loan conditions, quality, demographic factors (composition of the population, size of the population, number of families, households, population density);

- socio-cultural factors (level of education, professional composition, customs, traditions, status of women in society).

The work of drawing up a production program has its own characteristics for different types of production.

For unit production, the production program is developed on the basis of the production schedule of products in accordance with the approved terms of delivery of products to consumers. The start-up schedule is developed in the reverse order of the technological process, based on the duration of the production cycle for all types of work (research, assembly, machining, supply of blanks).

For serial production, release planning takes into account unfinished production at all stages of the production process and changes in the range of products that are put into production.

For mass production, the production program is developed at the same time for the form and all the main shops, districts with a breakdown by quarters and months.

A business entity in modern conditions has the opportunity to develop various options for the production program of production in time to achieve full and uniform loading of equipment and workplaces. The most appropriate options can be obtained by using programming methods. The production program is understood as a task in terms of volume, nomenclature, assortment,

quantity and quality, production terms and cost of products, works and services belonging to the release.

8.4. Economic justification of the company's product policy

The main sources for drawing up a plan for production and sale of products (works, services) are market research and a portfolio of orders. The release of the planned volume of products requires the availability of appropriate production capacities. The development of the production program begins with the determination of the available production capacities, taking into account their full use. Then the increase in production capacity is determined due to unused reserves or additional involvement in the production of machines and equipment in order to increase the volume of output. The main task of developing a production program is to find opportunities to increase the volume of output due to the better use of all types of resources. The production program is the basis for determining the needs for material, labor and financial resources.

The development of the production program begins with the definition of nomenclature and quantitative indicators, which reflects the material side of the production process.

Formation of the assortment and its management is of great importance for the enterprise. The essence of planning, formation and management of the assortment is that the manufacturer offers a certain set of goods in a timely manner that corresponds to the profile of his production activity and satisfies the requirements of certain categories of buyers.

Nomenclature - this is a list of names of products (works, services) that the company has to produce.

Assortment -this is a list of product names by standard sizes, varieties (quality categories), brands in certain quantitative ratios. The type of product (car) is divided into assortment groups (types) in accordance with their functional characteristics (truck, passenger, specialized), quality, price, etc. Each group consists of assortment items - varieties, brands (GAZ, UAZ, Gazelle), which form a lower degree of qualification. For example, there are several brands of televisions with different technical data.

Formation of the assortment - the problem of specific goods, their separate series, determination of the relationship between "old" and "new" goods, goods of mass, serial and single production, "science-intensive" and "ordinary", licenses and "know-how".

When forming an assortment, the assortment concept is first determined, which makes it possible to determine the possibilities of optimal production of the assortment of this type of product. The main purpose of the assortment concept is to orient the company to the production of goods that, by their structure, consumer properties and quality, most fully meet the needs of buyers. In the process of developing the assortment concept, various indicators are determined: variety of types and varieties of goods; the level and frequency of updating the assortment; the level and ratio of prices for goods of this type, etc. In practice, the assortment concept reflects the assortment structure of supply and demand. Planning, formation and management of the product range is a continuous process that continues throughout the entire life cycle of the product, starting from the conception (idea) to create a product and ending with its removal from the product policy. It follows from this that the product manufacturer is busy not only with the creation and production of goods, but also with the formation of clientele.

One of the most important areas of assortment policy is the planning of new products. It can act as an addition to the existing assortment or as a replacement for already existing products. It is necessary to conduct market research, draw up a specification based on the consumer's requirements, make samples, carry out a preliminary check of the possibilities of mass production, taking into account the possibilities of all factors: material, labor, financial. Then it is necessary to determine the costs of production, the possible value of the rate of profit. Determine the budget for sales and advertising in order to check the feasibility of implementing a new product for the company. Its viability is determined based on the results of tests and the possibility of becoming a successful addition to the product range.

8.5. Cost accounting forms of production and sale of products (works, services)

The result of the production process is the product. The problem of accounting for the results of the activities of each separate unit of the business entity is of great importance. The importance of the problem increases due to the fact that, in addition to accounting for the results and costs of production in each of the production units, there is a need to determine the real return obtained as a result of the labor contribution of the workers of this particular unit, since the size of the remuneration for the work invested depends on the size of this contribution .

The most complete volume of work of each unit can be taken into account by summing up the cost of all finished products, semi-finished products, and changes in the balance of work-in-progress produced by this unit for the given period.

The amount of finished products, finished services and semi-finished products produced by this unit, expressed in monetary terms, is called *gross output of the division.*

The unit's gross turnover characterizes the value of its gross output, adjusted for the cost of changes in work-in-progress balances (increases in balances, and decreases are calculated from gross output).

The gross turnover of the business entity as a whole represents the sum of relevant data for individual divisions and includes all manufactured finished products and semi-finished products, regardless of whether they are intended for disposal or will be used in production, as well as changes in the balance of work in progress in all units:

$$VAP = GP + NF + Z_{with},$$

where VAP is the gross product turnover; GP finished products; NF - semi-finished products; $WITH_{with}$ - changes in work-in-progress balances.

Part of the semi-finished products created in one unit can be processed in other units of the business entity. The services of some may be provided to other divisions within the business entity.

The total cost of semi-finished products and services consumed in a given period within the economic entity characterizes the intra-production turnover.

Gross volume of production is equal to the difference between the firm's gross turnover and its intra-production turnover.

Gross production of the firm characterizes the cost of the overall result of its production activity for a certain period of time. It includes all manufactured finished products (products) (finished products). It is assumed that they are not used for internal production needs. The composition of gross products includes semi-finished products: that part of semi-finished products that, for one reason or another, was released to third-party consumers in a given period ((PF_{with}), and that part of them that went to replenish the stocks of semi-finished products in the relevant inter-departmental warehouses (PF_{with}). If in a given period more semi-finished products were taken from warehouses than arrived there, then the balance decreases, which will be taken into account when determining the total volume of gross products. The cost of gross products also includes all services completed and transferred to customers of a production nature (repair of objects, processing of materials, raw materials, etc.):

$VP = GP + PF_{with} + PF_{with} + Z_{with}$.

It follows from this that gross production characterizes the production volume of both fully finished and unfinished products, services, and semi-finished products in a given period.

The composition of gross products includes elements, technological processes, the processing of which has not been completed within the limits of this business entity (change in the remains of unfinished production and semi-finished products of own production).

The final result of the company's activity for the given period characterizes marketable products. Commodity production (TP) characterizes the volume of production in terms of fully finished and prepared products, services and works of an industrial nature for a given period of time:

TP \u003d GP + PF + RP + PD_h+ V_{ps},

where RP - works of an industrial nature, performed on the side, including repair and use of vehicles; PD_h - the value of production of auxiliary shops,

released to the side or to its capital construction; IN_{ps} - the cost of processing the customer's raw materials and material.

For companies engaged in activities in industry, construction and agriculture, especially if such companies are large enough in size and include divisions endowed with a certain independence, the problem of accounting for the results of the activities of each individual division acquires significant importance, and such accounting should ensure mutual connection with data on the company as a whole. The importance of the problem also increases due to the fact that, in addition to accounting for the results and costs of production in each of the production divisions, there is a need to accurately determine the real results obtained as a result of the labor contribution of the workers of this particular division and in this particular time period, since from the size of this contribution should directly depend on the size of the remuneration for the work invested by hired workers in production.

In order to solve the problem of determining the actual size of the volume of production in each of the divisions of a manufacturing firm, for example, an industrial one, it is necessary to distinguish the production results according to their readiness (completion) within the entire complex of technological processes performed within the given firm.

Unfinished production includes products that have not passed all stages of processing from the point of view of this production or have passed all stages of processing, but have not been transferred to the warehouse of finished products.

Determining the size of the unfinished production is of great importance for the business entity, its overestimation entails additional non-productive costs; causes a slowdown in the turnover of working capital. Underestimation disrupts the rhythmic course of production, leads to downtime. Calculation of work-in-progress is carried out differently depending on the type of production. The cost of work-in-progress remains at the beginning of the year is determined based on inventory data, and at the end of the year - by calculation:

$$VN_V = Q \times SP \times T_h \times K_{call} \times K_h,$$

where VN_V-cost of work in progress; Q is the number of products that are in work-in-progress; SP – unit cost of the product; T_h - duration of cycle period K_{call}– cost growth factor; K_h – conversion factor into wholesale prices:

$TO_{call}= 0.5 (1 + SP_{e.g} / SP_{district})$,

Where is $SP_{e.g}$ – cost price at the beginning of the period; $WITH_{district}$ - full cost price.

Semi-finished products - products that have been fully processed within this unit are not intended for further processing in other units in accordance with the accepted sequence of technological processes within this company or are intended for sale on the side.

Finished products - products that have been completely processed within the scope of this subject, recognized as suitable for use, that meet the quality standards in force at the company and transferred to the warehouse of finished products and with the preparation of relevant documents.

The evaluative indicator of work is the volume of products sold, since profit is possible only after the products belonging to the company are shipped to consumers and paid for by them. In this regard, products shipped and delivered to customers on the spot are distinguished and products sold, and the moment of sale is considered the receipt of funds to the supplier's current account, provided that the products paid for will actually be shipped to the consumer. The two methods of accounting for sold products have different effects on the financial result. Selling products on prepayment terms increases the financial resources of the manufacturing company and reduces the financial capabilities of the consumer company, there is a need to use a system of discounts that equalize these capabilities.

Sale of products on the terms of subsequent payment reduces the purchasing power of the monetary unit, and therefore devalues the amount of money received by the manufacturing company at the time of payment.

Realized products (RP) characterizes the volume of finished products, works, services realized by a given business entity in a given period, paid for or due for payment in a given period:

RP \u003d TP + Z_{Mr} - Z_{gpc},

where Z_{Mr} – remaining finished products at the beginning of the year; $WITH_{gpc}$ - balances of finished products at the end of the year.

The balance of finished products at the beginning of the period includes:

- actual product balances;

- products shipped, but not paid for, the payment term for which has arrived in this period, and also not paid for on time.

The composition of finished products at the end of the period includes:

- remaining finished products within the established standard;

- goods shipped, the payment term for which has not arrived in this period, based on the concluded contracts.

Key terms and concepts

Assortment -a list of names of products by types, sizes, varieties, brands in certain quality ratios.

Assortment concept determines the possibilities of optimal production of the assortment of this type of product.

Gross production characterizes the volume of production by fully finished and unfinished products (works, services).

Unfinished production - products that have not passed all stages of processing or have passed all stages of processing, but have not been delivered to the warehouse of finished products.

Nomenclature is a list of names of products (works, services) that are subject to release.

Product - a product obtained from raw materials and materials by a technological method, as a result of which the properties of the original material disappear, the product acquires a new consumer value.

Production programs - tasks on the volume, nomenclature, quality, production terms and costs related to the output, products, works, services.

Realized products characterizes the volume of finished products, works, services, realized and paid for in a given period, or due for payment in a given period.

Commodity products characterizes the volume of production in terms of fully finished and ready-to-sell products (works, services).

Questions for self-testing

1. Describe the physical and material results of production.
2. What is gross turnover?
3. How does gross turnover differ from internal production turnover?
4. What is an assortment policy?
5. What is the difference between gross products and commodity products?
6. How is the sold product determined?
7. Define the company's production program.

TOPIC IX

PRODUCTION COSTS AND PRICES

9.1. Concepts and types of expenses, their classification

In the conditions of economic and legal independence of business entities, there is a need to constantly compare revenue from sales and costs in order to determine profit or loss based on the results of operations.

The functioning of any business entity engaged in one or another field of activity is associated with certain costs. Expenses reflect how much and what expenses were incurred, as well as the totality of actual expenses for the implementation of the statutory activity during the settlement period. The main result - the amount of profit - depends on the total amount of expenses. A reduction in production costs per unit of output compared to a similar indicator among competitors improves the financial result, i.e. by maintaining the price of products, the entrepreneur has the opportunity to obtain additional profit from each unit. It is possible to preserve the previous form of income per unit by lowering its price compared to the price of competitors, which will lead to an increase in the additional mass of profit due to an increase in the total volume of sales.

Business entities that are engaged in production activities determine production costs, and those that carry out sales, supply, trade and intermediary activities - circulation costs.

The total amount of costs associated with the production and sale of products (works, services) is called the cost price, which reflects the amount of current costs that ensure the process of simple reproduction.

The cost of production (works, services) is a cost estimate of natural resources, raw materials, materials, fuel, energy, fixed capital, labor resources, as well as other production and sales costs used in the production process of products (works, services).

All costs are assumed to be alternative, which means that the cost of any resource chosen for production is equal to its value under the best option of use. This is one of the most important principles of a market economy.

Economic and accounting expenses are distinguished. The economic approach to determining the amount of production costs is somewhat different from the accounting approach. The value of costs of missed opportunities (alternative costs) is the monetary revenue from the most profitable of all alternative ways of using resources.

In business entities, in addition to explicit costs (external, monetary) - costs of raw materials, materials, equipment, labor - there are hidden (internal, implicit) costs - the cost of resources that are the property of the firm: remuneration of the entrepreneur, interest on the investment capital, intangible assets.

Explicit expenses (accounting) correspond to the expenses of our domestic enterprises, they include: the cost of raw materials, materials, components, fuel, energy, depreciation, salary with deductions to extrabudgetary funds, administrative expenses.

Implicit costs (costs of missed opportunities) are those revenues that could be received on own resources if these resources were sold at a fee set by the market by other users. In a generalized form, internal costs represent the income on one's own additionally used resource (capital, land, labor, so if the funds were invested in a bank, the land was leased and brought rent, etc.) and normal profit (it includes salary and remuneration entrepreneur, as if he were working for hire. Entrepreneurs actually bear these costs, but not in an obvious, non-monetary form, which allows them to be included in economic costs:

Economic costs = Accounting costs + implicit costs.

The concept of "economic" is generally accepted; accounting - calculated in practice when calculating the real amount of expenses, taxable profit, etc.

Accounting for missed opportunities is an important feature of a market economy.

The specific composition of costs that can be attributed to the costs of production and circulation are regulated by legislation in practically all countries. This is due to the peculiarities of the tax system, based on which expenses are allocated according to the method of reimbursement of expenses:

According to reimbursement of expenses, they are divided into:

1. Expenses that are subject to inclusion in the balance sheet cost of the settlement period, which are reimbursed at the expense of net profit (at the disposal of the business entity), which reduces the profit at the disposal of the business entity - they include all overtime expenses (for advertising, representative, for business trips, depreciation, loan interest).

Depending on which structural link these or other costs were incurred, costs are allocated at the level of the shop (site) - shop cost, at the level of the enterprise (firm) - production cost, and taking into account the costs of selling products - the full cost of sales.

The cost structure of products (works, services) means the elemental composition of costs in the total cost of costs, i.e. the specific weight of various elements of costs for the production of products. Their structure is formed under the influence of various factors: the nature of the products produced and the raw material resources consumed, the technical level of production, forms of organization and placement, conditions of supply and sales.

On the basis of the industry cost price, that is, depending on which cost element is predominant, the following are distinguished:

- material-intensive industries (food, light);

- energy-intensive industries (chemical, aluminum);

- capital-intensive industries (oil and gas extraction);

labor-intensive industries (coal, forestry, agriculture).

The cost structure is dynamic. In the industry of Ukraine, material costs amounted to 68.3% in 1990, 69.2% in 2002, and 66.8% in 2006. In agriculture, respectively: in 1990 – 64.7%, in 2002 – 65.4%, in 2006 – 68.7%. In the structure of costs for the production of agricultural products in 2006: labor costs and deductions for social activities - 15.3%, mineral fertilizers - 12.5%, petroleum products - 18.4%, spare parts - 8.2%, payment for services and works performed by third-party organizations – 13.5%, depreciation of fixed assets – 5.2%, other expenses – 10.8%.

The structure of operating expenses from sold products (works, services) in the industry of Ukraine in 2006 was: material expenses - 66.8%, cost of goods and services purchased for resale - 9.1%, depreciation - 3.6%, expenses for wages with deductions for social events - 12.7%, other operating expenses - 7.8%.

According to the method of calculation, the cost price is divided into planned, normative and actual.

The planned cost is determined according to the planned cost norms and planned prices and tariffs.

Standard cost price - according to the cost norms effective at the beginning of the calculation period and at the prices effective at the beginning of the period.

Actual cost reflects the costs incurred in the accounting period for production and sales. When organizing the production process of products (works, services), business entities incur numerous costs. In order to correctly take into account, plan and analyze costs, various methods of classification of costs are used according to certain characteristics.

Classification of production and sales costs is a systematization and grouping of costs by characteristics.

According to the methods of planning, accounting and distribution of costs, they are classified by economic elements - an estimated breakdown of costs and by the place of expenditure - grouping by costing articles.

The classification of costs by economic elements is based on the economic homogeneity of production costs, which is determined by the functional role of individual costs in the production process. Grouping by economic elements reflects costs that are distributed by types that characterize their economic content, their natural purpose. This grouping is used when drawing up an estimate of costs for the production and sale of products (works, services). It includes the following economic elements:

1. Raw materials, basic materials, semi-finished products, component products (excluding waste that can be used in the future).

2. Auxiliary and other materials.

3. Fuel from the side.

4. Energy from the side.

5. Basic and additional salary.

6. Salary accruals (Pension Fund, Social Insurance Fund, Medical Insurance Fund, Population Employment Fund).

7. Depreciation of fixed assets.

8. Other monetary expenses (payment of transport services, business trips, payment of stationery).

The classification of costs by costing items (costs) is based on the characteristic of the economic purpose of costs, which is specific to certain branches of the economy. Identifying the purpose of expenses is necessary to determine the economic feasibility of certain expenses. This grouping indicates the place and purpose of the occurrence of certain expenses. When grouping costs by costing items, costs are combined by direction of use, by place of occurrence. The classification of costs by costing items allows you to determine the cost price of a product unit, distribute costs by assortment groups, establish the amount of costs for each type of work, production units, management apparatus, and identify reserves for cost reduction. The calculation principle of cost grouping is the basis for the construction of the plan of accounting accounts in all branches of the economy of the country and abroad. Reporting is compiled and analyzed mainly by cost items.

This grouping includes the following expense items:

1. Raw materials and basic materials.

2. Recyclable waste (countable).

3. Purchased semi-finished products, components and services of third-party organizations.

4. Fuel and energy for technological purposes.

5. Basic salary of production workers.

6. Additional salary of production workers.

7. Accrual to the salary of production workers.

8. Equipment maintenance and operation costs.

9. Costs for development and preparation of new production.

10. General production costs (workshop).

Total: workshop cost (items 1 – 10).

11. General economic expenses.

12. Losses from defects (if any).

Total: production cost of goods (items 1 - 12).

13. Non-production costs.

Total: full selling price of goods (Articles 1 – 13).

The costs of the first seven articles are carried out directly at the workplace and are directly included in the cost price of a specific type of product (works, services). All others are complex, collecting costs for maintenance and production management.

Equipment maintenance and operation costs include maintenance costs for machines and mechanisms, costs for current and capital repairs of equipment, shop transport and tools, depreciation of fixed assets fixed to shops, etc.

The costs of preparation and development of new production include costs of a non-capital nature: improvement of technology, reconfiguration of equipment, manufacture of special equipment, equipment, etc.

The composition of shop expenses includes the costs of managing the main production shops, salary, depreciation, current repairs, heating, lighting, cleaning of buildings and shop premises, wear and tear of inventory, etc.

General economic expenses include expenses for maintenance and management of general economic needs: control apparatus, maintenance of

premises, territory, transport, computer center, etc., which have a general economic purpose.

Non-production (commercial) costs include costs related to the sale of products (packing, packaging, shipping, storage, transportation), as well as various deductions and payments.

According to the method of assigning costs to the cost price, costs are divided into direct and indirect.

Direct costs directly related to the production of a certain type of product (work, services) and can be included in the cost price of a given type of product (work, service): raw materials, materials, semi-finished products, components, wages of workers, etc.).

Indirect costs are related to the production of several types of products (works, services) and are distributed among them in proportion to some characteristic (the selected base), which must be reflected in the accounting policy (energy, fuel, general economic costs, general production costs, non-production costs).

By composition, costs are divided into simple and complex. Simple costs consist of one economic element (raw materials, wages, etc.). *Complex* consist of several different economic elements (equipment maintenance and operation costs, transport and procurement costs, non-production costs).

According to the role in the production process (according to the nature of the connection with the production process), costs are divided into basic and overhead.

Basic costs directly related to production, form the created product, make up its physical basis (raw materials, materials, semi-finished products, salary).

Invoices are linked with maintenance and production management: maintenance of equipment, transport, workshop and company-wide personnel, etc.

9.2. Fixed and variable costs

Depending on the volume of production, costs are divided into permanent and temporary.

Fixed costs practically do not change with changes in the volume of production (rent, accrued depreciation, interest on credit, some types of salaries of managers, contributions, fees, etc.). Fixed costs exist from the moment of registration until the liquidation of the company, regardless of production, commercial and other activities. They practically do not change, unless an appropriate management decision is made.

Variable costs do not change per unit of output (if the nature of production activity has not changed), but change for the entire output in proportion to the change in the volume of output. They take place only in the presence of production, commercial, financial and other activities. These include costs for raw materials, materials, salaries of key workers, fuel, energy for technological purposes.

Only variable costs are planned and taken into account in the cost price. Fixed expenses are written off at the expense of the income of the reporting year - marginal income (reduce the margin). ***Marginal revenue is equal to the difference between sales revenue and variable costs,*** it is intended to reimburse fixed costs and generate profit. This method of calculation was named*direct-costa.*It is widely used in the management of managers, as it makes it possible to make the most optimal decision from alternatives based on the analysis of the dependence between the cost price, the volume of sales and the profitability threshold. The breakeven point shows that the total amount of margin with variable costs replaces the total amount of fixed costs for a given period. The break-even (critical) volume of production and sales characterizes the volume at which the business entity covers all costs, but does not have a penny of profit. At the point of the critical sales volume, the amount of profit is zero. The result is displayed on the entire volume:

P \u003d Q x C_1 - IN_1 x Q - Z_{with}; (Ts_1 - IN_1) x Q - Z_{with} = 0, hence (C_1 - IN_1) x Q = Z_{with}.

Value (C_1 - IN_1) represents the marginal revenue per unit of production (MDj), then

$MDj \times Q = З_{with}$.

It follows that the point of the critical volume of production and sales is equal to the division of fixed costs by the marginal revenue per unit of production (Q_1):

$Q_k = Z_p / (Ts_1 - IN_1)$,

and Q_k - break-even volume of production and sales in natural terms (tons, kilograms, meters); Ts_1 - price per unit of production (works, services; V_1 - variable costs per unit of production (works, services); $WITH_p$ - constant costs for the entire volume of production and sales of products.

Break-even (critical) volume of sales in monetary terms (Q_{Mr}) is defined as follows:

$Q_{Mr} = Q_k \times C_1$.

In order to determine the possible volume of production and sales at the desired level of profitability, and therefore profit in price, the formula is used:

$Q_{as} = Z_p / (Ts_1 - IN_1 - P_1)$,

where P_1 - profit per unit volume of production and sales must take into account the maximum value of production capacity. If the desired share of the profitability of the turnover with the sales volume exceeds the level of the maximum production capacity, then the manager must make the appropriate management decision:

1. To increase the company's production capacity by changing the operating mode, quantity and quality of the equipment used.

2. To reduce fixed costs for the entire production by reducing the cost of rent, reducing the share of depreciation and other costs.

3. Increase the price by changing the assortment, improving quality, etc.

This requires an analysis of various factors affecting the change in the critical output volume.

The effect of a price change on the critical volume of production and sales is determined by the formula:

$$Q_k\ Ts_{To} = Z_p\ \ [(1 / (Ts_2 - IN)) - (1/ (Ts_1 - IN))],$$

where C_1 and Ts_2 - according to the prices of the previous and reporting period per unit of production.

The change in the critical volume of production and sales due to the change in specific variable costs is determined by the formula:

$$QV_{To} = Z_p [(1 / Ts_1 - IN_2)) - (1 /(Ts_1 - V1))],$$

where V_1 IN_2 - specific variable costs, respectively, in the previous and reporting period.

9.3. Classification of costs by economic elements.

Cost estimate

The main task of determining the cost price is to establish the optimal level of costs, to identify savings reserves. The grouping of expenses by economic elements is reflected in the cost estimate for the production and sale of products (works, services). In the estimate, costs are collected according to the commonality of economic content. For example, the cost element "Basic and additional wages" displays the entire wage fund, regardless of which category of employees it is assigned to.

Depreciation of fixed capital reflects the total amount of accumulated depreciation from all types of fixed assets (equipment, production and administrative buildings, transport, etc).

The cost estimate for production and sales is a consolidated generalizing document. On the basis of the estimate, total production and sales costs are established (for this, all production costs are added, the total shows the total amount of production and sales costs).

According to the cost estimate, the cost of gross, commodity and sold products is calculated, changes in the balance of work-in-progress, costs are written off to non-production accounts, the profit (or loss) of sold products and costs are determined for 1 hryvnia commodity products. The cost breakdown

allows you to determine the total volume of consumed types of products, determines the need for working capital.

The cost estimate for production and sales is a summary calculation that summarizes the costs of production and sales of products. The estimate is made up of economic elements, the list and composition of which is the same. This provides a summary of costs by elements as a whole and allows you to monitor changes in the cost structure.

Comparison of the estimate begins with the determination of the cost estimate of the auxiliary shops, that is, the products of the auxiliary shops are consumed by the main shops, the costs are included in the cost price of the main shops. The estimate of costs for auxiliary shops includes: the own costs of the auxiliary shop, the cost of works and services performed or provided to them by other shops, the cost of works and services for other shops. Then, an estimate is drawn up for maintenance and production management (general production, general economic, non-production costs), as well as estimates for certain types of special costs (estimates for start-up and adjustment works, product development, transportation and procurement costs). The availability of these estimates allows you to proceed to the preparation of the production cost estimate for the main workshops, which makes it possible to determine the cost estimate for the business entity as a whole.

The amount of costs according to the estimate is greater than the cost of gross production. To define*cost of gross products, it is necessary to deduct the costs of works and services that are not included in gross products from the amount of costs according to the estimate* (expenses related to the maintenance of household needs; expenses for capital construction, damages from a natural disaster, etc.) *and take into account changes in costs of future periods:*

$VP_{with} = PC - V_n + ZV_{mp}$,

where VP_{with} - cost of gross production; PC - summary according to the estimate; IN_n - costs that are not included in gross output; ZV_{mp} - changes in costs of future periods.

On the basis of the cost of gross products, the cost of goods is determined, which makes it possible to calculate costs per UAH 1 commodity products (VO_{rp}):

$$TP_{with} = VP_{with} + VK + ZNV.$$

When calculating*cost of goods* cost price of gross output is increased by commercial (non-production) costs (V_{To}) and adjusted for changes in work-in-progress (ZM_{nv}).

As a result, the cost of goods sold is determined (RP_{with}):

$$RP_{with} = TP_{with} + S_{gt}.$$

Cost of goods sold is determined by adjusting the cost of goods for the production of finished products in the warehouse (S_{gt}).

Losses from defects are not planned, they are included in the actual cost price. The cost estimate includes the costs of all departments.

Cost estimates are made without intra-factory turnover, that is, the cost of own production products is not included in its composition.

9.4. Cost calculation and its meaning

On the basis of the estimate section, it is not possible to determine the unit cost of production in the section of the entire assortment, as well as each name, group, type. Therefore, together with the cost estimate, the calculation of finished products is determined, which is based on the classification of costs by cost items.

Calculation represents the determination of the amount of costs in monetary terms, which are incurred per unit of production or work performed, the provision of services by types of costs (by cost items).

Calculating the cost of products takes the main place in the cost estimate.

Calculation - it is a system of calculations by which the cost price of finished products (works, services) is determined.

The object of costing is any type of product (works, services) that is ready from the point of view of this enterprise. When calculating products (works, services), different methods are used.

Calculation method - a set of methods and ways of calculating the cost price.

Despite the high complexity of calculations, *direct calculation method* is the main one at the enterprise. This method consists in the fact that the unit cost of production is determined by dividing the cost of goods by the number of manufactured products.

Calculation and analytical method. Direct costs per unit of production are determined by standard calculation. Indirect costs per unit of production are distributed in proportion to the adopted base.

The calculation is made for all types of products (works, services). When drawing up costing, costs are divided into direct, complex and indirect. The nomenclature of calculation articles in mechanical engineering is given in table 9.1.

Direct costs are of two types: direct material and direct labor. Direct materials (raw materials, materials, components) are included in the cost price based on established cost norms and prices for this type of resource. To do this, it is necessary to multiply the resource costs per unit of production (in natural terms - kg, m, t) by the price per unit of the resource. Transport and procurement costs are summed up to the obtained product (result) and returnable waste is calculated.

The basic salary of production workers is determined on the basis of the current labor standards (output, time) and piece rates (with piece-rate wages) or standard pay rates - hourly rates (with hourly wages). Labor costs are determined by the current wage system. Additional labor costs per unit of product, type, order, work, service are determined as a percentage of the basic salary of production workers. The percentage of additional salary is calculated as the difference between the monthly and hourly wages, divided by the hourly wages.

After determining and including direct costs in the cost price, indirect costs are determined, which are distributed among all types of products in proportion to the selected base. The choice of method of distribution of indirect costs depends on technological, organizational and other features. The method of distribution of indirect costs should be reflected in the accounting policy.

Table 9.1

Nomenclature of calculation articles in mechanical engineering

	The name of the costing article	Characteristics of the type and content of the article
	Raw materials and basic materials (minus the cost of used waste)	Simple, direct
	Fuel and energy are used for technological purposes	Simple, direct
	The basic and additional salary of the main production workers	Simple, direct
	Accrual to the salary of the main production workers, funds: pension, medical and social insurance, employment	Simple, direct
	Costs for mastering the production of new types of products, which are included in the cost price	Comprehensive, direct
	Purchased semi-finished products and component products	Simple, direct
	Losses from failure	Comprehensive, direct
	Total production cost (sum of items from the first to the seventh)	-
	Equipment maintenance and operation costs	Complex, indirect
	Workshop (general production) costs	Complex, indirect

	Total workshop cost	-
	General economic (general factory) expenses	Complex, indirect
	Total factory cost	-
	Commercial expenses related to the realization and sale of products	Complex, indirect
	Total full (commercial) cost of goods	-

Workshop, general production costs can be distributed either in accordance with direct material or labor costs, or as a share of equipment maintenance and operation costs.

General economic expenses, as a rule, are distributed:

- in the ratio of direct labor costs (basic salary of production workers);

- proportionally to the number of employees;

- proportionally to the cost of fixed assets;

- in proportion to the amount of revenue received from each type of activity.

Commercial (non-production) costs are distributed in accordance with their production cost.

To determine the volume of indirect costs, cost estimates are developed in advance: for maintenance and operation of equipment, general production, general economic, non-production costs. Then the coefficient of distribution of costs is determined in proportion to the adopted base, which shows the costs per UAH 1. salaries, expenses for maintenance and operation of equipment or cost price, etc.

When developing a business plan, an analytical method of cost calculation is used. Its essence is to determine the influence of factors in the planning period on the established basic indicator - the level of expenses per UAH 1. products The following factors are taken as the main factors: change in demand for products and volume of production, shift in product assortment, increase in the technical level of production, improvement of the organization of production, labor, and management.

In modern conditions, business entities independently determine the planning periods, forms and methods of planning costs and costs. In order to establish a reliable level of costs, to determine the real cost, profit and profitability, it is necessary to include all costs actually incurred in the cost of production.

The actual volume of expenses is necessary for pricing, planning financial results. For taxation purposes, the actual cost price is adjusted taking into account the approved norms, standards and limits, which are established by the state for individual standardized cost elements. Since 1997, business entities independently determine two options: one for accounting purposes, the other for taxation purposes.

A significant range of expenses is applied in two options within the limits of the established standards. Payments for the discharge of polluting substances into the natural sphere within the limits of permissible norms are included in the cost of production, and for emissions above the norm are covered from the profit. Similarly, the inclusion goes to expenses for business trips, for advertising, for paying interest on bank loans, for representative, budget loans. Interest on overdue loans, accelerated amortization, used for other purposes, are not taken into account at all.

In the future, all economic entities, regardless of the organizational and legal form, will submit to state bodies only the amount of costs for gross production in the section of the elements of the estimate.

During planning, in addition to several calculations and estimates of production costs, a consolidated chess table of costs for production and sales of products is developed, which reflects the relationships of economic elements and cost calculation items.

The main planned and reporting indicators, which are determined by the cost of production, are as follows:

- unit cost of production in hryvnias, calculated on the basis of planned and reported calculations;

- expenses for 1 hryvnia. commodity products, calculated as the ratio of costs for production and sale of products to the volume of production of commodity products at sale prices;

- the percentage of cost reduction for comparable products.

Cost calculation usually suggests the development of a plan to reduce the cost of commodity products.

Production and sales costs must be controlled by places of origin, cost centers, and responsibility centers. Places of origin are structural subdivisions that carry out a production process or service. There are cost centers for products and cost centers for services.*Cost centers for products (products*) produce products as a whole or part of it.*Service cost centers* serve product cost centers. When assigning costs to products, costs are first determined by cost centers, then assigned to products.

Cost centers are production and structural subdivisions characterized by the uniformity of functions and production operations, as well as the organization of work. They make it possible to detail cost accounting, strengthen control over costs and increase the accuracy of costing.

Centers of responsibility - an organizational unit headed by a manager that ensures control of planned, regulatory and actual costs. Centers of responsibility are divided into main and functional. The main centers of responsibility control costs at their point of origin.

Functional responsibility centers spread costs over many places of their occurrence, provided that this center serves several cost centers.

Cost centers allow a more reasonable approach to the distribution of indirect costs.

Unit cost is of great importance in business. The cost accounting system in manufacturing enterprises (firms) is more complex than in trading and intermediary ones.

Firms that provide services or perform work determine costs for each order.

9.5. The main indicators of the cost of goods

In market conditions, practically all business entities, along with comparable products, produce non-comparable products, as updating the product range is one of the main competitive advantages in terms of demand for products, work, and services.

Comparative commodity products include all types of serial and mass-produced products produced in the previous period (baseline) and planned for the future period.

Incomparable commodity products include all types of single production, as well as serial and mass production, which are launched for the first time in serial or mass production. The main indicator of comparable commodity products is the unit cost of production, of non-comparable commodity products, the cost per UAH 1 commodity products. The method of calculating cost reduction for comparable and non-comparable products has its own characteristics. The calculation of the reduction in the cost of comparable goods includes the following stages:

1. Product output for the planned year is determined at the cost price of the base year ($\sum Q_{sq} \times C_b$) and at the cost price of the planned year ($\sum Q_{sq} \times C_{sq}$).

2. Savings from reducing the cost of production are determined (UAH, thousand UAH):

$$M_{ZS} = \sum Q_{sq} \times C_{sq} - \sum Q_{sq} \times C_b (-).$$

The percentage of cost reduction is determined:

$$\%_{with} = [(\sum Q_{sq} \times C_{sq}) \ / \ (\sum Q_{sq} \times C_b)] \times 100\% - 100 (-).$$

If the calculation is carried out before the end of the reporting year, then the expected average annual cost of each type in the reporting year is calculated.

The cost reduction of non-comparable commodity products is carried out through the cost indicator of 1 hryvnia commodity products:

1. According to the report for the past year, expenses for 1 hryvnia are determined. of commodity products (RTP) of the base year:

$IN_{with} = (\sum Q_b \times C_b) / (\sum Q_b \times C_b)$.

2. Then the costs for the future period are calculated based on the planned cost and planned (forecast) prices:

$IN_{zp} = (\sum Q_{sq} \times C_{sq}) / (\sum Q_{sq} \times C_{sq})$.

3. A savings of UAH 1 is determined. commodity products:

$Well_{1\ pc} = B_{1\ tpp} - IN_{1tpb}$ (-).

4. Savings on commodity output are determined:

$EB = E_{1\ pc} \times (\sum Q_{sq} \times C_{sq})$ (-).

And, finally, the percentage of reduction is determined.

9.6. Pricing policy: essence, goals and objectives

The price, which reflects all aspects of economic activity, is a fairly important lever of the economic mechanism of the economic policy of an economic entity. Under the conditions of a market economy, the price acts as a connecting link between the producer and the consumer, ensures the balance of supply and demand.

In the economy of a business entity, the ascending principle is reimbursement of costs and obtaining a profit in the amount sufficient for extended reproduction and payment of relevant taxes to the state, municipality, as well as for the formation of a consumption fund (social sphere) in the amount that ensures a certain standard of living of employees. This problem is

solved by setting the appropriate price level for the products produced by the economic entity.

Price – monetary expression of the cost, value (usefulness) of the product for the consumer. The price acts as a generalizing qualitative indicator of the business entity's activity.

As an economic category of commodity production, price performs various micro functions– and macro levels. At the level of the economic entity, the price performs accounting, stimulating and distributional functions.

In the accounting function, the price reflects socially necessary costs for the production and sale of products (works, services), the costs and results of production are evaluated.

The stimulating function of the price is manifested through the stimulation of quality, the development and stimulation of NTP, resource conservation, and the improvement of production efficiency.

The distribution function of the price provides for the distribution of profit between the state, the municipality and the economic entity by taking into account excise duties on individual goods, VAT, and profit in the price.

In modern conditions, economic entities independently determine the price policy.

Pricing– this is an extremely complex process, as the business entity must conduct market research (collect and systematize information about the market), determine the main goals of its pricing policy for a certain period of time, choose a pricing method, set a specific price level, form a system of discounts and markups to the price, determine the coefficient of adjustment of price behavior depending on the market situation.

Pricing policy is the main component of the marketing system.

Pricing policy - it is a mechanism or model for making a decision about the behavior of a business entity in the main types of market to achieve the planned goals. The optimal level of prices and their change depending on the market situation is an important competitive advantage of a business entity.

They distinguish the cost and value process of pricing, or passive and active pricing, respectively. *Cost pricing* - method of pricing, which is based on the costs of production and sale of goods. This method involves passive pricing– based on competitors' costs or pricing decisions. Passive pricing corresponds to two methods: cost (markup) and the method of following the leader (competitor).

Value pricing –a pricing method that provides the greatest profit by achieving a "value / cost" ratio that is beneficial for the company.

The value pricing process begins with defining the buyer, establishing value, price, costs, then technology and defining the product.

This method of pricing involves active pricing - setting prices in order to achieve the most profitable sales volume, average production costs and price level of profitability.

The price policy is independently established by the economic entity based on the goals and objectives, organizational structure and management methods, traditions, the level of production costs, the state and development of the business environment. The main goals of the price policy are:

- increase in market share (viability);
- profit share maximization;
- ensuring cost recovery;
- ensuring leadership in quality indicators;
- penetration into the market and consolidation on it;
- improving market segmentation.

Implementation of strategic goals involves solving a number of specific tasks in various spheres of activity: production, cost management, product promotion and pricing. Tasks have specific deadlines for implementation and clear performance evaluation criteria. The main tasks are ensuring the volume of sales and making a profit. The list of such tasks can be increased, but each implemented task must have an evaluation criterion: those tasks that can be

solved in the actual market situation, ensuring normal sales profitability, are acceptable.

Profit maximization as a goal of price policy can be realized under various business conditions and market conditions: price increase in connection with the growth of capital investments, establishment of stable income based on the average rate of profit, which has a stable position on the market, as well as the firm, not confident in her future and using favorable conditions for herself.

The implementation of the third goal - maintaining the market - is possible when the business entity wants to maintain its actual position on the market, monitors the market situation, the dynamics of prices, production costs and circulation.

An important stage of price formation is the assessment of demand. Demand reacts differently to the price, the degree of its sensitivity to price changes is determined by the elasticity coefficient. It is necessary to analyze all groups of factors that affect demand. The upper limit of the price is determined by the demand for the product, the lower limit is determined by the sum of fixed and variable costs. Analysis of production and circulation costs is an important stage of price formation.

When analyzing the prices of competitors, the main attention should be paid to the system of discounts and markups provided by the competitor. The amount of discounts depends on the nature of the deal, terms of delivery, payment, market conditions, and relationships with buyers. Discounts can be different:

1. *Basic discounts* per turnover to regular buyers depending on sales turnover.

2. *Progressive discounts* for quantity, volume of purchase, series.

3. *"Sconto" discounts* – “3/12, net 30”, payment within 30 days, buyer pays 3% less if paying within 12 days.

4. *Discounts from the price list and reference price.*

5. Functional discounts in the field of trade - manufacturers, freight services for the performance of certain functions.

6. *Special discounts* are provided by the seller to those buyers in whom he is interested.

7. *Hidden discounts* -in the form of free samples.

8. *Confidential discounts* - are not subject to fixation in contracts, but are implemented on the basis of a verbal agreement.

9. *Seasonal* discounts etc.

Markups are less common. As a rule, they are established for improving the quality of goods, installment payments, additional services, etc.

Choosing a pricing method is the most important stage of price formation. The pricing methods used by the economic entity are different. The most widespread in practice are the following pricing methods: cost or mark-up method; ensuring break-even and target profit, tangible value (uniqueness) of the product; on the basis of closed auctions; follow the leader (competitor) or current prices.

*Calculation of the price according to the cost (cost) method.*The basis of the calculation is the average production costs plus a standard markup. The size of the markup can vary widely depending on the types of goods (tobacco products - 20%, women's hats - 50%). The difference in mark-ups depends on the cost of goods, their turnover, and sales volumes.

This method is used by large monopolistic enterprises and wholesale and retail trade enterprises. Its disadvantage is that managers are guided mainly by costs, take little account of demand, and do not engage in marketing research.

Price calculation based on break-even and target profit. The business entity sets such a price that ensures the desired amount of profit. The method of price formation with the aim of obtaining a target profit is based on the graph of break-even and expected revenue at different levels of sales volume. Revenue depends on the price of the product. The combination of volume of output and price is selected, which provides the necessary profit. If the price is too high, the demand for the product may decrease. This pricing method offers

consideration of various price options, their impact on the sales volume, necessary to ensure break-even and ensure the target profit.

The method of setting the price based on the perceived value (uniqueness of the product). According to this method of pricing, the main factor is not the costs, but the perception of buyers. In order to form in the minds of consumers an idea about the value of the product, the business entity uses special methods of influence in its marketing policy. This is done on the basis of service, guarantees to the buyer, transfer of the right to use the trademark in case of resale. The price only affirms the value of the product in the buyer's mind. On the basis of this methodology, the business entity begins to calculate the price, which takes into account the psychological perception of buyers, compliance with the price image of the company, and takes into account the reaction of competitors. The peculiarity of this pricing method is that it takes into account not so much economic, but psychological factors, such as the prestige of the product (expensive cars, jewelry, paintings, etc).

A method of following the leader (competitor) or current price level. As a basis for price calculation, the prices of competitors and leading firms are used, and the least attention is paid to indicators of own costs or demand. This pricing method is used by small firms that mostly follow the leader, changing prices when the market leader changes them. When the economic (market) situation changes, the demand for their goods or because of their own expenses, these business entities become bankrupt.

Calculation and marketing method of pricing the most expensive. It is used by business entities that have a strong financial base. This method involves analyzing the prices of competitors for a number of periods, determining the trend, possible price changes in the future, calculating the price with constant factors and variables. In this case, the business entity has several price options depending on the specific situation on the market of the given product.

In any case, some research and analytical work is required to determine the price. It is necessary to determine:

- the nature of the market in which it is necessary to act;

- the goal of marketing policy;

- the demand curve, which shows the probable volumes of goods sold at prices of different levels;

- elasticity of demand.

In addition:

- position your type of product on the market;

- to study the prices of competitors to use them as a basis for the price positioning of one's own product;

- conduct an analysis of the buyer's behavior;

- analyze the possibility of price discrimination.

Based on the study of all factors and the selected pricing method, a price is established that should correspond to the price image of the company and its pricing policy. When setting the price, it is necessary to take into account the regulatory role of the state in the field of pricing, taxes, etc. The regulatory role of the state is manifested in the establishment of various price subsidies for the purpose of stimulating the production of the desired products or for the purpose of social protection of the population, establishment of a special form of taxation, etc.

When forming the price, a difference should be made between the prices of industrial goods and consumer goods and food products.

Marginal profit method makes it possible to quickly determine the volume of products that must be produced and sold in order to obtain the desired amount of profit in the planned period.

Sales revenue (VR) will be equal to the sum of profit (P) and total costs (SV), which consist of fixed (SV_p) and total variable costs (SV_{with}), or:

$BP = P + SV_p + ST_{with}$,

$BP – SV_{with} = P + SV_p$,

where VR is SV_{with}- total (total total) marginal profit (MP):

$\sum MP = P + SV_p$.

The total marginal profit should:

- cover fixed costs;
- be sufficient to obtain the planned profit.

Since MP = BP - SV_{with}, then the planned quantity of products that the firm must produce to obtain the necessary profit can be calculated by the formula:

$$Q_p = (P + SV_p) / \sum МП.$$

If the company plans to make a profit of 30,000 U.S. dollars, it is possible to determine the volume of products it must sell in order to make a profit:

Q_p = (30 thousand c.u. + 20 thousand c.u.) / 2.5 = 20 thousand c.u. w.o.

Volume of realization = 4 x 20 thousand U.O. = 80 thousand U.O.

Total variable costs = 1.5 x 20 thousand U.O. = 30 thousand U.O.

Margin surplus = 80 thousand. w.o. - 30 thousand. w.o. = 50 thousand w.o.

Fixed costs = 20 thousand u.o.

Profit = 30 thousand u.o.

9.7. Price system. Types of prices

Price formation is a complex multifaceted process. The information necessary for setting the price must be studied and analyzed. The lack of information, as well as its redundancy, makes it difficult to solve the problem. For the most part, information is collected in the following main directions: product market, type of competition, competitors, government policy. When determining the price of a specific product, it is necessary to know the specific type and environment of the market in which this product will be sold. There are four types of market: free, monopoly, oligopolistic competition, pure

monopoly. Each of the markets has its own characteristics of price formation. In Ukrainian economic practice, three groups of prices are distinguished:

1. Free negotiable.
2. State (regulated and fixed).
3. the world

In market conditions, one of the most important signs of prices is the degree of their freedom from the regulatory influence of the state. Most of the prices are free, formed under the influence of supply and demand. Most of the prices are free, they are formed under the influence of supply and demand. They can deviate from the cost of goods and disrupt the macroeconomic balance. The state introduces a ban on unfair competition, a ban on dumping, and price discrimination.

Regulated prices are also formed under the influence of supply and demand, but are subject to a certain influence of the state. The state establishes price correction coefficients for business entities, in accordance with which they themselves set prices. These prices are set for products of the basic sectors of the economy (oil and gas production, energy industry, etc.) and for socially significant goods (bread and bakery products, milk and dairy products). In some regions, price regulation depends on available local commodity resources and financial opportunities.

The state, in the form of authorities and management, sets fixed prices for certain types of goods and products. The state began to set prices for the products of monopolistic enterprises, price list prices.

Free contractual prices correspond to the nature of market relations to the greatest extent. The decision of the Government of Ukraine stipulates that the range of goods sold at free prices can expand and narrow.

World prices - these are the prices of export-import transactions. The world price is determined depending on the product: for some goods (mostly raw materials) - the price level of the exporting countries, for others - prices of stock exchanges, auctions, and for the main products, the prices of goods of the world's leading companies that specialize in the production and export of products of this type:

- *the offer price*, specified in the offer (the seller's official offer) without discounts;

- *fixed price* which is established in the sales contract and is not subject to change;

- *sliding price* established by the contract, reflects certain conditions on a certain date (inflation, stock exchange quotes);

- *base price*to determine grade or quality. It can increase or decrease in accordance with markups and discounts specified in the contract;

- *invoice price*, determined by the terms of delivery in the contract;

reference price reflects the level of actually concluded agreements, is used in negotiations to establish a rising price, is published in publications of the UN and other international organizations.

The main difference between world prices and domestic prices is additional costs. Prices are calculated in freely convertible currency.

Prices are divided into the following types based on the serviced sphere of trade:

- wholesale prices for industrial products;

- prices for construction products;

purchase prices;

- freight and passenger transport tariffs;

- extortionate prices;

- tariffs for paid services provided to the population;

- prices serving foreign trade turnover.

Wholesale prices for industrial products - these are the prices at which the products of business entities are sold and purchased, regardless of organizational and legal forms, in order of wholesale turnover. They are divided into wholesale prices of the economic entity and wholesale selling prices of the industry. Table 9.2 shows the prices of producers of agricultural

and industrial products. These tables indicate a rapid growth of the price disparity between the prices of the named producers.

Wholesale prices of the enterprise - prices of producers of products at which they sell their products to consumers, reimbursing the costs of production and sales and receiving such a profit that allows them to solve technical, economic and social problems:

$Ts_{about} = BB + P,$

where C_{about}– wholesale price of the enterprise; BB - production costs and P - profit of the enterprise.

The wholesale price of the enterprise can be determined by calculation through the profitability ratio calculated at the cost price (P_{with}):

$Ts_{about} = PS\ (1 + R_{with}),$

where $R_{with} = (Kr \times VF) / (PS \times)$:

PS - full production cost; Kp – coefficient of profitability of production assets; VF - production funds; Q is the number of manufactured and sold products.

Wholesale (sale) price of industry (Ts_{whop}) is the price at which enterprises and consumer organizations pay for products to manufacturing enterprises or sales trade organizations:

$Ts_{whop} = Ts_{about} + (Ts_{about} \times j_{mv}) \times VAT + B_{zo} + P_{zo},$

where C_{whop} – wholesale price of industry; J_{mv} – specific weight of material costs in the price; IN_{zo} - costs of sales organizations; P_{zo}- profit of sales organizations.

Wholesale (sale) prices of industry are closely related to wholesale trade, wholesale prices of enterprises are inclined to production.

Purchase prices - these are (wholesale) prices at which agricultural products are sold by enterprises, firms, and the population. Purchase prices are contractual, they are set by agreement of the parties.

Freight and passenger transport tariffs reflect the fee for the movement of goods and passengers, which is collected by transport organizations from the senders of goods and the population.

Retail prices - prices at which goods are sold in the retail trade network to the population, enterprises and organizations.

Retail prices (RC) include wholesale (sale) prices of industry (Tsop), excise duty (AK), VAT and trade markup, which consists of turnover costs of trade organizations (Vo) and profits (P):

(Tsop + VAT + AK + Vo + Pot).

Retail price - this is the price at which the sale is made in individual small lots, at retail.

Along with the listed types of prices, there are prices directly related to trade: auction, exchange, contractual, reference, sliding.

Auction price - this is the price of the item sold at auction. It may differ significantly from the market price, as it reflects the unique and rare properties and features of the product and may depend on the skill of the person who produces the product.

Exchange price - this is the price of goods that are sold in the order of stock exchange trading. The exchange price is a free price, it depends on the demand and the volume of the deal. It is quoted, that is, its level is determined for the transaction, and it is published in bulletins.

*The contract price is*this is the price fixed in the contract. The contract price can be constant or indexed in accordance with the concluded contract.

Prestigious price -a high price designed to attract the attention of a market segment that is more concerned with product quality, attractiveness and status than price.

Sliding price –the price of products with a long period of use is calculated on the basis of the sliding principle, which allows you to take into account changes in production costs that take place during the period of time required for production.

Reference price - type of price of wholesale turnover in domestic and international trade, which acts as a starting point for the seller and buyer when determining a specific price fixed in the agreement document (in case of immediate sale of goods). It is published by special editions of the UN.

The monopoly price is this is the price at which monopolies sell their goods. A monopoly price can be monopolistically high and monopolistically low. Monopolies sell their goods at monopolistically high prices, and they buy raw materials, materials, etc. at monopolistically low prices.

Prices are classified depending on the territory of operation. Highlight prices:

- unified in the country, or regional;

- regional (local).

The only reasonable prices are set only for basic types of products that are subject to state regulation (energy carriers, fuel, electricity, etc.).

*Regional (local) prices can be wholesale, purchase, retail.*They are established by manufacturing enterprises, regional authorities and management. They are focused on production and sales costs in this region. These include housing and communal services, sales services, as well as the price of socially significant goods (bread and bakery products, milk and dairy products).

9.8. The firm's pricing strategy

Enterprises develop a price strategy based on the characteristics of the product, the possibility of changing prices and conditions of production (costs), the situation on the market, the ratio of supply and demand.

The company can choose a passive price strategy, following the "price leader" or the main mass of manufacturers on the market, or try to implement an active price strategy that takes into account its own interests first of all. The choice of pricing strategy, in addition, in many cases depends on whether the company offers a new, modified or traditional product on the market.

When releasing a new product, the company chooses, as a rule, one of the following pricing strategies.

The strategy of "removing the cream". Its essence is that from the very beginning of the product's appearance on the market, the highest possible price is set for it, based on the consumer who is ready to buy the product at a high price. The decline in prices occurs after the first wave of demand subsides. This allows you to expand the sales area - to attract new buyers.

Such a strategy has a number of advantages:

- a high price makes it possible to easily correct a mistake in the price, as buyers are more favorable to lowering the price than to raising it;

- a high price provides a sufficiently significant amount of profit for relatively high costs in the first period of product release;

- the increased price makes it possible to maintain purchasing demand, which makes some sense, since at a lower price the enterprise would not be able to fully satisfy the needs of the market due to the limitation of its production capabilities;

- a high initial price contributes to the formation of the image of a quality product in the buyer, which can facilitate its sale in the future when the price is reduced;

- the increased price helps to increase the demand for a prestigious product.

The main disadvantage of such a pricing strategy is that a high price attracts competitors - potential producers of similar products. The strategy of "skimming the cream" is most effective with some limitation of competition. Sufficient demand is also a condition for success.

Market penetration (entry) strategy. In order to attract the maximum number of buyers, the company sets a much lower price than the prices on the market for similar products of competitors. This gives him the opportunity to attract the attention of the maximum number of buyers and helps to conquer the market. However, such a strategy is used only when large volumes of production make it possible to compensate its losses on individual products

with the total mass of profit. The implementation of such a strategy requires large material costs, which small and medium-sized firms cannot afford, as they do not have the ability to quickly expand production. The strategy gives an effect in case of elastic demand, as well as in the event that the growth of production volumes provides a reduction in costs.

Psychological price strategy is based on setting such a price that takes into account the psychology of the buyer, the peculiarities of his price perception. In most cases, the price is determined in an amount slightly below the round amount, while the buyer has the impression of a fairly accurate determination of production costs and the impossibility of deception; a lower price, a concession to the buyer and a profit for him. The psychological point that buyers like to receive change is also taken into account. In fact, sellers end up winning due to an increase in the number of products sold and, accordingly, the amount of profit received.

A strategy of following the industry or market leader implies that the price of the product is set based on the price offered by the main competitor, usually the leading firm in the industry, the company that dominates the market.

Neutral strategy pricing is based on the fact that the price of new products is determined on the basis of taking into account the actual costs of its production, including the average rate of profit on the market or in the industry according to the formula:

C \u003d C + A + P (C + A),

Where C is the price; C – production costs; A – administrative costs; P is the average rate of profit on the market or in the industry.

The strategy of setting a prestigious price is based on setting prices for products of fairly high quality, which has unique properties.

The choice of one of the listed strategies is carried out by the management of the enterprise depending on a number of factors:

- the speed of entering the market of a new product;

- share of the sales market controlled by this firm;

- nature of the sold goods (degree of novelty, interchangeability with other goods, etc.);

- the payback period of capital investments;

- specific market conditions (degree of monopolization, price elasticity of demand, circle of consumers);

- the place of the company in the relevant industry (financial condition, relations with other manufacturers, etc.).

Pricing strategies for products that have been on the market for a relatively long time can also focus on different types of prices.

Sliding price strategy assumes that the price is set almost directly depending on the ratio of supply and demand and gradually decreases as the market becomes saturated (especially the wholesale price, while the retail price can be relatively stable). This approach to setting the price is used primarily for mass demand products. In this case, the prices and volumes of production of goods closely interact: the greater the volume of production, the more opportunities the company has to reduce production costs and, ultimately, prices. For this pricing strategy, it is necessary to:

- prevent the appearance of a competitor on the market;

- constantly worry about improving the quality of products;

- reduce production costs.

Long lasting price is installed on goods of mass demand. It works, as a rule, for a long time and is hardly subject to changes.

Prices of the consumer segment of the market are set for the same types of goods and services, which are sold by different social groups of the population with the same income level. Such prices can, for example, be set for various modifications of passenger cars, for airline tickets, etc. It is important to ensure the correct ratio of prices for various products and services, which poses certain difficulties.

Flexible pricing strategy is based on prices that quickly respond to changes in the ratio of supply and demand in the market. In particular, if there

is a strong fluctuation of supply and demand in a relatively short period of time, then the use of this type of prices is justified, for example, when selling some food products (fresh fish, flowers, etc.). The use of such a price is effective at a small number of levels of management hierarchy in the enterprise, when the right to make decisions on prices is delegated to the lowest level of management.

Prevailing price strategy provides for a certain reduction in the price of the goods of the enterprise, which occupies a dominant position (70-80% market share) and can provide a significant reduction in production costs due to an increase in output and savings on the costs of selling goods. The main task of the enterprise is to prevent new competitors from entering the market, to force them to pay a rather high price for the right to this, which is not affordable for every competitor.

The strategy of setting prices for products withdrawn from production, the production of which is suspended, does not involve selling at reduced prices, but targeting a clearly defined circle of consumers who need these products. In this case, the prices are higher than for ordinary goods. For example, in the production of spare parts for passenger cars and trucks of various brands and models (including discontinued ones).

There are certain features of setting prices that serve foreign trade turnover. Foreign trade prices are determined, as a rule, on the basis of the prices of the main world commodity markets. Special prices are set for exported goods within the country for delivery for export. For some types of scarce products, a duty is added to the prices for export deliveries. In many cases, free retail prices are set for imported consumer goods based on the ratio of supply and demand.

Key terms and concepts

Calculation represents the determination of the amount of expenses in monetary terms, which is incurred per unit of production or performed works, services by types of expenses.

Classification of costs is the systematization and grouping of costs according to various characteristics.

Marginal income - the difference between sales revenue and variable costs.

Monopoly price- the price at which the monopoly sells its goods and buys raw materials and materials.

Cost characterizes the total cost of production and sale of products in monetary terms.

Cost estimate - summary calculation, a summary of all production and sales costs.

Cost structure characterizes the elemental composition of costs in the total cost of costs.

Pricing tactics is a set of specific practical measures for managing product prices, which are used to solve the set tasks.

Price - monetary expression of the value (usefulness) of the product for the consumer.

Pricing policy - a mechanism, a model for making decisions on prices on the main market types to achieve the planned goals.

Economic costs – the sum of accounting costs and implicit (implicit) costs.

Questions for self-testing

1. What is the essence of production costs?
2. What characterizes the cost of production (works, services)?
3. What is the purpose of grouping costs by economic elements?
4. What is the economic purpose of classification of costs by cost items?
5. What is the basis for dividing costs into direct and indirect costs?
6. Specify cancellations of costing from the cost estimate.

TOPIC X

FINANCIAL RESULTS AND ASSESSMENT OF THE COMPANY'S FINANCIAL CONDITION

10.1. Financial results of the company

The efficiency of production, investment and financial activities is reflected in financial results.

In market conditions, each business entity acts as a separate producer, which is economically and legally independent. A business entity is independent in choosing a business area, forming a product range, determining costs, forming prices, accounting for sales revenue, and therefore, determining profits or losses based on the results of operations. In market conditions, making a profit is the direct goal of the business entity's production. The realization of this goal is possible only if the business entity produces products (works, services) that meet the needs of society by their consumer properties.

Society does not need hryvnia equivalents, but specific commodity and material values. The act of selling a product (works, services) also means social recognition. Receipt of revenue for manufactured and sold products does not yet mean profit. To identify the financial result, it is necessary to compare the revenue with the costs of production and sale: when the revenue exceeds the costs, then the financial result indicates a profit.

When revenue and expenses are equal, it is only possible to reimburse expenses - there is no profit, and therefore, there is no basis for the development of the business entity. When expenses exceed revenue, the business entity receives losses - this is a critical risk zone, which puts the business entity in a critical financial position, which does not exclude bankruptcy. Losses highlight mistakes, miscalculations in the directions of using financial means of production organization, management and sales of products.

Profit reflects a positive financial result. The pursuit of profit directs manufacturers to increase the volume of production and reduce costs. This ensures the realization of not only the goal of the business entity, but also the

goal of society - the satisfaction of public needs. Profit signals where the greatest increase in value can be achieved, creating an incentive to invest in these areas.

Profit is a produced and necessarily sold additional product. It is created at all stages of the reproductive cycle, but takes its specific form at the stage of implementation. Profit is the main form of net income (along with excise taxes and VAT).

The amount of profit and its dynamics are influenced by factors both dependent and independent of the efforts of the business entity.

The factors of the internal environment are studied and taken into account in economic practice, they can be influenced in terms of increasing profits. The internal factors include: the level of management, the competence of the manager, the competitiveness of products, salary, the level of prices for sold products, the organization of production and labor.

Virtually outside the sphere of influence are factors of the external environment: the level of prices for consumed resources, the competitive environment, barriers to entry, the tax system, state management bodies, political, social, cultural, religious, etc.

The amount of profit depends on the activities of the managing entity: production, commercial, technical, financial and social.

Profit as a result of financial activity performs certain functions. Profit reflects the economic effect obtained as a result of the business entity's activities. It forms the basis of the economic development of the business entity. Profit growth creates a financial basis for self-financing, expanded reproduction, solving problems of a social and material nature of the labor team. At the expense of profit, obligations of firms to the budget, banks and other firms are fulfilled. Profit is not only a financial result, but also the main element of financial resources. It follows from this that profit performs reproductive, stimulating and distributional functions. It characterizes the degree of business activity and financial well-being of the firm. The level of return of advanced funds to the profitability of investments in assets is determined by profit.

In the conditions of market relations, the business entity should strive, if not to obtain the maximum amount of profit, then to the amount of profit that will ensure the dynamic development of production in conditions of competition, will allow it to maintain its position on the market of this product, ensure its viability. Solving these problems involves not only knowing the sources of profit formation, but also determining the motives for their optimal use. Profit management acts as one of the two basic directions of financial policy and sets as its task the maximization of income from the available sources of financial results with the simultaneous expansion of the general nomenclature of these sources.

Making a profit is possible due to the monopoly status or the uniqueness of the product on the market of one or another product. Realization of this source is possible due to constant updating of the product and maintaining the share of production and sales. However, it is necessary to take into account the influence of such factors as growing competition from other business entities and the antimonopoly policy of the state.

Making a profit, which applies to almost all firms, is related to production and business activities. The amount of profit in this case depends on the correct choice of business, on the creation of competitive conditions for the sale of goods, on the volume of production, on the amount and structure of production costs.

In modern conditions, the most important source of profit increase is innovative activity. Implementation of this source involves constant work on changing the consumer properties of products, works and services.

10. 2. Formation of the financial result in modern conditions.

Composition of balance sheet profit

Profit indicators are becoming important for evaluating production and financial activities. The final financial result of the activity is the balance profit (loss) of the reporting period. The total financial result is the profit (loss) obtained by balancing the total amount of all profits and losses.

Revenue from sales characterizes the overall financial result (gross income) from the sale of products (works, services), based on sales revenue, the rating of the business entity is determined.

Revenue from the sale of products (works, services) includes: revenue from the sale of finished products, semi-finished products of own production, works, services; construction, research works; goods in trade, supply and sales firms; cargo and passenger transportation services in transport companies. The economic entity can determine the revenue from the sale at the time of shipment and at the time of receipt of funds in bank accounts or in the cash register.

The difference between the revenue from the sale of products (works, services) without VAT and excise taxes and the costs of production of sold products (works, services) characterizes the profit from sales. Profit from the sale of products (works, services) is an important financial result. This result is used when making management decisions.

A business entity can have income and expenses, both related and unrelated to the main activity, which are taken into account when determining the overall financial result - balance sheet profit.

The balance sheet profit includes three main elements:

- profit (loss) from the sale of products, works performed, services provided;

- profit (loss) from other sales;

- profit (loss) from non-realization operations.

The balance sheet profit by composition includes:

- profit (loss) from the sale of products, works, services;

- profit (loss) from the sale of goods;

- profit (loss) from the sale of tangible assets;

- profit (loss) from sale and other disposal of fixed assets;

- income and losses from exchange rate differences;

- income from securities and other long-term financial investments. Including investments in the property of other companies;

- income from the transfer of property for rent;

- expenses (losses) related to financial transactions;

- amounts received and paid in the form of economic sanctions.

Profit from the sale of products (works, services) is obtained from the main activity, which can be carried out in any form, recorded in the statute and not prohibited by law.

Profit (loss) from other realization is a financial result not related to the main activities of the firm. It reflects the profit (loss) from other realization, which includes the sale of various types of property, which is recorded on the balance sheet of the business entity.

Financial results from non-realization operations are profit (loss) on operations of a different nature, which are not related to the main activity and are not related to the sale of products, works, and services. Unrealized profits (losses) include the balance of received and paid fines, penalties, penalties and other sanctions. Non-realized income is income:

- from equity participation in other companies;

- from leasing property (sublease);

- from transactions of purchase and sale of foreign currency;

- from providing for the use of intellectual property rights and means equivalent to them;

- in the form of interest received under loan agreements, credit, etc.;

- in the form of positive exchange rate differences;

- in the form of positive differences during revaluation of property;

- in the form of the cost of received materials and other property, during dismantling or disassembly during liquidation of fixed assets, etc.

Unrealized results include losses and expenses:

- uncompensated losses from natural disasters, taking into account the costs of preventing and eliminating natural disasters;

- negative exchange rate differences on currency accounts and transactions in foreign currency;

- losses from previous years' operations;

- shortages of material values found during the inventory.

In modern conditions, the amount of profit is predictive. It is determined separately for all types of activity. The object of planning is the balance sheet profit elements. At the same time, attention is paid to determining the amount of profit from the sale of products (works, services), as it occupies the largest specific weight and is the most stable. A common method of income planning is the direct account method. This method is most effective when producing a small range of products (works, services). It is used when justifying a new or expanding an existing one or when implementing a project. A type of direct account is the method of per-assortment profit planning (that is, determining the profit for each assortment group).

10.3. The mechanism of distribution of the company's income

Various aspects of production, sales, supply and financial activities receive a completed monetary assessment in the system of indicators of financial results. Indicators of financial results characterize the absolute efficiency of the company's management. However, not all the profit received remains with the company, as it is distributed between society in the form of the state and the business entity. The object of distribution in any case is the balance sheet profit. Its distribution is understood as the direction of profit to the budget and according to the articles of use within the business entity. Legislatively, profit distribution is regulated in that part of it that goes to the budgets of different levels in the form of taxes and other mandatory payments. The principles of distribution are determined by the state. They are reflected in legislative acts and regulatory documents on taxation. The profit received by the economic entity is subject to taxation. In statistical reference books, the financial result from ordinary activities is displayed before taxation by types of economic activity (Table 10.1).

Table 10.1

Financial result from ordinary activities before taxation by types of economic activity* (million hryvnias)

	2000	2010	2011	2012	2013	2014	2015
Profit, loss (-)	**13933**	**50515**	**122210**	**101885**	**29283**	**-523587**	**-348471**
Agriculture, hunting, forestry	1752	18124	25566	26993	15147	21677	103138
Industry	8835	26846	58662	21353	13699	-166414	-181361
Construction	40	-4418	-3846	-71	-5127	-27288	-25074
Trade, repair of cars, household products and personal items	1195	14883	21592	9608	-604	-128135	-80564
Activities of hotels and restaurants	-20	-552	-572	-863	-1271	-6579	-5478
Transport and communication	707	9461	8741	7525	834	-19704	-13922
Financial activity	1212	15627	12423	37984	24041	35960	-8516

Real estate transactions	93	-6538	-12061	-8540	-9571	-10559	-63470
Provision of communal and individual services; activity in the field of culture and sports	46	29,6	33,7	-16,4	-18,8	-16,1	293,5

*Source: according to the State Statistics Service of Ukraine

To calculate the taxable income tax, the balance sheet profit is reduced by:

- the amount of rent payments (which are paid in accordance with the established procedure from the profit);

- the amount of dividends received on shares, bonds and other securities;

- the amount of income received from equity participation in joint ventures;

- the amount of expenses incurred at the expense of income for providing assistance to agriculture (but not more than 1% of the accrued income).

Renewal of the fixed capital is the basis of exit from the economic crisis of economic entities. In order to stimulate the development of technical progress, business entities are given benefits that reduce the amount of taxable profit, and therefore, that increase net profit. Taxable income is reduced by:

- the amount directed to the conduct of R&D, preparation and development of new progressive technologies and types of products, which were carried out at the expense of the profit that remained at the disposal of the business entity;

- the amount of profit that was used to repay the loan granted to finance centralized capital investments, which are not covered by the profit directed to accumulation;

- the amount of expenses related to the implementation of environmental protection measures, which were carried out at the expense of profit, which remained at the disposal of the business entity;

- the amount of expenses incurred at the expense of profit, which remains at the disposal of the business entity for humanitarian purposes.

Firms that suffered losses last year were exempted from paying tax on part of their profits.

Balance profit is reduced by the above benefits and characterizes the amount of taxable profit.

The difference between the book profit and the amount of income tax characterizes the net profit. Net profit is quantitatively equal to the profit at the disposal of the business entity if there are no expenses attributable to net profit.

Net profit (profit at the disposal of the business entity) is at the disposal of the firm. He must provide financial resources for the needs of extended reproduction, the implementation of social programs, and the payment of dividends on shares.

When distributing profits, determining the main directions of its use, it is necessary to take into account the state of the competitive environment. Competitive struggle determines the need for significant expansion and renewal of production potential.

For each organizational and legal form, the corresponding profit distribution mechanism, which remained at the disposal of the business entity, is defined. It is based on the peculiarities of the internal organization and regulation of the activities of business entities of the respective forms of ownership.

Determining the direction of use of the profit that remained at the disposal of the company, the structure of the articles of its use is within the competence of the business entity itself. The state does not establish any norms for the

distribution of profits, but through the procedure for providing tax benefits, it stimulates the direction of profits for capital investments of a productive and non-productive nature, for humanitarian purposes, for financing environmental protection measures, etc.

The procedure for distribution and use of profit is fixed in the statute and determined by the regulation. The main principles of distribution are reflected in the accounting policy of the business entity.

Taxes and other mandatory payments are paid from the profit of the reporting year. Then an estimate of the cost of profit for the coming year is made, which includes the following cost elements:

- taxes, fees, payments attributable to profit at the disposal of the business entity;

- payment of interest on loans and borrowings;

- all overtime costs attributable to net profit;

- financial incentives for personnel;

- financing of the social sphere.

Part of the profit may be undistributed (this is an additional financial reserve that can be used to replenish funds and increase the authorized capital).

10.4. Profitability of the firm

The market imposes certain requirements on business entities in terms of organization and implementation of this or that type of business. The dynamism of market relations determines the adoption of extraordinary decisions related to the financial results of activity.

To assess the level of work efficiency, the obtained result - profit - is compared with costs or with the resources used. Profitability characterizes the measure of profitability, profitability and profitability. Comparison of profit with costs or resources characterizes profitability. Profitability is a relative indicator that has the properties of comparability, and therefore can be used when comparing different business entities. Profitability indicators make it

possible to estimate how much profit a business entity has from each hryvnia of funds invested in assets. In table 10.2. the profitability of the operational activity of industrial enterprises of Ukraine is given.

There are indicators of profitability, which are used to assess the effectiveness of advanced resources and costs used in production, commercial and other activities, and indicators based on which profitability and efficiency of property use are determined.

The evaluative indicator of the production and financial activity of the economic entity is the profitability of sales. It reflects the level of demand for products, works and services, that is, how correctly the business entity has determined the product range and product strategy. ***Profitability of sales***characterizes***the ratio of profit to the amount of revenue from the sale of products (works, services), expressed as a percentage:***

R_p\u003d P / BP x 100%,

Table 10.2

Profitability of operational activity by types of economic activity * (%)

	2000	**2010**	**2011**	**2012**	**2013**	**2014**
In total	**4,8**	**4,0**	**5,9**	**5,0**	**3,9**	**-4,1**
Agriculture, hunting, forestry	-1,6	22,9	23,2	21,7	11,3	20,5
Construction	1,3	-1,5	0,2	-0,1	0,0	5,8
Trade - all types	1,0	9,8	15,0	12,2	10,2	-12,8

Transport and communication	2,4	5,6	6,1	5,4	3,5	-1,7
Financial activity	8,2	3,5	6,2	6,1	5,9	-15,2
Real estate transactions - everything	1,4	0,3	-3,6	2,8	3,1	-46,9

*****Source: data from the State Statistics Service of Ukraine.

One of the conditions for the prosperity of companies is the expansion of the product sales market due to a decrease in the price of sold goods. However, this process is not accompanied by a decrease in the prices of consumed resources, the role of the price deflator in the formation of profitability decreases. This switches the sphere of efforts of the management of companies to the control of internal factors of profit growth, reduction of material intensity, labor intensity, increase of return on fixed assets and changes in the volume, quality and structure of products, to the level of organization and management, to the structure of capital and its sources, to profit by types of activities and its use.

The company can produce several types of products. To determine the impact of the profitability of individual products on the overall profitability of products, it is necessary:

- calculate the specific weight of each type of product in the sales volume;

- calculate individual profitability indicators;

- to determine the impact of the profitability of individual products on its average value.

To do this, it is necessary to multiply the value of individual profitability by the specific weight of the products in the total volume of products sold.

Return on capital characterizes the amount of profit from each invested hryvnia of the company's funds.

The main indicators of return on capital are:

- profitability of assets (property);

- profitability of current assets;

- return on investment;

- return on equity.

Profitability of property = Profit at the disposal of the firm / Average amount of assets x 100%.

Property profitability indicates how many units of profit are obtained from a unit of asset value, regardless of the source of the funds involved.

Under the profit at the disposal of the firm, we understand the profit that remains after paying taxes and paying off expenses that are included in the net profit:

Return on current assets = Profit at the disposal of the firm / Average value of current assets x 100%.

For companies operating on the principles of joint-stock companies, the ratio of net profit, balance sheet profit to sources of equity capital is considered to be the main indicator of the rate of return on invested capital:

Return on equity = Amount of net profit / Sources of own funds x 100%.

This indicator characterizes the amount of profit per UAH 1. own means. The rate of return on equity plays an important role in assessing the level of stock exchange quotations.

The difference between the indicators of profitability of all assets and equity is due to the involvement of external sources of financing. If the borrowed funds generate more profit than the interest payments on that borrowed capital, then the difference can be used to increase the return on equity. However, if the return on assets is less than the interest paid for the borrowed funds, the impact of the borrowed funds on the firm's activities should be assessed negatively.

10.5. Assessment of the firm's financial stability

Current solvency is an external manifestation of the firm's financial condition. Financial stability is the internal side of solvency, which ensures stable solvency in the long term, which is based on the balance of assets and liabilities, income and expenses, cash flows.

The analysis of financial stability is based mainly on relative indicators, since absolute indicators of the balance sheet in conditions of inflation are difficult to compare.

They are calculated in the form of a ratio of absolute indicators of assets and liabilities of the balance sheet. The analysis of financial ratios consists in comparing their value with basic values, studying their dynamics for the reporting period and for a number of years.

In addition, to assess the financial condition, it is necessary to use expert assessments of values that characterize the optimal or critical (threshold), from the point of view of the stability of the financial condition, values of the indicators. To determine the value of these coefficients for the past period, to draw a conclusion about how individual characteristics of the financial state have changed during the reporting year.

The system of financial indicators (coefficients) is used for evaluation:

1. One of the most important indicators characterizing the financial stability of the firm is the coefficient of autonomy (minimum threshold value of 0.5):

Ka = Total amount of own sources of financing / Total balance sheet.

2. The coefficient of the ratio of own (K_V) and involved funds (K_{with}) (normal value is less than 0.5):

TO_{with} / TO_{v2} = Total amount of involved sources / Total amount of own sources.

3. Maneuvering coefficient (optimal value greater than 0.5):

TO_m = Company's own current assets / Sum of own and long-term borrowed funds.

1. The coefficient of mobility of all company assets:

TO_{mz} = Cost of current assets / Cost of all property.

2. The coefficient of mobility of the company's working capital:

TO_{brain} = Amount of cash and short-term financial investments / Cost of working capital.

3. Coefficient of supply of reserves and expenses from own sources for their formation (normal value is more than 0.6-0.8):

Kzz = Sum of own and long-term borrowed funds / Cost of stocks and expenses.

4. The coefficient of industrial property (normal value is more than 0.5):

TO_{mvp} = Sum of fixed assets, capital investments, work-in-progress, inventories, equipment / Cost of all property.

5. The coefficient of tangible current assets:

TO_{mobz} = Cost of stocks and expenses / Balance sheet summary.

6. The coefficient of long-term involvement of the funds involved:

TO_{dzz} = Amount of long-term loans and borrowed funds / Amount of long-term loans and own funds.

7. Short-term debt ratio:

8. TO_{zz}= Amount of payables / Total amount of external liabilities.

9. The coefficient of autonomy of the sources of the formation of reserves and costs:

TO_{azv} = Own working capital / The sum of the main sources of the formation of reserves and expenses.

In many cases, the financial condition of the business entity depends on how optimal the ratio of own and borrowed capital is. A relatively small number of financial coefficients is sufficient for an accurate and complete characterization of the financial state and the trend of its change.

The main indicators characterizing financial stability are:

- *coefficient of financial autonomy*. It is defined as the ratio of the total amount of own financing sources to the total balance sheet (%);

- *coefficient of financial dependencies* is defined as the ratio of the capital employed to the total balance sheet (%);

- *financial risk factor,* which is defined as the ratio of the total amount of funds involved to the total amount of own sources;

- *current debt ratio* – the ratio of short-term financial obligations to the balance sheet;

- *coefficient of long-term financial independence* - the ratio of own and long-term capital to the balance sheet.

- *debt coverage ratio with own capital*(solvency ratio) is the ratio of equity capital to borrowed capital.

The higher the level of the first indicator and the lower the second and third indicators, the more stable the financial condition of the economic entity, the smaller the measure of financial risk (Table 10.3).

Table 10.3

Indicators of financial stability

Indexes	**Indicator level**		
	At the beginning of the year	**At the end of the year**	**Change**
1. Coefficient of autonomy of the firm, %	30480 / 63380 x 100% = 48.09	254840 / 397440 x 100% = 64.12	+16,03

2. Coefficient of financial dependence, %	32900 / 63380 x 100% = 51.91	142600 / 397440 x 100% = 35.88	-16,03
3. Financial risk factor	32900 / 30480 x 100% = 1.08	142600 / 254840 x 100% = 0.56	-0,52

Based on the data in Table 10.3, it can be concluded that the share of equity increased from 48.1% at the beginning of the year to 65.1% at the end of the year by 16 points.

The share of capital raised during this period decreased from 51.9 to 35.9%.

The coefficient of financial risk decreased by 0.52 points. This indicates that the firm's financial dependence on external sources has decreased.

The amount of financial risk depends on the share of borrowed capital in the total amount of assets, the share of fixed capital in the total amount of assets, the ratio of working capital and fixed capital, the share of own working capital in the total amount of equity capital and the share of own working capital in the formation of current assets.

The calculation of the influence of factors is determined by the method of chain stands.

The valuation of the capital may be different depending on the users of the information.

For creditors, a situation in which the share of the client's own capital is high is more reliable. This eliminates the financial risk.

The business entity is interested in raising borrowed funds, as:

- interest payment expenses are mostly lower than the profit received from the use of the borrowed capital, which increases the company's profitability;

- interest on the maintenance of the invested capital is considered as expenses and is not included in the taxable profit.

10.6. Assessment of the company's solvency

In the process of operational and other activities, the structure of means and sources of their formation, their availability and need for financial resources changes.

Under the conditions of economic separation and independence, business entities are required to be able to quickly repay their external liabilities, that is, to be solvent, or short-term liabilities, that is, to be liquid, in any period of time.

An economic entity is considered solvent if its total assets are greater than long-term and short-term liabilities. It is liquid if its current assets are greater than its current liabilities.

The need to analyze the liquidity of the balance sheet arises in connection with the increased need for financial resources and the need to assess the creditworthiness of the business entity.

Liquidity of the balance sheet - the extent to which the firm's liabilities are covered by its assets, the term of which is to be converted into cash equivalent to the maturity of the liabilities.

Liquidity of assets - the inverse of the liquidity of the balance sheet at the time of conversion of assets into cash. The less time it takes for this type of asset to take monetary form, the higher its liquidity.

Liquidity of the managing entity - a more general concept than balance sheet liquidity. Liquidity of the balance sheet involves finding means of payment at the expense of internal sources (realization of assets), but a business entity can also attract loan funds under the conditions of its creditworthiness, high level of investment attractiveness and appropriate image.

Solvency depends on the liquidity of the balance sheet. At the same time, liquidity characterizes both the current state of settlements and prospects.

Liquidity of the balance sheet is the basis of the solvency and liquidity of the business entity. Liquidity is a way of maintaining solvency.

For a business entity, the availability of cash is more important than profit. Their absence in bank accounts due to the objective features of the circulation of funds can lead the company to a financial crisis.

The annual and quarterly reports on their main activities act as a source of information for the majority of business entities (f. No. 1).

Assets on the balance sheet are grouped according to their conversion into cash and placed in descending order of liquidity. Liabilities are grouped according to their repayment terms and are placed in order of increasing terms.

There are different methods of classifying asset items into groups according to the degree of liquidity and liabilities of the balance sheet, into groups according to the degree of timeliness of future payment. One of the proposed options can be used to group balance sheet items into groups.

The first option proposed HELL. Sheremet and R.S. Saifulin.

To the first group of the most liquid assets (A_1) include cash and short-term financial investments (securities).

To the second group of liquid assets (A_2) - receivables and other assets.

To the third group of slowly realizable assets (A_3) refer to the items of section 2 of the asset "Inventories and expenses" (with the exception of "Expenses of future periods"), as well as the items of section 1 of the balance sheet asset "Long-term financial investments" (reduced by the amount of investments in the statutory funds of other companies) and "Settlements with suppliers".

To the fourth group of hard-to-realize assets (A_4) refer to the articles of section 1 of the balance sheet asset "Fixed assets and other non-current assets", excluding the articles of this section, which are included in the previous group. This group from the article "Long-term financial investments" includes "Investments in statutory funds of other companies".

Balance sheet liabilities are grouped according to the urgency of their payment. To the most urgent obligations (P_1) include accounts payable (items of section 5 of the liability balance sheet), as well as loans not repaid on time, from certificate 2 of form No.5.

To short-term liabilities (P_2) include short-term loans and borrowed funds.

To long-winded passives (P_3) include long-term loans and borrowed funds.

To permanent liabilities (P_4) refer to the articles of section 3 of the liability balance sheet "Sources of own funds" (capital and reserves).

To determine the liquidity of the balance, it is necessary to compare the sums of the above groups by asset and liability. The balance is considered absolutely liquid if the ratio is:

- $A_1 > P_1$;
- $A_2 > P_2$;
- $A_3 > P_3$;
- $A_4 < P_4$.

The fourth inequality has a balancing character, since the fulfillment of the first three inequalities entails the fulfillment of the fourth inequality. Fulfillment of the fourth inequality indicates that the business entity has its own working capital.

The second option carrying out analytical work on assessing the liquidity of the company's balance sheet (U.V. Savytska) suggests the following grouping of asset items according to the degree of liquidity:

1. The most mobile assets: cash and short-term financial investments.

2. Mobile assets: finished products, shipped goods, accounts receivable.

3. The least mobile assets: production stocks, work in progress, costs of future periods.

Accordingly, the company's payment obligations are divided into three groups:

1. Debt for which the due date has already arrived.

2. Debt that should be repaid in the near future.

3. Long-term debt.

To assess the change in the degree of solvency and liquidity of a business entity, it is necessary to compare the indicators of the balance sheet for different groups of assets and liabilities (Table 10.4).

Based on the calculations given in table 10.4, it follows that the business entity has very low current liquidity, that is, low solvency. This conclusion can be made by comparing the most liquid funds and quick-liquid assets with the most urgent obligations and short-term liabilities.

At the beginning of the year, it amounted to UAH 8,416,000. (the ratio A was observed$_1$, $A_2 > P_1$, P_2). At the end of the year, it decreased and amounted to UAH 16,592 thousand. - insolvency.

Means of slowly realizable assets with long-term and medium-term liabilities reflects prospective liquidity.

Table 10.4

Classification of assets by the level of liquidity and liabilities by the degree of urgency

Active	**At the beginning of the reporting year**	**At the end of the reporting year**	**Passive**	**At the beginning of the reporting year**	**At the end of the reporting year**	**Payment surplus or shortage**	
						at the beginning of the year	**at the end of the year**
1. The most liquid	3084	32472	1. The most urgent	3388	86208	-3	-5

			obligations			04	3736
2. Quick-realizable assets	22816	81144	2. Short-term liabilities	14400	44000	+84166	+3714444
3. Slow-moving assets	16604	124056	3. Long-term liabilities	15120	12392	+14844	+1116664
4. Hard-to-realize assets	0876	159768	4. Permanent liabilities	30480	254840	-96044	950072
Balance	63380	397440	Balance	63380	397440	-	-

At the beginning and end of the year, the liquidity ratio is fulfilled: assets exceed liabilities at the beginning of the year by UAH 1,484,000, and at the end of the year by UAH 111,664,000. This indicates that taking into account future receipts and payments the business entity will be able to ensure its solvency and liquidity.

For a more accurate assessment of solvency, the amount of net assets is calculated and their dynamics are analyzed.

Net assets are the excess of assets over liabilities that are taken into account.

Assets accepted for calculation include property, excluding VAT, debts of participants (founders) for contributions to the authorized capital and the book value of own shares bought from shareholders.

Liabilities that are accepted in the calculation include a part of own obligations (target funding and income), all external obligations, calculations and reserves for future expenses and payments, and other liabilities.

If the business entity has net assets, it is solvent. It is defined as the difference between current (current) assets and short-term liabilities.

One of the indicators of the level of liquidity is the indicator of net working capital. It is defined as the difference between current (current) assets and short-term liabilities. The greater the excess of current assets over current liabilities, the greater the net working capital. If a business entity does not have net working capital, it is illiquid.

Analyzing the current financial condition of a business entity with the purpose of investing in it, relative indicators of solvency and liquidity are also used.

Relative financial indicators (coefficients) are used to assess prospective solvency.

Absolute liquidity ratio (K_{take}) shows what part of short-term debt the economic entity can repay in the near future. Solvency is considered normal if this indicator is above 0.2-0.3. It characterizes solvency as of the balance sheet date and is defined as the ratio of the most liquid assets to the sum of the most urgent liabilities and short-term liabilities:

TO_{take} = Cash and short-term securities / Amount of short-term liabilities (5th section of liabilities).

Intermediate liquidity ratio (critical liquidity) (K_{sq}):

TO_{sq} = Cash, short-term securities, receivables, other assets / Amount of short-term liabilities.

The coefficient of intermediate liquidity characterizes forecasting possibilities under the condition of timely settlement with debtors. It characterizes the expected solvency for a period equal to the average duration of one turnover of receivables.

A ratio of 0.7-0.8 and even 1 is considered normal, however, if a greater share of liquid assets is debt, then a ratio of 1.5: 1 or K is required$_{sq}$ > 1,5.

The most general indicator of solvency is the total coverage ratio or current liquidity (K_{cp}). It is defined as the ratio of all current (current) assets to the amount of short-term liabilities:

TO_{cp}= Current assets / Short-term liabilities.

The normal value of this coefficient is within 1.5-2, or K_{sq} > 2.

It characterizes the expected solvency for a period equal to the average duration of one turnover of all current assets.

The coverage ratio depends on:

- branches of production;
- duration of the production cycle;
- inventory and cost structures;
- settlement forms with buyers.

This ratio shows payment possibilities, which are evaluated not only under the condition of timeliness of settlements with debtors, but also sales in the case of the need for tangible assets. If the value of the current liquidity ratio is below the optimum, that is, short-term liabilities exceed current assets, the financial condition is not entirely favorable. The financial risk when concluding agreements for potential partners increases significantly.

It should be remembered that relative financial indicators are oriented indicators of the financial condition and solvency of the economic entity.

Its solvency, which is characterized by absolute data, serves as a signal indicator. Based on the data in analytical table 9.4, liquidity indicators can be determined:

TO_{alng} = 3084 / (3388 + 14400) = 0,17.

TO_{Plng} = (3084 + 22816) / (3388 + 14400) = 1,46.

TO_{cp}= 42504 / 17788 = 2,39.

TO_{alkg}= 32472 / (86208 + 44000) = 0,25.

TO_{plkg} = (32472 + 81114) / (86208 + 44000) = 0,87.

TO_{plkg} = 237672 / 130208 = 1,83.

The coefficient of absolute liquidity at the end of the year corresponds to the normal value, that is, the business entity satisfies all absolute urgent requirements. It is equal to 0.25.

The intermediate liquidity ratio decreased from 1.46 to 0.87, it is below the permissible value.

Current liquidity ratio decreased by 0.56 - from 2.39 to 1.83.

Liquidity ratio when mobilizing funds (K_{lmz}) characterizes the sufficiency of goods and production stocks to repay short-term debts in the event of the need to sell them:

TO_{lmz} = Production stocks / Amount of short-term liabilities (the 5th section of liabilities).

The calculation of four different indicators of liquidity gives a picture of the stability of the financial situation, which is of interest to a specific user of information in market conditions. The indicator of absolute liquidity is of greater interest to suppliers of raw materials, materials and services. For a bank that lends to companies, the coefficients of critical (intermediate) liquidity and liquidity of mobile means are of great interest. The ratio of current liquidity is of greater interest to holders of shares and bonds.

It should be noted that an excess of liquid funds (as well as a shortage) is an undesirable phenomenon. In its presence, current assets are used with less

effect. The firm must regulate the availability of liquid funds within the limits of the optimal need for them, which for each specific firm depends on the following factors:

- the size of the company and the scope of its activities;
- branches of industry and production;
- duration of the production cycle;
- turnover duration;
- seasonality of the company's work;
- the general economic situation.

10.7. Evaluation of the business activity of the firm

In modern conditions of economic separation and independence of the business entity, the success or failure of the firm in many cases depends on the development strategy. The choice of an economic strategy depends on many conditions: the form and degree of competition, the rate and nature of inflation, the economic policy of the government, the advantages of the national economy on the world market in certain areas, as well as internal factors related to the capabilities and characteristics of the economic entity.

Solvency, financial stability and stability of the financial condition is largely served by its business activity.

Criteria of business activity - the level of efficiency of the use of capital, the sustainability of economic growth, the degree of fulfillment of the task according to the main indicators of activity, ensuring the specified rates of economic growth.

Main evaluation indicators of economic activity they are: the volume of sales of products (works, services), profit, the amount of assets (advanced capital). These indicators are interrelated. Analysis of business activity begins with a comparison of rates of changes in profit, sales and assets. The following ratio is optimal:

$T_p > TQ > TA > 100\%$,

where T_p - rate of change in profit; TQ – rate of change in sales volume; TA is the rate of change of assets.

An increase in profit at a higher rate compared to the growth of sales, compared to the increase in assets, indicates that the company's resources are used effectively.

In general, this ratio indicates that the economic potential is growing compared to the previous year.

In that case, if investments are made in the development of new technologies of production, processing, product storage, technical rearmament, there may be deviations from the "golden economic rule", since significant capital investments can pay off and bring benefits only in the long run.

The efficiency of economic activity is determined in one of two ways: *expendable* or *resourceful*. These indicators characterize the degree of business activity of the economic entity.

With the resource method, the measure of business activity is determined in the following way:

Efficiency + Realized products (cost), or profit from the realization of advanced resources / Advanced resources.

With the expense method:

Efficiency = Realized products (cost), or profit from the realization of consumed resources / Consumed resources (costs).

The relationship between the dynamics of production and the dynamics of resources (costs) determines the nature of economic growth. Economic growth can be achieved both on an extensive and intensive basis. Exceeding the growth rates of production over the growth rates of costs or resources indicates intensive economic growth. An intensive type of economic growth can be carried out in the following forms: fund-intensive and fund-saving, which requires an appropriate analysis of the use of resources.

Key terms and concepts

Balance sheet profit obtained by balancing all profits and losses for all types of activities.

Liquidity of assets – the inverse of the liquidity of the balance sheet during the conversion of assets into cash. The less time it takes for this type of asset to acquire monetary form, the higher its liquidity.

Liquidity of the balance sheet - the extent to which liabilities are covered by its assets, the term of which is converted into monetary form corresponds to the term of repayment of liabilities.

Profit from sale is equal to the difference between the revenue from the sale of products (works, services) without VAT and excise taxes and the costs of production of sold products.

Profitability characterizes the measure of profitability, profitability and profitability.

Financial Statements is a set of reporting forms compiled on the basis of accounting (financial) accounting data.

Net profit – the difference between balance sheet profit and income tax.

Questions for self-testing

1. Define balance sheet profit.

2. Name the groups of factors that affect profit.

3. List the sources of profit formation.

4. What functions does profit perform as a general indicator of the business entity's work?

5. What is net profit?

6. Who determines the principles of distribution of balance sheet profit?

7. Who determines the direction of use of the profit that remains at the disposal of the business entity?

8. Does the organizational and legal form affect the principles and form of profit distribution, which remains at the disposal of the business entity?

9. Define profitability.

10. Name two groups of profitability that reflect the efficiency of management in modern conditions.

11. How is total profitability, product profitability and sales profitability determined?

12. How is the return on equity calculated?

13. What financial statements do Ukrainian companies provide?

14. What indicators characterize the firm's financial stability?

15. How are indicators of the firm's financial condition determined?

16. Name the company's solvency indicators.

17. Describe the "golden rule of economics".

18. What is the importance of the structure of assets for the financial stability of the firm?

19. What factors affect the change in total profitability?

20. What is the rate of return?

21. What does the level of profitability of production of products indicate?

22. What does the profit rate of 20% mean?

23. What is the difference between the concepts of "profit" and "profitability", "effect" and "efficiency"?

24. What is return on investment?

25. What is the difference between the concepts of "firm profitability" and "product profitability"?

26. Give a description of the "share profitability" indicator.

27. What is entrepreneurial income?

28. How is profit from insurance transactions formed?

29. What is the profitability of insurance operations?

TOPIC XI

PLANNING THE COMPANY'S ACTIVITIES

11.1. Market and plan. The role of planning in the organization and management of production

The majority of Ukrainian economic entities have a long experience of socialist planning. The practice of socialist planning has positive and negative consequences. The negative consequences were primarily associated with limited freedom of action, freedom of planning (another negative consequence is manifested today - limitation of responsibility). The reforms currently underway in Ukraine have opened the way to economic freedom for companies. Most firms, having experienced freedom, try to partially or even completely (mainly this applies to the structures of small and medium-sized businesses) free themselves from the "fetters" of planning.

Making decisions on the basis of intuition, improvisation, even taking into account the experience of past managerial activities, does not lead to optimal results. Under the conditions of market formation, growth and strengthening of competition, the role of planning should grow. In our country, new economic structures are being created quite intensively, but, unfortunately, many of them are either "stillborn children" of the economy (firms that have not carried out any economic transaction), or firms that have become economically poor. Unfortunately, today up to 30% of registered small and medium-sized companies are not economically functioning.

There are many reasons for this state of affairs, but the main ones still lie in weak management, incorrectly developed strategies, and the lack of qualified planning.

And yet, the problems of the general economy, industry, problems of individual firms are not reasons for abandoning entrepreneurial activity.

A complex economic reform, an imperfect tax system, a decline in production, privatization, insolvency of many structures, worsening of the economic condition of banks, insurance companies and other structures not

only does not scare away entrepreneurs, but also encourages many people to try themselves in small business.

Currently, the Government of Ukraine pays great attention to supporting small and medium-sized businesses. The most important problem for small and medium-sized businesses is business planning, planning, strategic planning, forecasting.

Planning – one of the economic methods of management, which acts as the main means of using economic laws in the economic process. It serves to prepare decision-making. Planning is always based on the data of the past, but seeks to determine and control the development of the economic entity in the future.

For planning, an important element is the reliability of the data required for planning, since any planning is based on incomplete data.

Planning – it is a systematic preparation for making decisions about goals, means and actions through a purposeful comparative evaluation of various alternative actions in the expected conditions. In modern conditions, the efficiency of functioning is determined by many circumstances: the correctness of establishing demand and supply, the choice of optimal technology and organization of production, timely and rational resource provision, the amount of fixed and working capital, forms and methods of implementation, etc.

Under the conditions of market relations, the range of use of factors is extremely wide, the business entity strives for their optimal combination and use. The main form of internal connection of all factors is the planning of production and financial activities. In the conditions of fierce competition, the planning of production and financial activities of enterprises is an important condition for their survival, economic growth and prosperity. Planning makes it possible to optimally connect the available production opportunities with the market situation.

This follows from the very essence of planning, which is manifested in the fact that:

- firstly, it deals with the choice of possibilities of alternative development of the firm in the future;

- secondly, the implementation of the selected alternative is based on the decisions that are made now, so there is always a possibility of error;

- thirdly, planning is a continuous decision-making process, during which the goals and objectives of the company's development are established and constantly refined over time (starting with the production of products, their implementation and ending with its further development); the strategy and policy for their achievement is determined; long-term plans are developed, in which the implementation of indicators that reflect various aspects of the company's economy is coordinated;

- fourthly, the starting premise of planning should be the principle according to which the operation of the firm should be profitable and ensure cash receipts and profit in the amount that satisfies groups of persons interested in the results of the firm's work (owners, founders, a group of shareholders, the state, etc.);

- fifthly, due to the difference in the very essence and nature of the manifestation of production factors and tasks arising from individual areas of the company's activity, planning is divided into long-term and short-term. Thus, the purchase of equipment and the nature of its use, personnel policy, definition of product range and sales market require consideration in the long-term plan. At the same time, the company's current provision of raw materials, materials, payment for energy, water require analysis in the short term.

The essence of planning is most clearly manifested in the principles of planning, which collectively reflect the content of planning. Several principles serve as criteria for evaluating planning effectiveness:

- science of planning;
- completeness and accuracy of planning;
- continuity of planning;
- elasticity and flexibility of planning;
- planning efficiency;
- the ability to control plans;

- the possibility of quick adjustment of plans.

11.2. Organizational basics of planning. Planning methods and stages

The opposite of planning is improvisation, which leads to large financial losses. Planning is an integral part of the rational functioning of a business entity.

The planning process includes four stages:

- development of general goals of the business entity;

- detailing and specification of goals for a certain stage of development;

- determination of ways, economic and other means of achieving these goals;

- control over the achievement of goals.

An important element of the planning methodology is the definition of the planning method:

Progressive way (bottom up), which distinguishes the planning delegation system. At each new step, the plans are combined by structural divisions, as a result, a single plan of the business entity is created.

Planning – Development and decision-making - Implementation of the program - Control.

Retrograde method of planning (top down) is an inverse system. The control figures, on the basis of which the plans of the structural units are developed, lead to them.

Counterplanning (corner planning) combines progressive and retrograde planning. This method is the most effective.

An important point in methodical provision of planning is the choice of planning technique.

Sequential planning provides for drawing up an annual plan in December of the reporting year.

Sliding layout involves drawing up and adjusting the future part of the perspective plan. In modern conditions, sliding planning with overlapping is widespread (Table 11.1).

An important point in planning is the choice of methods. Common methods are widespread in practice, which include card and form sets, lists, graphs, tables. In recent years, the planning method has been improved, software products of the "inek" and "atlant" companies have appeared, which allow automating planning work.

Table 11.1

Rolling three-year planning

Planning year	**Planning horizons**			
2008	2009	2010	2011	
2009		2010	2011	
2010			2011	

Planning can be classified according to the following characteristics:

1. By degree of coverage;

- general planning covering the entire sphere of activity of the business entity;

- partial planning, which covers certain areas of activity.

2. According to the planning content:

- strategic planning (search for new opportunities);

- tactical planning (creation of certain prerequisites);

- operational planning (implementation of opportunities).

3. By planning subject:

- target planning (definition of goals);

- planning means (material resources, labor resources, equipment, finances, information);

- program planning (planning of production and sales programs);

- action planning (special sales, multi-level marketing).

4. By areas of operation:

- production planning;

- sales planning;

- financial planning;

- personnel planning;

- advanced general planning.

1. By planning depth:

- global;

- contour;

- detailed.

2. By terms:

– short-term planning (semi-annual, quarterly, monthly, weekly, sometimes yearly);

- medium-term planning (for a period of 1 to 5 years);

- long-term planning (for a period of 5 years or more, has a feature by industry).

3. From the point of view of the management structure:

- general planning of the firm;

- planning of the firm's construction site;

- planning of spheres of activity;

- planning the work of the company's divisions.

4. According to the possibility of changing plans:

- strict planning;

- flexible planning.

11.3. Methodological foundations of planning

In modern conditions, further improvement of the planning methodology, that is, a set of techniques and ways of developing plans, is of great importance when developing plans for the development of firms.

The main directions of improvement of the planning methodology: improvement of the scientific-technical and calculation-economic justification of the plans; wide application of the system of progressive technical and economic standards and norms, balance calculations; further improvement of the system of indicators with the aim of increasing production efficiency - reducing material and capital intensity, increasing labor productivity, increasing the output of high-quality products, ensuring tension and gradual balancing of plans.

The substantiation of company development plans is based on a system of progressive technical and economic standards and norms. The norm is understood as the maximum permissible value of the absolute consumption of raw materials, materials, fuel, energy, etc. for the production of a unit of products (works, services) of the established quality (for example, the norm of consumption of metal for the production of products, parts, etc.). The norm is a relative value. It characterizes the degree of use of equipment and labor items, their consumption per unit of area, weight, volume, etc. (for example, the rate of return on assets - output per UAH 1 of fixed assets).

Applied technical and economic standards and regulations must be progressive, that is, when developing them, it is necessary to take into account the modern level of development of science, technology and technology, organization of production and labor, to make the most full use of production facilities and advanced production experience.

The most advanced method of developing norms is computational and analytical, when norms and regulations are technically substantiated through a comprehensive critical analysis of the state of production, possible changes in it, studying the influence of various factors. The technical, economic and organizational conditions of work in the planned period are the basis of the norms.

Technical and economic norms and standards are developed according to the following main groups:

- standards of living labor costs (standards of working time costs per unit of production, standards of production per unit of time, standards of service, standards of numbers);

- norms of material costs (specific norms of consumption of raw materials, materials, energy, component products);

norms for the use of tools (norms for the use of machines, equipment, mechanisms, structures, tools);

- standards for the organization of the production process (duration of the production cycle, volumes of unfinished production, stocks of raw materials, materials, fuel);

- norms for the duration of development of design capacities, which are put into operation by companies, shops, aggregates, installations, productions.

The purpose of separate groups of norms and standards is different. Norms of costs of live labor are mainly intended for determining the level of labor productivity, use of working time, setting the amount of wages. On the basis of the specific norms of consumption of material resources and production programs, the required number of individual brands of material resources is determined. Norms for the use of labor tools make it possible to

calculate the level of use of production facilities. Norms and regulations serve to determine the cost of production.

The need for technical and economic substantiation of plans and improvement of production efficiency provides for a system of indicators of the plan. Indicators used in planning are divided into quantitative and qualitative, volumetric and enlarged.

Quantitative indicators of the plan are displayed in absolute values. These include: the volume of merchandise, gross products, the volume of sales, the wage fund, the amount of profit, the amount of costs of various production resources (metal, fuel, etc.).

Qualitative indicators are relative values. They reflect the economic efficiency of production, its individual factors. This is an increase in labor productivity, a decrease in the cost of production, etc. Qualitative indicators also include those that reflect the ratio of quantitative indicators among themselves, for example, production profitability, return on capital, product quality, etc.

There is a relationship and interaction between quantitative and qualitative indicators. In order to rationally organize the work of the company's team, ensure the continuity and proportionality of production development, and target employees to increase production efficiency, one indicator, for example, the volume of marketable products, is not enough. We need a system, a combination of quantitative and qualitative indicators, which would direct the company's employees not only to increase the volume of production, but also to produce these products in the right population of the country, in the right range, of the right quality, to obtain a certain effect in the form of profit, with minimal labor costs, material and monetary resources. Decisive in solving this problem is the transition of firms to market relations.

In the system of indicators of the firm's plan, volume and specific indicators are distinguished.

Volumetric indicators establish the absolute values of production as a whole, individual processes and factors involved in it. For example, the volume of production as a whole, the volume of mechanical processing, the volume of labor costs, material resources, etc.

Specific indicators establish the ratio of two or more interrelated indicators, for example, metal consumption per unit of production, capital investment per unit of production capacity.

Natural, labor and cost meters are used to calculate the indicators of the firm's plan.

Natural meters are used in planning the volume of production, material resources. Their advantage is that they provide an opportunity to obtain a quantitative expression and qualitative characteristics of certain indicators.

To determine the volume of production of homogeneous products, different in terms of material intensity or other characteristics, they are used *conditional natural meter*.In this case, one of the homogeneous products (production) is taken as a conditional unit, and all others are equated to it according to one of the listed characteristics (conditional grain, conditional tractor, conditional hectare, etc.).

Received wide application *labor meter* production volume, which is usually reflected in standard hours. Labor meters in combination with natural ones are used to calculate labor productivity, the size of its payment, determination of production standards, etc.

In terms of commodity-monetary relations, it remains important *value (monetary) meter*. With the help of value indicators, the dynamics of the company's development, rates and proportions are determined, and all sections of the plan are interconnected. In cost meters, the volumes of product sales, merchandise and gross products are planned.

11.4. General scheme of strategic planning

The essence of planning consists in the scientific formulation of the goals of further development and the application of means of their real achievement. There are several types of planning at the firm level, depending on the goals, tasks and functions.

Strategic planning is designed to determine the company's goals and its strategy for a long period of time (up to 10 years). That is why strategic

planning is often defined as a process of modeling and studying the future. Strategic planning serves as the starting point for all planning within the firm.

The essence of planning is manifested in specifying the development goals of the entire company and each division, in particular, for a set period of time; in determining economic tasks and means of achieving them; identification of material, labor and financial resources necessary to solve the tasks. Thus, the purpose of planning is to take into account in advance, if possible, all internal and external factors that provide favorable conditions for the normal functioning and development of the firm.

Strategic planning is a long-term forecast. In the process of strategic planning, strategic goals, long-term and short-term strategic guidelines are defined, a strategy of market behavior and a strategic plan are developed. The development of strategic goals reflects the perception of this company about its production and its place in the market, for which a comprehensive study and research of the market or markets is carried out. Long-term and short-term strategic orientations make it possible to clarify the long-term and immediate goals of the company and the state that it seeks to secure for itself on the market at the moment, in the near future and in the future. On the basis of strategic orientations, the company's behavior strategy is developed, as a real action plan, a set of management decisions to achieve the set goals.

Strategic planning - a constituent element of strategic management.

It is an active search for alternative options, the choice of the best of them, construction on the basis of this choice of general development trends, formation of a special mechanism for its implementation. Nowadays, the top-down principles of company planning are changing - from the future to the present and not from the past to the future.

Strategic planning should be considered broadly. This is an integrated process of preparation and decision-making, and the study of the consequences of decisions already made or those that are being made, and the process of developing goals and directions for their achievement.

Strategic planning is a tool that helps to make the right management decisions. His task is to ensure the development of the correct strategy of the company's behavior on the market. Within the scope of strategic planning, four

aspects of managerial activity can be considered: adaptation to the external environment, internal coordination, organizational strategic forecasting, and resource allocation.

The modern pace of change is so rapid that strategic planning is the only way to predict future problems and opportunities, and therefore it must be based on deep research and factual data. To compete effectively in today's business world, a firm must constantly engage in the collection and analysis of a vast array of information about the industry, market, competition, and other factors.

The main strategic part of strategic planning is definitely long-term planning, which is why it is often interpreted as a process of modeling the future, in relation to which goals should be defined and the concept of long-term development should be formed. Its purpose is to make operational, current management decisions justified not only from the point of view of the real situation, but also, above all, from the point of view of tomorrow. An important distinguishing feature of strategic planning is its flexibility, which is due to the variety of planning horizons of time segments. It requires a special definition of the time horizon for which a perspective policy is developed. Various criteria are used for this definition: the life cycle of the manufactured product; a cycle of fundamental changes in demand; the period of time necessary for the implementation of strategic goals. When developing a strategic plan based on the life cycle of a product, the planning horizon should differ by activity types and product nomenclature, it is closely related to strategic goals.

The starting point of strategic planning is the planning of results. They can be classified as follows:

1. The maximum result, which is currently unattainable, but which should be strived for.

2. A specific result that can be achieved during the planned period.

3. A task that can be solved in a very specific time.

Each company, organizing the process of production and sale of products, pursues global goals - increasing the profitability and profitability of its business. However, this goal is divided into systems of sub-goals, the

implementation of each of which requires the development of its own strategy. Such sub-goals include: increasing sales volume, increasing product competitiveness, expanding production capacity, introducing new technologies, reducing costs, and diversifying.

Strategic planning is a multi-stage process that is carried out sequentially-parallel and includes the following steps:

1. *Definition of business.* Each manager (general director, chief management) or manager of an economic unit within a joint-stock company must clearly imagine the purpose of his business, prospects for its development. To answer these questions, you need to know the following ascending parameters:

a) description of the manufactured product, taking into account its technical and economic, consumer properties and manufacturability;

b) assessment of the scope of the market for this product, the composition of consumers, the specifics of their needs;

c) market segmentation.

Characterization of business and assessment of its prospects, as well as determination of one's place in it, is a constant concern of a manager at any level of management.

2. *Purpose of business.* After the product with which the firm is going to appear on the market and its place in it is determined, it is required to forecast such indicators as the growth rate of sales, the size of the occupied market share, the level of profitability or profitability, the scale of net income and cash turnover. Thus, the purpose of business is a set of goals, in the name of which this product is produced on a scale adequate to the needs of the market and the company's capabilities.

3. *Functional strategies.* This is a set of interconnected strategies in the field of production, investment, finance, labor resources, and marketing. These strategies are ultimately developed based on preliminary work, that is, when the scale of production, markets, assortment policy, prices, and channels of trade have been decided.

4. *Budgeting.* At this stage, the planning cycle ends with the drawing up of budgets that ensure the implementation of the developed strategies, that is, the system of resource distribution is formed, balance sheets are drawn up, and cash turnover is projected. Budgeting is a method of allocating resources, characterized in quantitative form, to achieve goals. Schematically, the process of strategic planning can be displayed.

Strategic planning should be used to improve the results of firm management.

11.5. Business planning

Business planning – an important factor in business success. Planning your business is necessary for many reasons. After all, it often happens that technologically the business is impeccably calculated, but economic aspects are the causes of failures in business technology. It is necessary to think in advance and balance all economic aspects of the business entity's activity. It is important to plan purchases of raw materials, materials, fuel, components and semi-finished products. This depends on the efficiency of production, the amount of value added tax (VAT), turnover of current assets.

Often incorrectly planned real costs for the production and sale of products lead to the emergence of the phenomenon of insolvency of business entities. Indeed, the external environment is quite mobile, many factors (inflation, decline in production, taxes, etc.) make the situation uncertain. This really greatly complicates the planning system, but does not negate its necessity at all.

Modern tools make it possible to overcome difficulties and increase the efficiency of planning.

In global practice, different approaches to business planning are distinguished. Planning practitioners distinguish several types of business plans. Each type of business plan has its own characteristics. Four types of business plans are distinguished in Ukraine:

1. Internal business plan of the economic entity.

2. Business plan for obtaining loans to replenish working capital.

3. Investment business plan.

4. Business plan for financial recovery (sanitation).

Internal business plan Not has special external requirements. On the contrary, it should be adapted to the internal accounting and planning system.

The internal planning system should be optimal. Only those indicators that can and should be managed should be included in the plan indicators. The bulkiness of the planning system reduces its effectiveness.

Systematic planning involves covering the entire cycle of procurement of material resources, production, and sale of products.

The structure of the internal business plan must be adapted to the controlling system.

It should also be noted that accounting full costs must be used when calculating the business plan. The structure and scope of the internal business plan are regulated by the internal requirements of the management and the controlling service.

Modern software tools should be used to prepare an internal business plan:

- "plan";
- "analyst";
- "project expert" etc.

There are certain international requirements-standards for this type of business plans. The volume of the business plan should not exceed 25 pages of text. This is an objective requirement accepted in many countries of the world.

A business plan is required for obtaining a loan in order to replenish working capital.

Despite the presence of special requirements for the structure and content of a business plan, there are a number of general recommendations.

When preparing a business plan, it is necessary to reduce as much as possible the use of information that constitutes the commercial secret of the business entity, the project. Practice shows that a lack of caution sometimes leads to the theft of trade secrets, technological secrets, and commercial agreements. At the same time, it should be noted that the information should be balanced. As the business plan is "promoted" to a real creditor, it is necessary to expand the range of providing other information, while still adhering to the principle of commercial secrecy.

It is strategically important to take into account the interests of specific investors in the business plan. However, it should be borne in mind that the main interests of the creditor are to ensure the return of the loan and the timely payment of interest for the use of the loan.

It is necessary to remember that the business entity provides repayment of the loan at the expense of the received revenue (and not from the profit). Particular attention should be paid to the procedure for paying interest on the loan.

First, interest is paid in accordance with the terms of the credit agreement (monthly, quarterly, etc.). Payment must be made on a certain day of the month. In the event of a delay in payment, the creditor has the right to change the terms of lending in accordance with the terms of the contract (most often the interest rate is doubled).

In contrast to the return of the loan itself, interest for the use of the loan can be paid partly out of revenue and partly out of profit. In accordance with Ukrainian legislation, interest on the loan is included in expenses, provided that their amount does not exceed the refinancing rate of the NBU by more than 1.1 times. The rest of the interest is paid out of net profit, i.e. after income tax.

The business plan also has its own standards. The main criterion is its volume. According to international standards, it should not exceed 75 pages. A number of international organizations (Unido, OSCE, etc.) use a certain structure. Of course, it is only recommended. The main thing is that the content of the business plan fully discloses all the most important aspects that characterize the high efficiency and reliability of the project.

Currently, investment activity in Ukraine is not active enough. But already today, investors fundamentally reject the consideration of cumbersome business plans that exceed the standard.

It is important to remember the economic mechanism of loan repayment. An investment loan involves the improvement and change of technology or the maintenance of new fixed assets. All this is related to such an economic category as capital investments. Today, the problems of accounting for capital investments have receded into the background, but this is a temporary phenomenon associated with a decline in the development of capital investments in production. Due to the fact that the investment loan is used for the development of capital investments, the return of the loan is carried out at the expense of the received net profit.

Investment business plan should include: construction (development of capital investments), production, sale of products. The volume of products sold must provide such a mass of net profit that will ensure the return of the loan.

*Business plan for financial recovery (sanitation).*This type of business plan has a special status. First, this business plan is filled out by the company itself, which is in a state of insolvency. It provides for the financial improvement of the company, its rehabilitation. The plan must go through a rather complicated period of coordination and approval. The procedure for agreement, the structure of the business plan and the method of its preparation are approved by the relevant state body in cases of bankruptcy (insolvency) of firms.

The structure of the company's recovery plan should be highlighted in particular.

I. General characteristics of the firm.

1. Full and abbreviated name of the company, EDROP code.

2. Date of registration, registration certificate number, name of the body that registered the firm.

3. Postal and legal address of the company: index, republic, region, etc.

4. Subordination of the company is a higher authority, code...

5. Type of main activity, code...

6. Organizational and legal form.

7. Form of ownership, code... (state share in capital), %.

8. Included in the state register of monopolistic firms of Ukraine:

- national;

- local.

9. Bank details.

10. Organizational structure of the company, subsidiaries.

11. Address of the tax inspectorate that supervises the company.

12. P.I.P., telephones, faxes of the company's administration.

13. Characteristics of managers who are responsible for the results of the company's work (age, education and qualifications, previous three positions and places of work, term of work in each meeting, term of work in the firm).

II. Brief information on the financial recovery plan.

1. The period of implementation of the plan.

2. Amount of necessary financial resources.

3. Term of repayment of state financial assistance.

4. Financial results of the implementation of the plan (net present value, internal rate of return, discounted (dynamic) payback period of the project).

5. Agent of the government through which financing is carried out (name, details).

III. Analysis of the company's financial condition.

Characteristics of the company's accounting policy (methods of keeping records, methods of repayment of the cost of fixed assets, intangible assets and other assets, evaluation of production stocks, work-in-progress and finished

products, profit from the sale of products (works, services) in accordance with the Regulation on accounting.

Summary table of the company's financial indicators, analysis, conclusions.

IV. Measures to restore solvency and maintain the efficiency of economic activity.

List of measures, analysis, conclusions.

V. Market and competition.

1. Characteristics of the industry and the perspective of its development (with the selection of the main groups of consumers).

2. Markets targeted by the business.

3. Distinctive characteristics of the main markets and market segments.

4. Dimensions of the main markets.

5. Market penetration.

6. Benchmarks for prices and balance sheet profit.

7. Means of communication.

8. Purchase cycle of potential consumers.

9. The most important trends and expected changes in the main markets.

10. Secondary markets and their characteristics.

11. Competition:

- characteristics of firms in terms of their participation in the commodity market;

- analysis, conclusions, legal restrictions.

VI. The company's activities in the field of marketing.

1. Marketing strategy:

- market penetration strategy;
- growth strategy;
- distribution channels;
- communication

2. Sales strategy:

- characteristics and analysis of sales channels;
- volume of product sales by each channel.

3. Products and services:

- a detailed description of the product (service);
- product life cycle;
- research and development.

The financial recovery plan is aimed at restoring solvency and maintaining the company's effective operations, taking into account the provision of state financial assistance for rehabilitation measures.

Compiled for a period of no more than 18 months.

The structure and content of the intra-company (production) business plan.

In modern conditions, one of the most important planning tools is a business plan.

Traditionally, it acted as a tool for small and medium-sized businesses, which constantly need external help (partner or investor, including the state) to implement projects that were difficult for single people to master. Currently, business plans, without losing their traditional purpose, are developed in almost all leading foreign companies on an ongoing basis. They act as a kind of core of the entire system of intra-company planning. Business plans are made by plants and departments, production divisions and branches. Business plans of structural units are analyzed and summarized into business plans of corporations.

The growth of the role of the business plan in planning has been especially clear in the last decade. This was due to the following reasons:

1. The growing complexity of the external economic environment demanded from companies a high degree of flexibility in management, the ability to constantly calculate many options for management decisions in a complex, taking into account all factors.

2. The role of strategic marketing, the ability to find and evaluate possible new, promising areas of economic activity has increased. But it is not enough to find a promising opportunity on the market, you also need to assess what it is worth. This requires a business plan.

3. The independence of production units has expanded. In modern conditions, it is possible to see all options of economic activity only at a lower level, and to evaluate their attractiveness from the point of view of the corporation as a whole, to analyze taking into account the interests of capital owners, at a higher level. The separation of economic structures, if necessary, the integration of decisions regarding investment policy has made the business plan such a popular business planning tool.

In Ukraine, instead of a well-founded change in the functions of the former planning and economic departments, the introduction of business plan development into their work practice, many companies followed the path of almost complete elimination of the economic planning function, which is somehow unnecessary and impossible in unpredictable market conditions. And the point is not that such an approach in itself reduces the probability of obtaining an optimal management decision in the event of a difficult situation on the market, since from the very beginning the circle of calculated and analyzed possible options for actions from which a choice will have to be made is limited. Much more serious is the problem of determining promising directions of the company's economic development, finding effective ways of development and diversification of production, selecting the most profitable projects from the point of view of capital investment.

A business plan - this is a business development plan for the future period, in which the subject, main goals, strategies, directions and geographical regions of economic activity are formulated, in which the price policy, capacity and structure of the market, conditions for deliveries and purchases,

transportation, insurance and processing of goods are determined, factors , which affect the growth/decrease of income and expenses by groups of goods and services that are the subject of the company's activity.

A business plan is always probabilistic in nature, it foresees the possibility of different options for the company's business behavior. This is its fundamental difference from the technical and economic justification, in which there is a sufficiently tight relationship with a certain technology, there is design and estimate documentation, etc. A business plan is a plan of possible actions of the firm in the market. Any information presented in the business plan (business strategy, profit distribution formulas, schemes of work with suppliers and contractors, etc.) can become the subject of discussion and further analysis.

A business plan always has an addressee. It can be a partner, an investor, public administration bodies, therefore, in any case, the interests of the person to whom it is addressed must be taken into account in the business plan.

Any enterprise begins its activity by drawing up a business plan. It is necessary for: bankers, investors, managers, entrepreneurs, as it allows to reduce the risk in achieving the set goal, to carry out purposeful strategy and tactics in production and financial activities in accordance with market requirements.

Goals of developing a business plan:

- plan business activities for the near and long term in accordance with the needs of the market;

- to determine the degree of reality of the intended goals;

- to prove to a certain circle of persons the expediency of reorganizing the company's work;

- convince your employees of the possibility of achieving quantitative and qualitative indicators;

- help solve problems related to the functioning of the company;

- estimate the costs of implementing the business plan and the profitability of the project;

- analyze the company's material resources in accordance with the plan, calculate risks and predict difficulties that interfere with the implementation of the business plan.

Business plan functions:

1. Planning for evaluating new areas of activity and controlling processes in the company;

2. Attracting funds - loans, credits, external investments;

3. Involvement in the implementation of plans of partner companies that have capital, technologies, and resources.

The business plan is drawn up by hired specialists, while the project investors prepare the necessary data. In the case of a different approach, the business plan is developed by the project initiators, receiving consultations from specialists, in particular from investors.

Hired specialists develop the financial support of the project and the sale of products.

You should not think that a business plan is necessary only for large companies that organize their business on a large scale. As world practice shows, it is necessary for all forms and types of entrepreneurship, and above all in order to analyze your ideas in detail, check their realism and thereby reduce the risk of failure. In addition, a business plan is necessary for submission to those from whom the entrepreneur is going to borrow money or other property for the implementation of the project, to confirm the realism of the planned business and the ability to return the loan, leased property.

Depending on the specific nature and conditions of the future activity - the volume of production and sales, the type of products (services), their novelty, etc - the composition and structure of the business plan may differ significantly, but the content should be the same. As a rule, a business plan consists of the following sections: product (service) description, competitor assessment, marketing strategy, production plan, organizational plan, and financial plan.

A business plan begins at the end, that is, with a resume. It should, of course, be prepared at the very end of the work, when all other sections are ready and the business owner, together with his employees and external consultants, has achieved complete clarity in all aspects of the project. Work on the resume is extremely important, because if it does not make a favorable impression on those to whom the entrepreneur turns for investment, then no one will read the business plan.

The volume of the resume should not exceed 4 pages.

Product (service) description

The first section of any business plan is a description of the product (service) that the entrepreneur is going to produce or provide. The following questions should be answered in this section:

1. What needs is your product (service) designed to satisfy?

2. What useful effect can be obtained from your product?

3. How does your product (service) differ from a competitor's product?

The useful effect is what the product is bought for. Distinctive features of the product are what make it possible to obtain a useful effect. However, it is not worth relying on the exceptional merits of the product. It is better to emphasize the maximum satisfaction of market demand. The buyer is completely indifferent to the properties of the product that are important from the point of view of the manufacturer, such as labor-intensiveness, material-intensiveness, energy-intensiveness of their production, manufacturability of products in production, most important features of their design. Two elements - the consumer properties of the product and the price - are decisive for the buyer when making a purchase and are the main components of the product's competitiveness, which reflects its difference from the competing product.

As a result, people tend to buy what they like, not what is offered to them. All this must be remembered by the manufacturer of the product (service). A very important and often overlooked point is a visual image of the product, or a sample of your company's product, or a testimonial from at least one customer who is completely satisfied with your services. Without this, you yourself will not have a complete idea of your future problems and expenses, and your

potential creditors and partners will not want to give you money for an idea that did not lead to the appearance of even one copy of your product or service. Therefore, it is always advisable to have a sample of your products brought to marketable form, a photo or drawing of the product that gives a sufficiently clear idea of it, or a detailed description of the services provided.

In the same section, you should describe the main qualities of your product (service), its appearance, and, if necessary, packaging and service. At this stage, it is advisable to determine the price of the product and the costs that will be incurred during its manufacture, which will allow you to determine the expected profit, and therefore, your chances of success or failure.

Analysis of the sales market

The second section of the business plan is the study of the product or service market. Insufficient analysis of the market and potential consumers, their tastes, requests, financial capabilities, etc. is one of the most common reasons for business failures. Therefore, before starting a business and taking it seriously, you should study the market in detail. This makes it possible to determine the circle of consumers, the capacity of the product (service) market and, thus, the volume of their production and sale, the resources necessary for this.

It is quite difficult to conduct real market research, or it is quite expensive and out of the pocket of a novice entrepreneur, or you can produce a trial batch of a product, the implementation of which gives valuable information about the market, especially if you yourself will take a direct part in the sale of the product or the provision of services.

At the same time, it is advisable to pay attention to the following:

- how often and willingly customers buy your product or turn to you for services;

- who exactly buys your product or applies to you for services (it is useful to ask the consumer what exactly attracts him in your product or service);

- how buyers react to the price of your product. You can "play" with the price of the product and see if its reduction will affect the speed of sales and the expansion of the circle of consumers.

Thus, it is necessary to get the maximum amount of information that interests you from trial sales. It is useful to ask consumers what changes they would make in appearance, quality parameters, packaging, and service provision. At the same time, do not try to satisfy the interests and requests of all consumers at once, always aim your product or service at a certain group of buyers, their needs and tastes, manage the improvement of your products and services, occupy a certain niche in the product (service) market and try to keep it.

Evaluation of competitors

The third section of the business plan is designed for competitor analysis. One should not think that in the conditions of our saturated market, such an analysis is a waste of time, energy and money. After all, the situation can change at any time, and you orient your business to the future. So you should worry about this section of the business plan. It is necessary to answer the following questions:

1. Who is your competitor now, and in what state is his business: stable, rising or declining?

2. What are the differences between your product (service) and similar product (service) of competitors?

3. What, at least in general terms, are the chances and possibilities of the appearance of new competitors?

In what do you expect to surpass them? The purpose of this section is to facilitate the choice of suitable competitive tactics and to protect your company from other people's mistakes. Typical mistakes include trying to break into an oversaturated market. A detailed analysis of competitors' actions can force you to change your strategy and make adjustments to your current activities in order to be more successful against your rivals. Moreover, such an analysis must be conducted systematically, if only because the markets are constantly changing and the successful debut of an entrepreneur attracts the attention of new competitors.

It is difficult to fight on two fronts, so focus on those areas of activity where you have a certain advantage over competitors (high quality of products and service, experienced staff - these are the main ones. Try to compare your

advantages with vulnerable points in the opponent's activity (of course, provided they are known to you).

If you clearly answer the questions of the specified three sections of the business plan, then you will have a certain impression of the market niche that you are trying to fill by organizing your business.

The next section of the business plan is aimed at answering the question: "What practical steps must be taken to really occupy a certain place in the market"?

Marketing strategy

The fourth section is the marketing plan. In the most general form, marketing is a relationship between two parties: a detailed study of the market and potential consumers and comprehensive promotion of goods (services) to these consumers. "Produce what is sold, not what is produced" is the main formula of marketing. Since in the previous sections an assessment of consumers and competitors was made in one way or another, in this section of the business plan you should be most interested in the second part of marketing: how to manufacture and deliver your product to the consumer. To produce a product, according to its parameters, corresponding to the consumer's requests is only half the battle. It must be delivered to the potential consumer and create conditions for the transformation of need into real demand. The commercial success of the company depends to a greater extent on how rationally organized the movement of products in the sphere of circulation is. According to marketers, turnover is second only to product quality as the main reason for choosing suppliers.

The main elements here are:

1. *Distribution scheme for your product*: independently, through wholesale firms, stores, etc.

2. *Pricing*: how will you determine the price of your product (service), what profit do you hope to have, to what extent can you reduce the price so that it gives you the opportunity to recoup costs and make a sufficient profit.

3. *Advertisement:* how much money you can allocate for it, in what form and by what means you will advertise your business.

4. *Methods of stimulating consumers:* how and at the expense of which you will attract new customers - expand sales areas, increase the volume of production, improve the product (service), provide guarantees or additional services, etc.

5. *Forming and maintaining a high opinion of your business:* how and by what means you will achieve a sustainable reputation for your goods (services) and the company itself.

Production plan

This section of the business plan contains a description of the entire production process. It is prepared only by those entrepreneurs who are going to engage in the production of any product or service.

The main task of the section is to confirm with calculations that the company is able to actually produce the required amount of products (services) in the required time and with the required quality.

Here, first of all, it is necessary to answer the following questions:

1. Where will the goods be produced - by an existing or newly created company?

2. What capacities are needed for this today and in the future?

3. Where, from whom, under what conditions will raw materials, materials, components, etc. be purchased?

4. Is production cooperation envisaged and with whom?

5. What equipment is needed and where is it supposed to be purchased?

At the same time, the issue of quality control of the released products is resolved.

If you are not going to create a manufacturing company, but a retail outlet, then this section can be called a "trading plan" and describe in it the procedure for purchasing goods, a system for controlling the level of merchandise stocks, and a plan for warehouse premises. In this case, the following questions should be answered:

1. Who is expected to purchase the goods from?

2. Is there adequate space for the store and for the warehouse?

It is necessary to complete this section of the business plan with an assessment of possible production costs and their changes in the future.

Organizational plan

The sixth chapter of the business plan is about who you are going to organize your business with and how you plan to establish its smooth and successful functioning. In this section, it is necessary to solve the following questions:

1. What specialists will you need for successful business management?

2. On what conditions will you attract specialists - for permanent work, under a contract, as part-time employees?

3. How will the work of each worker of the company be paid, on what principles and conditions will incentives be implemented?

It should be noted that the hiring of additional employees should be resorted to only if it will increase the company's profitability. Therefore, before hiring new people, consider how justified it is. Only a detailed selection of candidates for a place can give the desired result. Salaries of employees belong to the category of fixed costs, therefore, firm confidence in their expediency is necessary.

The second important problem of entrepreneurship is the question of who to do business with, who to take as a partner. Experience shows that it is necessary to enter into business, to organize your business only with well-known people, like-minded people, proactive, striving for success, on whom you can fully rely and entrust any issue of joint entrepreneurship. It is better if partners in different fields of their activities complement each other. This is a good guarantee of your company's success.

For the purpose of clarity and consistency of work, it is necessary to determine the organizational chart of the company, specify who and what will do, who and how will coordinate, control and interact with all employees of the company.

This section of the business plan is often neglected, and organizational confusion is one of the reasons for business failure.

Financial plan

The seventh section of the business plan summarizes in value terms the possible results of the decisions made in the previous sections of the business plan.

The financial plan includes: calculation of the amount and determination of the sources of income necessary for the organization of the case, forecast of sales volume, balance of cash expenses and income, table of income and expenses, consolidated balance of assets and liabilities of companies, schedule for achieving break-even.

In this case, if one's own funds are not enough to organize the case, one has to resort to loans. However, before taking it, it is necessary to calculate your needs in the funds involved and compare them with the possibilities of timely repayment of the loan, especially since the loan is now issued mainly for a short period and at high interest rates.

When resorting to loans or investing your own funds, you need to know how these funds will "work", what income they will bring. It is important to make sure that the profit from the use of the loan will be higher than the costs of its attraction.

The second way to attract the necessary funds is to find a partner willing to invest his money and one or another capital (buildings, equipment, etc.) in the business. True, in this case, the so-called "partnership ownership" arises, and the income from the business is divided either equally, or depending on the amount of invested capital, including the share capital.

The sales volume forecast will give an idea of the market share that will be covered by the product release.

Balance of income and expenses– a document that determines the amount of money invested in the project with a breakdown in time from the moment the company was organized. The main task of balance– to check the synchronicity of the receipt of funds from the sale of products and their

spending, that is, to determine the sufficiency of these funds at each moment of time.

The table of income and expenses shows income from the sale of goods, costs of their production, gross profit from sales, general production costs (by types), net profit.

The consolidated balance sheet of the company's assets and liabilities is drawn up at the beginning and end of the first year of the project's existence. It serves as the basis for the assessment by specialists of commercial banks of the quality of financing sources and the feasibility of capital investment.

It is recommended to end the chapter with a break-even schedule. The schedule makes it possible to determine the volume of production (critical program), according to which the company will begin to make a profit.

Qualified solution of financial issues– one of the most important problems for entrepreneurship. The profitability of the entrepreneur's activity and the success of the business largely depend on this.

However, the entrepreneur's desire to do everything himself, reluctance to entrust something to someone, often does not lead to the best result. And since we are talking about such an important and specific section as finance, where special knowledge is required, unsuccessful decisions in this area can lead to deplorable results or to the loss of part of the profit.

To avoid such an undesirable option, it is advisable, if necessary, to contact the services of a competent financier. Of course, these are additional costs, but they will pay off handsomely as a result of calculating with the help of a specialist a more profitable course of action. Thus, as a result of the work carried out, you have drawn up an action plan to achieve the set goals. Developing a business plan provides an opportunity to soberly evaluate your company, identify weaknesses and strengths, determine what is needed for the normal functioning of the company, assess prospects, anticipate possible difficulties, and prevent them from developing into a serious problem.

A real entrepreneur is distinguished by the fact that he does not succumb to difficulties, keeps faith in himself and his business in the face of failures, is not afraid to start all over again. Tiredness, the presence and use of a peculiar sub-starter allow him to cope with his own uncertainty and decline in mood

and work, and ultimately achieve the desired result, experiencing on his way not only the bitterness of defeats, but often also great satisfaction, because money is not the only motivating factor for an entrepreneur

Risk assessment

The concept of risk, its assessment, forecasting and even its management are unfamiliar to domestic entrepreneurs, although their daily activities are combined with such a level of risk that any Western entrepreneur would not even think of doing business. Not everyone is really familiar with the techniques of "civilized" work with commercial risks. For simpler and cheaper projects, risk analysis using purely expert methods is sufficient. Of course, a different level of analysis is possible here. For large projects, a detailed calculation of risks using the social, unfortunately rather complex, mathematical apparatus of the theory of probability is necessary.

The range of risks is quite wide: from fires and earthquakes to strikes and international conflicts, changes in tax regulation and exchange rate fluctuations. Of course, the probability of each risk is different, as is the amount of damage they can cause. You are required to estimate, at least tentatively, what risks are the most likely for you and what they (in the event of their implementation) can cost you. 11.2.

Table 11.2

A brief description of possible options for use business plan:

Version	**The essence of the option**	**The scope of the performer's work and its content**
1.	Brief technical and economic justification of the project (TEO)	Volume – 15-20 pages. The basis is the justification of the main groups of expenses and financial calculations of the final cash flows (Cash flow) based on the initial data from the

		customer
2.	A business plan that meets the typical requirements of Ukrainian financial institutions	The volume is 30-50 pages. The basis is the traditional structure of the business plan (for example, according to the methodology of a specific Ukrainian bank)
3.	A detailed business plan according to the methodology that meets the requirements of both Ukrainian and international financial institutions	The volume is 50-100 pages. The basis is the full format of the project description (for example, 11 sections of the UNIDO methodology), all traditional forms of financial assessment of the project (Balance sheet, Income statement, Cash flow), calculation of all financial indicators (NPV, IRR, etc.).

Note. When planning the company's activities, four main requirements should be taken into account: the company's cash flow; business reputation, share of own capital when establishing a business; additional provision of own business.

Questions for self-testing

1. What is the difference between planning and forecasting?

2. What types of business plans are used in Ukrainian business practice?

3. What is the difference between a financial recovery business plan and an investment business plan?

4. For what period is a business plan developed in order to replenish working capital?

5. What type of business plan is developed for a period of 18 months?

6. What are the main stages of developing a business plan?

7. Name the reasons for the growing role of the business plan in modern conditions.

8. What stages does planning include?

9. What types of business plans do you know?

10. Name the main characteristics of the classification of plans.

11. Which of the methods of planning (progressive, retrograde or counter) is optimal?

12. Name the methods of planning.

13. Describe the planning strategy step by step.

14. What is the difference between operational planning and strategic planning?

15. Are "norm" and "normative" identical concepts or not?

TOPIC XII

COMPANY FINANCE MANAGEMENT

12.1. Financial direction of the company

In market conditions, the financial direction, which covers all aspects of financial and economic activity and includes organization, management and ensuring the development of its financial system, receives priority importance in the activities of the economic entity.

The structure of the financial system includes the following elements:

- financial resources;

- financial services.

Financial resources firms are a set of funds at the disposal of the entity and intended for the realization of its financial obligations and expenses for extended reproduction. Financial resources always have two areas of practical application:

- funds invested (i.e. invested) in fixed funds for various purposes;

- funds advanced to circulating production funds and circulating funds.

Financial services - these are specialized structural units that manage the financial direction of its activity (accounting department, audit service, financial service).

The financial service of the business entity determines the financial policy of the firm. The financial service of the firm reflects specific achievements of the goal of financial development, includes a list of practical measures that ensure it.

The company's financial policy traditionally includes two interrelated areas - income policy and expenditure policy. The planning of each of these directions is carried out in their direct relationship, while the priority of one or another of them depends on the current financial condition of the firm. In the conditions of crisis development, it is advisable to focus on planning "from

income", when the expected financial income is first determined and only later is planned their use.

Income policy is aimed at the satisfaction of the economic entity in attracting financial resources and is related to the solution of the following problems:

- maximization of income from actually available sources;

- constant expansion of the nomenclature of sources of income.

The cost policy determines the need to ensure the rational minimization of costs, the main criteria of which are their economic validity and unconditional payback. This requirement does not imply the need for mechanical reduction of all types of expenses, which often causes the opposite effect.

12.2. Management of financial resources advanced to working capital

Working capital is a set of funds advanced to circulating production funds and circulating funds. In financial activity, they play an important role, as they directly affect solvency, the degree of "deadness" of capital, and the amount of receivables.

Working capital is classified according to several basic directions, according to the sources of formation, it is divided into:

- own and equated to it, i.e. received from the founders (and other owners), formed from own revenue or received on an irrevocable basis on any grounds (equated is capital that does not belong to the company);

- attracted, i.e. received on a revolving basis from the bank in the form of a target loan to replenish the shortage of working capital, from partners in the form of a commercial loan, debt to personnel for overdue salaries, to the budget, extrabudgetary funds and payments equivalent to them, as well as other types of accounts payable debts

According to the form of embodiment, they are displayed:

- in monetary form - cash on hand, on accounts, short-term debt;

- in material form – production stocks, stocks of finished products, work-in-progress;

- in highly liquid securities.

By degree of liquidity (i.e. speed of conversion into cash):

- cash in the cash register;

- funds on current and deposit accounts;

- cash in accounts;

- highly liquid securities;

- stocks of finished products;

- inventories;

- Unfinished production.

Management of working capital is aimed at meeting current needs in financial resources for carrying out statutory activities. In the process of organizing working capital management, it is necessary to ensure compliance with the following principles:

- maintenance of a rational ratio between own and borrowed funds;

- ensuring the required level of liquidity, that is, the ability to fulfill one's financial obligations at the expense of cash (and not other types of property).

Given the heterogeneous nature of various elements of current assets, management is carried out in a differentiated manner in several directions. In modern conditions, management of working capital is carried out through:

- cash planning based on the principles of minimizing the free balance of funds (plan of cash payments);

- planning of the transitional cash reserve limit, for making unscheduled cash payments;

- planning of financial receipts and payments that pass through the current account, based on the principle of minimizing the balance of funds;

- planning the anticipatory nature of receipts to the current account in relation to payments from it (at the stage of concluding agreements);

- operational management of funds on the current account by timely transferring the funds released on it to deposit accounts or other high-yield forms of capital investment;

- ensuring constant current liquidity through operational management of the ratio of receivables and payables;

- compliance with the principle of diversification of the "fund portfolio", which foresees the need to form it from different categories and types of securities with a differentiated measure of risk and income;

- it is necessary to strive to independently manage the "fund portfolio" in the presence of a financial manager, in other cases it is necessary to transfer it to a trust management, a bank or an auditing firm;

- combination of the principle of minimizing capital "dead" in material stocks with the principle of ensuring their sufficiency to meet needs;

- planning of production stocks of highly liquid types of products, in other cases the principle of minimization applies;

- planning of limited stocks of products to satisfy potential customers who insist on their immediate shipment in relation to the concluded contract;

- planning of a special limit on unfinished production, exceeding which is considered a serious financial violation;

- reduction of volumes of unfinished production by introducing a special mechanism of settlements with the customer for products (ie prepayment, payment for actually performed works, advance payments).

Production activity does not make sense without the funds involved (short-term bank loans and commercial credit).

Attracting loan funds makes it possible to:

- accelerate the turnover of working capital;

- to increase the volume of economic transactions;

- reduce work-in-progress.

The lack of many types of credit resources, the high fee for the loan in combination with the strict terms of granting requires ensuring a rational ratio of own and borrowed funds.

12.3. Cost management of the company

The company's expenses reflect the totality of its actual expenses for carrying out statutory activities during the accounting period.

The main effective indicator of the company's activity depends on the total amount of expenses - the amount of profit.

All costs are classified and grouped according to certain characteristics. So, depending on the volume of production, costs are divided into fixed and variable.

Fixed costs practically do not change per volume of output, but change per unit of production depending on an inversely proportional change in the volume of output (rent, depreciation).

Variable costs do not change per unit of production, but change for the entire production in proportion to the volume of production (expenditure on raw materials, materials, energy resources, staff salaries in case of piecework payment, payment of taxes, etc.).

Mixed costs - these are costs, the dynamics of which partly depends on the change in the volume of output (costs for advertising, marketing and scientific research, maintenance of the management apparatus).

According to the basic directions, costs are divided into:

- material equivalent to them– it is a set of costs not related to the maintenance of hired personnel;

- expenses for maintenance of hired personnel, which include mandatory payments to extrabudgetary funds.

According to reimbursement of expenses, they are divided into:

- expenses that are subject to inclusion in the balance sheet cost of the calculation period, and which are reimbursed at the expense of net profit, which reduces the profit at the disposal of the company– overtime expenses for advertising, business trips, representative expenses.

Cost management is based on three principles:

- reasonableness (expediency) of expenses;
- targeted use of resources;
- efficiency of resource use.

Expediency of expenses is ensured at the planning stage, confirmed by financial calculations. This requirement is observed only in the part of expenses that do not provide a direct economic effect– these are expenses that have a social and environmental focus

In this case, the net economic effect is calculated, which determines either additional profit or the prevention of potential losses based on the results of actually spent expenses:

- expenses for social support of personnel prevent financial losses from strikes or the turnover of highly qualified specialists;

- timely renewal of treatment facilities allows to avoid fines.

The validity of investment costs is determined by their payback periods:

Costs / profit = payback period.

It is necessary to calculate several investment options. The selection criterion is the minimum payback period.

Targeted and effective use of allocated resources is ensured in the process of direct implementation of specific tasks.

In this regard, costs are divided into three groups:

- necessary for the implementation of statutory activities and subject to reduction only when the current production load is reduced (costs for raw materials, materials, rent, staff salaries);

- subject to rational minimization for any results of financial and economic activity (tax payments, administrative and economic costs);

- subject to reduction only in case of improvement of the financial condition or in case of justification of their objective necessity to maintain its competitiveness in the relevant market (marketing research, advertising company, investment projects).

Cost management involves:

- introduction and constant adjustment of inflation coefficients;

- rejection of investment programs with a long payback period;

- correct reduction of tax and equivalent payments, rationally used expenses, which give the right to tax benefits;

- reduction of financial risks.

12.4. Management of the company's financial results

Profit acts as the main goal and the resulting indicator of financial and economic activity. Each economic entity is independent in choosing a business, determining the nomenclature and assortment, expenses and revenue, which allows to determine the profit or loss based on the results of the activity.

The total financial result - profit (loss) - on a certain date is determined by balancing the total amount of all profits and losses.

Profit characterizes the effectiveness of the implementation of a number of activities of the business entity:

- *commercial* - the effectiveness of marketing research, contributes to the increase in the volume of sales, and therefore the mass of profit;

- *production* - increasing the coefficient of variability of equipment ensures the possibility of producing additional products without additional costs for increasing the fixed capital;

- *technical* - the introduction of advanced technologies of products and services can significantly contribute to increasing their quality level, and, therefore, attractiveness for the consumer, which provides the opportunity to choose between two options for extracting additional profit by increasing sales while maintaining the price, or increasing prices with the previous sales volume;

- *financial* - by providing an increase in the profit already received from the main activity in the process of its rational investment;

- *social* - at the expense of prevention of potential losses due to labor conflicts.

Profit management acts as one of the two basic areas of financial policy.

The main task of profit management is: maximization of income from available sources of income in the accounting period. Planning of financial income is carried out on the basis of top-down information:

- estimated needs for financial resources to ensure extended reproduction as the sum of budgets in all areas of activity;

- the results of marketing research, which make it possible to forecast the receipt of financial resources.

The formation, distribution and use of profit determines different types of profit: profit from sales, balance sheet, taxable and net profit.

Management of profit from sales assumes:

- a clear definition of the type of business that makes the most profit;

- increase in the turnover of current assets, which ensure an increase in the amount of profit received;

- rational use of funds invested in the company's property.

Balance sheet profit management assumes:

- maximization of income from available sources;

- expansion of the nomenclature of financing sources of balance sheet profit.

*Management of taxable income*presupposes the wide use of tax benefits in accordance with the current legislation, which reduce the amount of taxable profit and ensure an increase in the profit at the disposal of the firm.

Net profit management presupposes the determination of the principle of profit distribution in accordance with specific economic conditions. The distribution of net profit is a matter of investment, technical and dividend policy of the firm.

Profit management is the determination of the main directions of profit use, forecasting the near and distant prospects of the development of a business entity.

12.5. Management of financial obligations

Financial obligations - a set of internal and external financial requirements that are legally presented to a specific firm during the settlement period.

Financial obligations are divided into two groups: external and internal.

The economic entity bears external financial obligations to:

- by the state (budget and extrabudgetary funds) in the form of tax payments and equivalent payments in the amounts and within the terms established by the current legislation, and interest– in case of violation of contractual obligations;

- business partners (suppliers, contractors, creditor banks and insurance companies).

The economic entity bears internal financial obligations to:

- owners (founders, shareholders, shareholders) for the payment of dividends, business income;

- branches and subsidiary companies for payments established by the terms of the contracts concluded with them;

- hired personnel for payment of wages in the amounts and in the terms established by the employment contract.

The form of realization of financial obligations depends on the current financial condition of the firm. Under normal conditions, types of settlement are carried out in the form of transfer of funds from the current account.

Quite often, in order to make payments, the company is forced to apply to the bank for a short-term loan to replenish the shortage of working capital (for the realization of some, other obligations are accepted).

Under the conditions of a crisis of non-payment, business entities are forced to use:

- free shipment of products or provision of services to the creditor;

- voluntary transfer– barter system of mutual settlements (for the purpose of tax evasion);

- voluntary transfer of part of the property (securities, highly liquid stocks, fixed assets) to the creditor in order to repay the debt.

The main purpose of managing the firm's financial obligations– ensuring its solvency, i.e. timely satisfaction of all creditors' demands.

Obtaining a bank loan, as a traditional form of attracting additional resources, is limited due to its high cost.

The solvency of a business entity is determined through a system of indicators:

- absolute liquidity;

- intermediate liquidity;

- current liquidity.

The main method of managing financial obligations is balancing:

- receipt of funds;

- spending money.

This requires improvement of the system of settlements with consumers of products, works and services in order to prevent the absence of money in the current account.

An effective management tool is the formation of a financial reserve, as there is a high degree of probability of non-payment from debtors, which reduces dependence on the bank.

In modern conditions, it is advisable to form part of the resources in the form of highly liquid reserves.

12.6. Financial risk management

A set of financial transactions with unguaranteed final results characterizes financial risks.*Risk* -this is a value expression of a probable event that leads to losses or underachievement of income compared to forecast, project, program values.

Risk means the danger (possibility) of losing part of one's resources, not receiving income.

The main tasks for financial risks are reduced to the fact that:

- recognize possible cases of risk;

- estimate the extent of the expected damage;

- to work out methods of prevention and sources of compensation for losses.

Risk analysis begins with identifying its sources and causes. It is necessary to compare possible losses and benefits. A risk that is not supported by calculations is always capable of causing defeat and costs that can be avoided with reasonable attitudes. In case of insufficient information for risk calculation, it is possible to use intuition. Intuition– it is experience multiplied by knowledge. Intuition and calculation complement each other.

Region *acceptable risk* is characterized by the level of losses, the amount of which does not exceed the amount of estimated profit (expenses are repaid– profit is zero).

Region *impermissible profit* is characterized by the level of losses, the amount of which exceeds the size of the estimated profit, but not more than the total size of the estimated amount of revenue (a possible loss of revenue means that the business entity made senseless expenditures of both time and money).

Region *critical risk* characterizes possible losses that can be equated to the amount of own funds, and this leads to bankruptcy.

Under the conditions of the transition period, almost all operations can be classified as operations with non-guaranteed final results.

By type of operations, all risks are divided into:

- *commercial* – these are operations in the sphere of trade, services and purely intermediary activities. These are mainly risks associated with MTP and product sales;

- *investment risks* – this is a set of transactions related to investments (internal and external), excluding transactions on the stock market (this is a direct non-return of invested funds, insufficient efficiency of underpricing of products, newly commissioned production);

- *stock risks* related to any types of operations on the securities market (inherent in all types of transactions, especially of a gambling nature);

- *credit risks,*related to any operations on the loan capital market, which is possible in the case when the company provides products on the terms of commercial credit or on the terms of prepayment;

- *mortgage risks* – these are risks associated with real estate transactions;

- *insurance risks* peculiar only to insurance companies.

According to the potential risk system, they are divided into operations:

- with the lowest degree of risk;

- with an average degree of risk;

- with the lowest degree of risk.

By absolute value, risks are divided into:

- small risks, the occurrence of which cannot have a significant impact not only on the final, but also on the intermediate results of financial activity;

- medium risks – the occurrence of which affects the intermediate, but not the final, results of financial activity;

- critical risks – the onset of which puts the company on the verge of bankruptcy.

The main forms of financial risk losses are:

- additional financial costs– these are unplanned losses from conducting operations (paying personnel who are forced to carry out pre-sale preparation of products, the appearance of which was damaged during transportation);

- a direct pity– one-time losses due to a completed transaction (unreturned trust loan, non-delivery of already paid goods due to bankruptcy of the partner);

- lost profit– the most significant and difficult to determine form of losses of a purely long-term nature (increased with the established technical task, the cost of the newly introduced production capacity due to errors in the estimate documentation).

Causes of financial risks:

- the absence or unreliable nature of the information that served as the basis for making a decision to conduct a business operation (deficiency in the work of the marketing service);

- violation by the transaction partner(s) of the obligations assumed (it is necessary to have reliable information on each partner);

- an unprofessionally drawn up agreement, the terms of which (or lack thereof) allow an unscrupulous partner to legally avoid the need to compensate for losses;

- incompetent management of the relevant operation on the part of the company itself (lack of intermediate control);

- force majeure circumstances, the specificity of which is the objective impossibility of preventing damage.

The main methods of financial risk management:

1. Conducting targeted marketing research of both the operations themselves and potential participants in order to collect reliable information, based on the results of which decisions will be made about the feasibility of conducting the operation and measures to reduce risks or compensate for possible losses.

2. Operational information about the progress and intermediate results of the operation, which allows timely correction or premature suspension of the operation in case of unfavorable developments in order to reduce losses to a minimum.

3. Qualified concluded business agreements as a condition of the financial loss compensation mechanism.

4. Presence of one's representative in the arbitration court in order to protect one's interests and reduce possible financial losses.

5. Insurance of all types of risk in the company's activities.

6. The availability of financial reserves, which allow, if necessary, to quickly compensate for losses, to avoid the involvement of a bank loan and the costs of its maintenance.

7. Combination of operations with different degrees of potential risk.

Key terms and concepts

Area (zone) of permissible risk characterizes the level of losses that do not exceed the estimated profit.

The main task of profit management – maximizing income from existing sources and expanding the range of these sources.

Cost management is based on targeted and effective use of resources and cost effectiveness.

Management of working capital aimed at meeting the current needs in financial resources for the implementation of the company's statutory activities.

Financial obligations – it is a set of internal and external financial requirements that are legally presented to the firm.

Financial risks – a set of financial transactions with negative final results.

Financial services – specialized structural units that manage the financial direction of the company's activities.

Questions for self-testing

1. What elements does the financial system include?

2. What areas of practical application have financial results?

3. Describe the problems solved by income policy.

4. Describe the principle of "fund portfolio" diversification.

5. What groups are current assets divided into according to the form of embodiment?

6. Tell us about cost management.

7. Into which groups are expenses divided according to the feature of reimbursement of expenses?

8. Describe the management of taxable income.

9. What do external financial obligations include?

10. What is the cancellation of unacceptable and critical risk?

11. What groups are financial obligations divided into?

12. What types of risks are divided by the type of operations?

13. Name the main forms of loss of financial risks.

14. List the possible causes of financial risks.

TOPIC XIII

BASICS OF INNOVATIVE DEVELOPMENT OF THE COMPANY'S ECONOMY

13.1. Formation of theoretical foundations of innovation economic development

The formation of a post-industrial society is associated with significant changes in people's lives. This is a more humanitarian society, which can lead to the activation of the human factor and the growth of innovative activity. Knowledge, which is transformed into modern production technologies and consumer products, ensures intensive technological development of certain branches of production and the emergence of new technologies, which leads to the formation of a new economy - the knowledge economy.

Prominent economists and researchers of different times and scientific fields, regardless of their views on the ways of economic development, unanimously determine the leading role of new scientific and technical knowledge in accelerating scientific and technical progress. According to D. Bell, post-industrial society is characterized by the fact that "... it is not based on mechanical technology, but on "intellectual technology", which allows us to speak about a new principle of public organization and social change. It also puts theoretical knowledge at the forefront as a source of renewal and changes the nature of technical progress. It also makes the idea of globalization significant."

Determining the essence of a new civilization, E. Toffler characterized the post-industrial society as a new system of life, the basis of which is radical structural changes in the economy: the spread of various renewable energy sources, production methods, which render unnecessary the old industrial culture, which is inferior to the new one - the culture of service and communications. The most profitable business is software development, information technology, service, financial and consulting services. Enterprises in these spheres of activity do not require significant capital investments, but they need employees with higher education and a high level of qualification.

Post-industrial society is integral, that is, it is based on the principles of combining the advantages of capitalism (its efficiency) and socialism (social orientation) and avoiding their negative features.

Its ecological focus is becoming important, which involves orientation in production activities to the interests of future generations and the formation of a noospheric civilization. The bio- and noosphere orientation of society in the 21st century was emphasized by the famous scientists V. Vernadskyi and N. Moiseev. The latter studied the role of technological innovations in people's lives and the formation of an information society built on the principles of "Collective Reason".

In the last decade, most of the developed countries of the world are characterized by the growth of the intellectual component in the economy, which implies the accelerated development of industries with intensive use of knowledge as a factor of production. The general trends of world development are the widespread implementation of the achievements of the large-scale technological revolution, which causes structural shifts in the economy in favor of science-intensive high-tech industries. This is caused not only by the limitation of natural and raw resources and the impossibility of choosing a long-term strategy of economic development with a focus on the raw sector of the economy, but also by the opportunity to quickly receive the results of global scientific research in the form of new knowledge through the global Internet network, which accelerates the emergence of scientific inventions in breakthrough areas activity Knowledge is the main specific resource, and its availability becomes the most important condition for the country's participation in global competition. Moreover, the country's success in achieving competitiveness on the world market depends on its ability to adapt its potential in the field of creation, use and dissemination of new knowledge to the needs of the world economy as quickly as possible.

The emergence as a result of the development of information and communication technologies of the single world market of scientific and technical knowledge and the latest technologies as a new economic resource allows to effectively use it to modernize the national economy and ensure sustainable economic development.

13.2. Model of innovative economic development

Adopted by the World Conference on Science "Science for the 21st Century" (Budapest, June 1999), the Declaration on Science and the Use of Scientific Knowledge puts forth new obligations of countries regarding the need to develop and revise national strategies, organizational measures and financial systems in order to elevate the role of science in sustainable development. They should include: development together with the main public and private partners of a long-term national policy in the scientific sphere; providing support to higher education and research; development of cooperation between research institutions, universities and industry as a component of the national innovation system; creating and ensuring the functioning of national institutions for risk assessment and regulation, reducing vulnerability and ensuring safety and health; stimulation of investments, research and innovations. It is also necessary to ensure the improvement of the legal framework in the field of scientific and technical development and proper protection of intellectual property, serious changes in the system of organization and funding of scientific research, modernization of the technical base of scientific institutions, development of effective management, etc. The implementation of these obligations can be ensured by the transition to an innovative model of development, which should ensure an increase in the competitiveness of the national economy due to the use of domestic and global scientific, technical and educational potential.

Such a model of development is considered innovative, which is directly based on obtaining new scientific results and their technological implementation in production, ensuring GDP growth mainly due to the production and sale of science-intensive products and services. It is characterized by the following features:

– availability of state policy and legislation aimed at stimulating innovation processes;
– the predominance of the fifth technological system and the transition to the sixth;
– unconditional priorities of state support - science and education;
– the predominance of the intellectual nature of work over the industrial;
– integrated technologies;

– high-value labor.

As a rule, it is chosen by countries that have highly developed scientific potential as the main strategic resource (Israel, Sweden, Switzerland, Finland, France, USA, Japan) and that have proven it with their achievements in high-tech sectors of the economy. Ukraine, based on most of the above characteristics, does not belong to such countries. It has an industrial character of development, which is well illustrated by the structure of its production and export.

However, world practice shows that the innovative economy can be of two types:

– one that is based on the balanced development of fundamental and applied science, education and scientific industry. It is characteristic of the highly developed countries of the world (USA, EU countries, etc.);
– one that is based on applied research, education and knowledge-intensive industries. According to this model, the rest of the European countries, China and other countries that have a significant potential for the implementation (implementation) of innovations can build an innovative economy.

The first model of innovative development is based on stable legislation, developed market relations under conditions of active entrepreneurship, a highly competitive environment, etc.

The second model largely depends on state regulation of innovative development. At one time, state regulation ensured the innovative development of Japan and Germany. Under modern conditions, state regulatory measures ensure the efficiency of the Chinese economy, which indicates the possibility of innovative development of an industrial society.

For Ukraine, defining a long-term strategy for innovative development is a complex problem that requires determining whether the country will be able to implement the scenario of a technological breakthrough in the economy to ensure economic growth, using the competitive advantages of its development, mechanisms of market competition, entrepreneurial initiative and state support, or whether it will choose the inertial path of innovation development, when the introduction of innovations will depend only on the initiative of the

entrepreneurial sector of the economy. The first way can lead to success under the conditions of a purposeful and consistent state policy to create an effective national system. The second way will preserve the general trends of economic development, which may lead to further costs of highly qualified human resources and preservation of the technological lag of the country, which will become more and more difficult to catch up over the years. That is the main thing*the strategy of technological breakthrough should become a strategic reference point for innovative development.*

13.3. Science – a component of ensuring the competitiveness of the economy

The main task in the implementation of the policy of innovative development in the country should be the creation of a national innovation system capable of combining the system of generating new knowledge (science), its distribution (education and upgrading of skills) and stimulating the business activity of entrepreneurs, within which programs and projects of creation can be implemented competitive on the world market of products and services based on the use of advanced production technologies. The implementation of scientific and technical achievements in the real sphere of life will lead to the modernization of the economy, which consists in replacing some elements of the production system with other, more modern ones. These can be fundamentally new technologies that are the results of completed scientific research and development, or those that have been improved based on the use of new knowledge. They can be materialized (in the form of machines, equipment, software products, etc.) or presented in the form of protected points or "know-how" design and construction documentation.

So, *science as a generator of new knowledge should be recognized as a national development priority* and the main factor in reforming the economy. A change in the attitude of the state and society towards science and the innovation sphere as a whole should ensure the rapid introduction of completed scientific developments into production to raise its level.

Solving the problem of turning science into a determining factor in economic reform is possible only under the conditions of a consistent state science and technology policy, based on which: *ensuring innovative security of*

*the country; definition and implementation of strategic priorities of scientific and technical development; creation of favorable investment conditions for enterprises through state regulatory measures,*that are actively innovating. Today, the economy also faces a challenge *development of a powerful innovative sector* with an infrastructure capable of connecting innovation supply and innovation demand.

Ensuring innovation security involves support at the appropriate level of fundamental research, the optimal level of sectoral R&D in the overall scope of research, their effective completion and implementation of scientific results in production, as well as prevention of the import of outdated technologies and conservation for this reason of the technological backwardness of the country.

The strategic priorities of scientific and technical development determine the directions of development of science and technology, which are of the most importance for ensuring the competitiveness of the country, on which limited state resources should be concentrated, preventing their spread.

The creation of favorable investment conditions is an important measure of the state innovation policy, which provides motivation for the entrepreneurial activity of enterprises to conduct R&D in priority directions and stimulates enterprises to implement innovations. This is ensured not only through budgetary financing or preferential taxation of innovative projects, but also through the participation of the state in spreading credit risk, ensuring access of enterprises to the global high-tech market, and resolving issues of intellectual property protection.

Forecasting the innovative development of the economy on the basis of a technological breakthrough is based on the theory of "long waves" by M. Kondratiev, which proves that large cycles ("long waves" by M. Kondratiev) are associated with significant scientific and technical inventions or discoveries by scientists, with periods of scientific - technical revolutions, a change in the technological paradigm or some other outstanding events in the economic life of society - the formation of new countries, markets, etc. Developing the theory of business cycles and economic growth of his teacher M.I. Tugan-Baranovsky, who as early as 1894 in his master's thesis, examining industrial crises in England, proved that the cyclicality of economic development is recognized by the limitation of loan capital and the peculiarities of its investment *into capital goods*, M. Kondratiev for the first time drew attention

to the dependence between the beginning of the "boosting waves" of large cycles and the appearance of new technical inventions and the introduction of new technologies: "Before the beginning of the boosting wave of each big cycle, and sometimes at its very beginning, significant changes are observed in the conditions of the economic life of society . These changes are usually reflected in significant inventions and discoveries, in deep changes in production and exchange techniques, in the strengthening of the role of new countries in world economic life, etc.

On the downswing, when crisis phenomena in the economy intensify, enterprises cease operations and the unemployment rate increases, the innovative and entrepreneurial activity of small and medium-sized enterprises is intensified, which leads to the appearance of a significant number of innovations, which, upon reaching a critical mass and thanks to their introduction into production, cease the development of the crisis and accelerate the onset of the next big wave. That is, at the beginning of the life cycle of large systems, an important role is played by scientific and technological innovations that affect changes in the economic situation, demand and supply. Clusters of innovations emerge, as a result of which the economy is restructured: “For about two to two and a half decades before the beginning of the upswing of the great cycle, there is a revival in the field of technical inventions. The wide application of inventions in the field of industrial practice coincides with the beginning of the upward wave of large cycles."

The term "clustering of innovations" was coined by Y. A. Schumpeter after getting acquainted with the creative work of M. Kondratiev. Schumpeter considered novelty to be the decisive criterion for determining innovation. He was the first among economists to try to investigate the possibilities of innovation. The most important, according to Schumpeter's theory, is the introduction of new products and new methods of production. He was the first among economists to distinguish between commodity and technological innovations. He also associated other combinations with the influence of technological progress and innovations. According to Schumpeter, the mass appearance of "new combinations" indicates the beginning of the rise of the economy. Having analyzed the theory of "long waves", Schumpeter improves his theory by associating periods of uplift with the increase of "new combinations" - innovations. Schumpeter's dynamic theory of development is based on constant "fluctuations" of the conjuncture, which he associates with

the "making of new combinations" of production factors. Each innovation that implements a great invention creates prerequisites for the formation of new generations of equipment and technologies. This is a basic innovation. It is followed by a number of smaller (secondary) innovations. This is how the theory of "innovation packages" was formed, concepts were introduced *basic and secondary* innovations

J. Schumpeter proves that innovative activity should be considered only under conditions *cyclicality and dynamic competition* of old goods and technologies with the new ones that replace them, and recognizes the ever-recurring destruction as the elixir of progress, the road from the antiquated to the modern. He explained the emergence of clusters as the rapid growth of new sectors of the economy with a high rate of profit and the destruction of old industries. Thus, based on Schumpeter's innovation theory, we come to the conclusion that innovations are *complex dynamic system* and it is necessary to consider them only from the positions *theories of life cycles*, stages of their development.

Another prominent economist, who was engaged in the theory of long waves, K. Freeman, determined that basic technological innovations arise "not so much during depressions, but during booms (when capacities grow rapidly and activity is directed to new emerging industries) and stagnation (when production costs are under pressure from traditional industries)". Such contradictions in the conclusions of leading scientists testify to the relevance of research on long-term fluctuations even today.

13.4. Contribution of domestic and foreign scientists to the theory of innovative development

During the 1950s-1980s, the so-called concept of exogenous development (within the neoclassical theory), which was based on the transfer of technological progress to the economic system from other, more developed countries, dominated among foreign economists. It was presented in the works of Ya. Tinbergen, R. Solow, R. Harrod, etc. Its essence was that all countries under modern conditions have the same access to modern technologies, and since scientific and technical progress becomes the third factor of economic growth (along with capital and labor), then countries should have

approximately the same growth rates of labor productivity , which did not happen in real life.

Since the mid-1980s, J. Grossman, E. Helpman, P. Romer, R. Lucas, F. Aguillon, and P. Howitt proposed new approaches to models of economic growth with endogenous technological progress, the essence of which was to justify positive economic dynamics by due to the accumulation of human capital (new scientific knowledge, which, under the conditions of purposeful state policy, ensures long-term economic growth). Based on their research, they concluded that additional R&D subsidization in countries that have achieved significant advantages in research and development leads to a significant increase in economic dynamics. On the contrary, additional subsidization of research and development in countries where the production of final products is more developed leads to the opposite results.

The theory of endogenous development is developing today in the works of leading domestic scientists and their colleagues from the CIS countries. The subject of their research is the processes of economic dynamics, initiated in the theory of "long waves" by M. Kondratiev. In Ukraine, the study of these problems found further development in the works of V. M. Geits, B. E. Kvasniuk (methodology of perspective planning and forecasting), M. Zgurovsky (theory and methodology of technological forecasting). Among the scientists of the CIS, S. Glaziev, D. Lviv, G. Fetysov, who initiated the theory of changes in technological systems, V. Ivanter, A. Nekipyelov, who dealt with the problems of economic growth, as well as Y. Yakovets, B. Kuzyk, are engaged in research on economic dynamics. whose research is devoted to ensuring a technological breakthrough on the basis of a long-term forecast of innovative development.

According to the theory of technological systems, today there are 6 stages of economic development associated with the use of certain scientific and technical achievements. Each new technological structure expands the technological capabilities of society, ensuring significant changes in the organization of production. For the post-industrial, a characteristic feature is the growth of the share of the 5th and 6th technological systems, which are based on modern technological achievements (knowledge economy), materializing them (while the economy of Ukraine is dominated by industries of lower technological systems, represented by the metallurgical industry and

fuel - the energy sector of the economy). This testifies to the industrial nature of the development of society.

Thus, today it is particularly relevant to study and generalize the real mechanisms of transformation of new knowledge into product or technological innovations, as well as the search for new management solutions in order to increase the efficiency of innovation processes in industry. An important role in this process should be played by the transition to the innovative development of the economy, which sets the main task of increasing the innovative activity of enterprises in the way of the use of the most modern achievements of science and technology in the basic sectors - information and communication technologies, biotechnology, new materials, resource- and environmentally friendly technologies, etc.

13.5. The potential of innovative development of the economy of Ukraine

The openness of Ukraine's economy and the need for its integration into the global economic environment, as a country with a competitive economy, require the government to focus on such areas of development that realize the country's competitive advantages, which include:

– high educational level of the population;
– a developed network of higher educational institutions and state scientific organizations;
– the presence of scientific assets in a number of spheres of activity, which belong to the priority high-tech and determine the world level of development;
– high level of qualification of manufacturing industry workers;
– advantageous geographical position in the center of Europe, availability of unique natural resources.

The use of these advantages to ensure the competitiveness of Ukraine in certain sectors of the economy should provide an innovative model of development, the main purpose of which is to use the existing intellectual potential for the generation of scientific ideas and bring them to practical implementation in order to ensure technological breakthroughs in production

activities, increase volumes of production of knowledge-intensive high-tech products with a high degree of added value, competitive on the world market, revival of industrial production on modern technological bases and provision of progressive structural shifts in the economy.

Ukraine has always belonged to countries with developed scientific and technical potential. Back in 1990, 6.5% of the world's scientific and technical potential was concentrated in the country, with a population that was about 0.1% of the world's. Out of every thousand employed, 11 people worked in the scientific and technical sphere. However, in the last quarter of the 20th century, the country was unable to adequately respond to the historical challenge of the new economy - the knowledge economy, in which the main emphasis is placed on human resources, on human intelligence, which is the main productive force in the modern world, providing the economy with innovations and information.

Our state is one of the strongest in terms of personnel potential in some scientific fields. According to the number of certified programmers (23 thousand specialists), Ukraine ranks 7th in the world, behind the USA, Russia, India, China, Ireland and Israel.

The largest number of domestic scientists are engaged in research in the field of physical and mathematical, technical, agricultural and medical sciences. In particular, the technical profile of scientists' research in terms of their number is 60.4% of the total number of scientific workers engaged in scientific and technical work, physico-mathematical – 5.3%, agricultural – 8.3%, medical – 4.9%, multi-disciplinary profile - 7.1%, others - from 0.05 to 3 percent.

The intellectual potential of Ukraine still remains quite powerful (according to UNESCO, in terms of national intelligence, Ukraine ranks 23rd, while Finland is 1st, the USA is 13th, and Russia is 27th), despite the fact that that during the years of independence, its scientific and technical potential decreased by 2.5-3 times.

Unlike the EU countries, where the majority of scientists and engineers engaged in research and development work in industry, in Ukraine such specialists are concentrated mainly in research organizations, including the majority of doctors and candidates of sciences working in them (90.3%). This distribution of highly qualified scientists does not contribute to the high-quality

and effective use of innovations in production, and that is why the scientific and technical potential of the country did not become the basis for accelerating the pace of introducing innovations into the domestic economy. This is one of the reasons for the insufficient pace of preparation for the implementation of completed scientific and technical developments and their development in production.

Even today, science is able to satisfy the state's need for high-quality scientific developments in many fields and has significant prospects for development, as it is sufficiently provided with highly qualified personnel, and a wide network of higher education institutions guarantees its replenishment with young scientists. There are world-renowned scientific schools in the fields of mathematics, decameter radio astronomy, physiology and cell biology, low-temperature physics and nuclear physics, creation of new materials, biotechnology, electric welding, in the development of unique information technologies, aviation and rocket-space industries.

Scientific and scientific and technical work in Ukraine is carried out by 1,487 scientific organizations, among which almost 55% are employed in the field of technical sciences and about 30% - in natural sciences. This indicates the high scientific and technical potential of the state, although in recent years there has been a tendency to decrease the number of design organizations, which does not contribute to the technological development of the economy. About 143,000 specialists are engaged in scientific and scientific-technical works. The number of persons with the highest qualification level (doctors of sciences and candidates of sciences) in Ukraine is 11,000. people and about 63,000 persons, respectively, of which 20.7 thousand persons work in scientific organizations.

The saturation of scientific personnel in Ukraine (5.4 performers of scientific and scientific and technical works per 1000 people of the economically active population) corresponds to the level of such countries as Spain, Poland, Hungary, the Czech Republic, leaving Germany, Great Britain, France, Denmark and Austria ahead, although the share of people employed in research and development is approximately 0.52% of the total number of people employed in the economy, while the average value of this indicator for EU countries is 1.2%.

Of particular concern is the tendency to reduce the personnel potential of scientific organizations in the country, which directly ensures the implementation of scientific research and development. Compared to 1990, it decreased by 2.8 times. Today, almost 178,000 people work in scientific organizations, including 4,000 doctors of science and about 17,000 candidates of science.

13.6. Factors of increasing innovation potential and conceptual foundations of the transition to innovation development models in Ukraine

In order to ensure success in accelerating the pace of economic development and increasing the competitiveness of the Ukrainian economy on the way to its integration into the world economic system, an effective national innovation system should be created in the state, which, according to the generally recognized and published in 1999 by the World Bank, is a system consisting of from the following elements:

– institutions in the world of science and education, in which specialized knowledge is created;
– the macroeconomic and regulatory framework, including trade policy measures that affect the advancement of technologies;
– innovative enterprises and networks of enterprises of a corporate nature, capable of implementing innovations and turning them into goods;
– adequate communication infrastructure;
– the possibility of access to global sources of knowledge;
– availability of recognized market conditions conducive to the introduction of innovations.

According to the experience of the world's leading countries, a properly functioning national innovation system ensures the effective use of the state's innovation potential. In Ukraine, not all of its elements are sufficiently developed, therefore, in order to implement an innovative development model, attention should be paid to such factors of increasing the innovative potential of the Ukrainian economy.

Internal factors

1. Reorientation of the state economic policy to change the attitude to science, increase the status of the scientist in society and material support.

This will lead to an influx of talented young people into science who have a higher level of computer and language training (knowledge of foreign languages), which will ensure an accelerated pace of integration of domestic scientific research into the system of world and European research, access to existing sources of funding in the world (European Framework programs of scientific research, international research support funds, grants, etc.), modernization of the scientific and industrial base of scientific research on these bases, acquisition of progressive experience, improvement of effectiveness and rapid commercialization of results, and, accordingly, an increase in the level of technological and innovative development of the country.

2. Increasing the amount of budgetary funding of science, improving the system of allocation of budgetary funds.

3. Adjustment of the composition of the priority areas of development, through conducting an inventory of state programs on the subject of their compliance and feasibility of financing at the expense of science.

4. Modernization of the material and production base of scientific institutions.

5. Improvement of the current legislative framework of innovative development by supplementing it with laws on technology transfer, venture financing, etc.; strengthening control over the implementation of the current legislation.

6. Introduction of a system for stimulating the development of small and medium-sized innovative enterprises and their infrastructure.

7. Improvement of the system of bank lending and insurance of innovative activity.

8. Involvement of the private sector in innovative activities on mutually beneficial terms, improvement of the system of economic stimulation of investors for this purpose.

9. Improvement of the economic mechanism for the creation and use of extrabudgetary sources - funds for the promotion of scientific - technical and innovative development at the national and regional levels, and other venture funds.

10. Ensuring the possibility of wide use of Internet technologies and other information and communication networks in the research process, which leads to the exchange of knowledge in the online mode in the form of systematized information about the results of research and contributes to the acceleration of scientific and technical progress.

11. Conducting a broad campaign for the promotion of innovative activity in society, ensuring its support by the public, enterprises, discussing measures to implement state politics in the press and on television, conducting a powerful advertising campaign and gradually forming an innovative culture of thinking.

External factors

1. The development of processes of globalization in the world and informatization of society, which makes it possible to quickly receive any information related to certain spheres of activity, to make business decisions.

2. The openness of the Ukrainian economy and the presence of imported products on the domestic market, which changes the standards of both consumer and investment demand, changing the attitude of domestic producers to their goods in terms of improving their quality.

3. Organization and expansion of joint production with world-famous companies of certain types of products that are in demand in Ukraine and abroad (cars, household appliances, products of the light and food industry, etc.), which will allow both to provide additional employment for the population and to adopt experience and production culture.

4. Development of international transfer of technologies in those spheres of activity where well-known domestic scientific schools have been

established; promoting the patenting abroad of the most important scientific developments of domestic scientists.

5. Development of mutually beneficial scientific and technical cooperation with compatriots who emigrated and continue to work in the scientific and innovative sphere.

6. Involvement of foreign investors in innovative activities on mutually beneficial terms, improvement of the system of their economic stimulation for this purpose.

7. Development of a system of protection of the domestic market against the arrival of morally obsolete equipment and technology from abroad.

A necessary condition for the preservation and development of scientific and technical potential is the formation of conditions for increasing the prestige of the work of scientists and engineers. The main tasks of preserving and developing personnel potential: creating conditions for attracting and securing talented young people in the field of science and technology, including improving the practice of internships abroad; ensuring compliance of the nomenclature and scope of training of highly qualified scientific personnel to the needs of implementation of priority areas of development of science and technology and the most important innovative projects; improvement of the legal framework that ensures the status, social guarantees and increase in the income level of scientists; improvement of the contractual system of attestation of scientists, as well as specialists in the field of training of highly qualified scientific and engineering personnel; raising requirements for the quality of training of highly qualified scientists in post-graduate (residency) and doctoral programs of higher education, as well as academic institutes and state scientific centers; expansion of the practice of organizing scientific societies and an extensive system of scientific project competitions, including with the participation of young specialists; creation of conditions for the return of leading domestic scientists and specialists working abroad and employment in the scientific and technical complex; formation of a system of training of highly qualified personnel in the field of innovative enterprise and innovative management, provision of conditions for their rotation in scientific, scientific-technical and innovative spheres.

An important direction in the development of intellectual potential in Ukraine is the development of international scientific and scientific-technical cooperation, which requires the creation of favorable conditions and mechanisms of state support for international cooperation, cooperation in the field of implementation of the most important innovative projects in the priority directions of the development of science and technology, the expansion of fundamental research, the creation of normative - the legal basis of international cooperation, the harmonization of Ukrainian legislation in the field of science and high technologies with the norms of international law. At the same time, the potential of social and economic sciences, their integration with technical sciences should be properly used, which will provide an opportunity to more effectively carry out the formation of innovative infrastructure.

Today, the necessary prerequisites are being created in the country for the transition to an innovative model of economic development - a legislative framework is being formed, small and medium-sized innovative enterprises are gradually developing, and their infrastructure is in the stage of development - venture capital, technology parks, business centers and innovation incubators, consulting firms. However, the analysis of the experience of the development of science and technology in other countries shows that in order to transfer the economy to an innovative path of development, a comprehensive reform of the scientific and technical sphere is necessary, starting from the organization of fundamental research and ending with the implementation of the results of scientific research in production and modernization of the domestic industry on these bases.

Implementation of an innovative development strategy requires solving the following tasks:

– creation of prerequisites for the formation of a post-industrial society in Ukraine on the basis of long-term forecasting of the innovative development of the economy and realization of scientific and innovative potential;

– provision of necessary and sufficient material conditions for social protection and preservation of personnel potential in the scientific and innovative sphere, prevention of emigration of highly qualified scientific personnel;

– justification of the system of strategic priorities of innovative development, taking into account the need to increase the technological level and competitiveness of domestic products;

– rapid development of scientific and technical potential in priority spheres of activity according to the scenario of a technological breakthrough (implementation of endogenous economic development) and the formation of an innovatively active and informed society;

– the development of the national innovation system capable of ensuring the effective implementation of the innovation development mechanism on the basis of a technological breakthrough, the rapid and effective introduction of innovations in all spheres of economic activity;

– ensuring structural and technological restructuring both at the level of individual enterprises and the economy as a whole; creating conditions for the formation and development of high-tech sectors of the economy (the fifth and sixth technological orders);

– modernization of all branches of the economy on modern technological bases.

The implementation of these tasks will be facilitated by the Government's adoption of the "Strategy of Economic and Social Development of Ukraine (2004-2015): through European integration", which defines the main stages of the transition to innovative development of the economy of the country and its regions.

13.7. National innovation system

At the end of the last century, a survey was conducted among scientists of the American Academy of Sciences regarding which invention can be considered the most significant invention of the 20th century in terms of influence on the socio-economic development of society. Given that the last century was rich in discoveries (jet aviation, television, nuclear energy, space, the Internet, etc.), a wide discussion arose, as a result of which it was decided that the most defining event of the 20th century. was the formation of the national innovation system of the USA as a mechanism that ensured the emergence of all significant discoveries in the economy.

For the first time, the concept of the National Innovation System (NIS) was used in 1987 by Chris Friedman in a scientific work devoted to the study of Japan's technological policy. Today, the scientific literature presents a large array of approaches to defining the category of NIS. Let's consider some of them.

According to the OECD definition, NIS is understood as a set of institutions of the public and private sectors that independently or in cooperation with each other ensure the development and dissemination of new technologies within the country. This definition is the most cited and is often used as a basis for constructing author's definitions of NIS in the scientific literature. However, the given definition, firstly, clearly does not take into account the systemic aspect of innovation activity institutes, which is a significant prerequisite for the effective functioning of NIS; secondly, it assumes a superficial interpretation of the "institute" category only as a certain material organizational entity, which leads to distortion of the essential content of the NIS category. The "bottlenecks" of the given definition are "sewn up" in a certain way in the following definitions of NIS.

So, for example, one of the leading Russian specialists in the issue of innovative systems, N. Ivanov, in his definition emphasizes the unity of the base and the superstructure, characterizing NIS in two ways:

–a set of interconnected organizations (structures) engaged in the production and commercial implementation of scientific knowledge and technologies within national borders (small and large companies, universities, state laboratories, technology parks, incubators);

–a complex of legal, financial and social institutions that ensure innovative processes and have strong national roots, traditions, political and cultural features.

The definition proposed by B. Saltykov is similar in basic terms to the previous one: NIS is, firstly, a set of subjects of the national economy that participate in the creation and dissemination of new knowledge, its transformation into technology and subsequent consumption, and secondly , a set of relationships between these subjects.

Of particular interest for scientific analysis are the definitions of NIS given in textbooks for higher schools. Such definitions, as a rule, are multifaceted and concise. So, for example, in the textbook on innovation management, the national system of innovations is defined as a complex of structures and mechanisms that ensure the acquisition and accumulation of scientific and technical knowledge in the country, as well as the conditions for their use for the purpose of scientific, technical and socio-economic progress.

13.8. Approaches to determining the structure of the basic NIS model

Scientific circles have not yet developed a unified opinion regarding the components and the basic principle of structuring the basic model of the national innovation system. Let's consider some of the approaches to determining the structure of the NIS presented in the scientific economic literature.

The simplified basic model of NIS, proposed by N. Ivanova, is based on such a generalizing principle of structuring as the distribution of functions of the public and private sectors in the processes of innovative development of the country. In accordance with the selected principle of structuring, the basic model of NIS consists of two consolidated components - state and private subsystems. At the same time, the function of the state subsystem is to promote the production of fundamental knowledge and a complex of technologies of a strategic nature in the creation of infrastructure and favorable institutional conditions for innovative activities in private companies. The function of the private sector is to develop technologies on the basis of own research and market development of innovations. However, in practice, the functional settings of the public and private sectors may differ significantly from those outlined in the basic model. So, for example, large corporations in recent decades have shown a tendency to independently conduct basic research; in the process of infrastructure creation, the public sector of developed countries plays mainly a structure-forming role, and the actual process of mass creation of infrastructure elements of innovative activity is initiated and financed predominantly by private capital. Conversely, in countries that have recently chosen the innovative path of development, the state sector of the economy is an active participant in the processes of development, approval and replication of innovations.

In the studies of Western scientists, in particular in the works of Ch. Edquist and B. Ludval, the most common principle of structuring elements in the composition of NIS is the degree of direct participation of the components in innovation processes. In accordance with this structuring principle, NIS components are divided into two categories:

1. Institutes directly involved in the processes of production, transfer and use of new knowledge:

• firms and their networks;

• scientific system and other research institutions;

• elements of the economic infrastructure.

2. Institutions determining the specifics of the environment for innovation processes:

• the context created by macroeconomic policy and other forms of state regulation;

• system of education and professional training;

• peculiarities of product markets, markets of production factors, system of financing innovations, communications.

Close in content is the approach to the structuring of the NIS proposed by A.G. Kusrayezhvii, according to which the basic model of the NIS consists of four main blocks (subsystems):

subsystem that produces knowledge and technologies;

a subsystem that uses new knowledge and technologies;

infrastructure subsystem that provides intermediary services between the first and second subsystems. It includes innovation centers, knowledge and technology transfer centers, various forms of alliances of universities and firms;

an infrastructure subsystem that provides resource provision services for the first two subsystems. It includes the system of education, training and retraining of personnel, the credit and banking system, venture capital,

information networks and resources, the state system of scientific and technical information, the patent and licensing service, innovative enterprise support funds, other forms of support for science, technology, and innovative activity .

The basic model of the NIS, in our opinion, can be structured as shown in Fig. 13.1 in accordance with the following structuring principles:

• functional purpose of the subsystem (implementation or maintenance of the innovation process);

• predominant sphere of influence and form of ownership in the subsystem (state or private);

• within the framework of the innovation process enhancement subsystem: functional role in the innovation process (creation, commercialization or practical use of new knowledge);

• within the service subsystem of the innovation process: the main type of resources produced by the components of the subsystem (material or immaterial).

In accordance with the above principles, the main subsystems of the NIS, according to the proposed approach, are the following:

1. A subsystem whose activity is aimed at providing the innovation process with intangible resources (A). The main components of the subsystem:

• system of education, professional training, attraction from abroad ("import") of human capital;

Fig. 13.1. The structure of the basic model of the national innovation system

• system of information provision.

2. A subsystem whose elements directly participate in the innovation process (B). The components of this subsystem are structured depending on the function in the innovation process as follows:

• system of production of new knowledge;

• system of commercialization of new knowledge;

• a system of practical use of new knowledge.

3. A subsystem whose function is to provide innovative activity with material resources (B). Its components:

• a system of support for the implementation of national priorities of innovative activity;

• system of material provision of innovative activity.

In the practice of developed countries, the following flows of knowledge and information are systematically examined (OECD, 1997):

– interaction between enterprises in the field of innovative activity. Data for analysis are obtained by researching firms from literary sources (reviews of articles, specialized publications, annual reports of corporations);

–interaction between enterprises, universities and state scientific institutions. To obtain data in national innovation studies, the following tools are mainly used: indicators of joint research activities, joint patents and publications, citation analysis, company research;

–spread of technology, mainly in the form of new machines and equipment. Data for analysis are obtained in the process of researching companies and measuring R&D flows during the purchase of machinery and equipment;

–diffusion of "implicit new knowledge" as a result of mobile workforce. The analysis is carried out on the basis of labor market statistics, in particular, on indicators of the dynamics of personnel with certain skills within and between branches of production, between the production sector, the research sector, and the higher education sector.

13.9. Factors determining the specificity of the NIS model

Economic, socio-political, and cultural features of countries, adjusting the basic model, form an individual specific profile of national innovation systems, the main differences of which are revealed through intercomponent proportions.

The following factors exert a competitive influence on the formation of the national innovation system:

• macroeconomic policy of the state;

• the level of flexibility of the education and professional training system;

• specifics of commodity and resource markets;

• level of communication development of the country.

Studies show that the formation of a national innovation system in the country requires the adjustment of a wide range of spheres of state policy:

–regarding the increase of national competitiveness in order to develop competition as the main stimulator of innovative activity;

–in the field of education and professional training in order to create the necessary structure of human capital;

–in the field of labor markets to increase personnel mobility;

–in the field of regulation of business activity with the aim of promoting the increase of business activity in Ukraine;

–in the field of communications to promote the acceleration of information dissemination;

–in the field of foreign investment and foreign trade to promote the spread of technology on a global scale;

–to achieve systematization of state policy at different territorial levels.

In Ukraine, there are prerequisites for creating a national innovation system:

– to a certain extent preserved scientific and technical potential and part of high-tech production;

–the system of education and professional training has been preserved and has undergone certain progressive changes;

–a package of normative acts on innovative activities was adopted;

–mechanisms of state and market financing of innovative projects are being formed;

–a network of objects of the organizational and technical infrastructure of innovative activity is developing;

–the use of opportunities for mass information provision and education based on Internet technologies is increasing;

–received positive results of the innovative development of regions based on the cluster approach to production renewal;

–a layer of small innovative enterprises is formed, etc.

Accordingly, the fundamental problems of creating an effective innovative system of Ukraine are the following.

Firstly, today there is no single scientifically based and approved at the government level model of innovative development of the country, which would determine the choice of Ukraine according to many alternative options:

• how resources should be allocated between investing in the imitation of innovations that are already used in global practice, and advancing the processes of creating domestic innovations;

• how resources should be allocated between investing in the modernization of existing productions of past technological systems and the creation of productions based on innovations of modern and promising technological systems;

• how resources should be allocated between financing the current techno-dogical structure and advancing the technological structures of the future;

• to what extent the national innovation system should be oriented to the export of innovative products, to the service of domestic demand; in particular, the export of which stage of development of the innovative product will dominate (innovative idea or innovative goods and services);

• how the functions of the public and private sectors will be distributed in the development of the innovative economy, in particular, in the processes of

practical implementation of the array of results of domestic scientific research, creation of infrastructure facilities for innovative activity, etc.;

• how the development of regional innovation systems should take place; how the rights and responsibilities of central and local authorities should be distributed in this process; the performance of which functions is most effective under the conditions of joint participation of central and local government bodies; how the state and regional priorities of innovative activity should be correlated; in what proportions should investments of the central and local budgets be made in the formation of the regional infrastructure of innovative activity, etc.

Key terms and concepts

Innovations - innovations in the field of engineering, technology, work organization and management, based on the achievement of science and best experience, as well as the use of these innovations in various industries and spheres of activity; economic and technical discoveries.

An innovative development model is a model that is directly based on obtaining new scientific results and their technological implementation in production, ensuring GDP growth mainly due to the production and sale of science-intensive products and services.

An innovation is a complex dynamic system that should be considered only from the standpoint of the theory of life cycles and stages of their development.

The national innovation system is a set of public and private sector institutions that independently or in cooperation with each other ensure the development and dissemination of new technologies within the country.

Priorities of scientific and technical development are the areas of development of science and technology that are of the most importance for ensuring the country's competitiveness, on which limited state resources should be concentrated without allowing them to be scattered.

Innovative security of the country involves support at the appropriate level of basic research, optimal level of branch R&D in the total volume of research, their effective completion and implementation of scientific results in production, as well as prevention of import of outdated technologies and conservation due to this technological backwardness of the country.

Clusters are defined as production networks of tightly connected firms connected in a single production chain, within which added value is created.

Questions for self-testing

1. What is a post-industrial society?

2. What is the essence of knowledge as the main specific resource and the most important condition for the country's participation in global competition?

3. Describe the innovative development model.

4. Describe the types of innovative economy.

5. What do you know about the requirements for forecasting and strategic management of innovative development?

6. What is the essence of state innovation policy?

7. Describe the main competitive advantages of the development of the innovative economy.

8. Describe the main factors of increasing the innovative potential of the firm.

9. Describe the prerequisites for the transition to an innovative model of economic development.

10. Name the main trends in the formation of an innovative economy.

11. Strategic orientations of innovative activity.

12. Scientific and technological priorities and resource-saving technologies.

13. Stages of innovative development.

14. Formation of the internal market of high technologies.

15. Institutional and organizational support for the implementation of technological development priorities.

16. State policy in the field of science and technology.

17. New materials and types of products. Biotechnology.

18. Energy-saving technologies.

TOPIC XIV

JOINT VENTURES

14.1. Forms of international entrepreneurship

Ukraine's foreign economic activity, as part of international economic relations that are formed and developed on the basis of the international division of labor, manifests itself in various forms of relations with foreign countries, banks, and enterprises.

Currently, there is no clear scientific classification of forms of economic cooperation in Ukraine, but one can only consider the list of possible forms that are found in practice.

The following forms of international economic relations can be distinguished by types of activities, methods of obtaining property, formation of common capital and distribution of profits:

- foreign trade;

- joint ventures ("Giant Ventures") on the territory of Ukraine;

- joint ventures abroad;

- foreign enterprises on the territory of Ukraine;

- international associations and organizations;

- consortium;

- contractual cooperation;

- concessions;

- leasing;

- cooperation on a compensatory basis;

- cooperation on the terms of product distribution between participating parties ("production sharing");

- involvement of foreign labor force;

- production cooperation;

- scientific and technical cooperation;

- trade in licenses and technology;

- coastal and border trade;

- trade in construction services;

- trade in transport services;

- cooperation in the banking sector;

- foreign tourism;

- cooperation in free economic zones;

- other international relations firms (associations, trading houses, auctions, etc.)

Briefly, these forms can be characterized as follows:

Foreign trade – involves the export or import of goods and services. Foreign trade relations are carried out using cash, clearing, credit and barter. The currency for calculations can be the currency of any country as agreed between subjects of foreign economic activity.

Joint ventures – are a long-term form of compensation that unites partners in property, management, revenue sharing, and risk.

On the territory of Ukraine, they are created by forming a joint statutory fund with the participation of the capital of one or more foreign countries. The size of each party's capital, the forms of each party's contribution to it, and their assessment are agreed between the partners of the joint venture in the process of preparing for its creation. As a rule, the controlling block of capital must belong to the Ukrainian side.

Abroad, they create with the aim of distributing Ukrainian goods on the foreign market. They are created and operate in accordance with the legislation of the country of registration.

Foreign enterprises on the territory of Ukraine are created and operate in accordance with Ukrainian legislation. An enterprise whose capital is 100% foreign is considered to be foreign. But any enterprise occupies a certain plot of land, and land in Ukraine, according to the Land Code of Ukraine, is not sold to foreigners, so there is no need to talk about 100% foreign capital.

International associations and organizations of Ukraine are created for the coordination of production, research and production and other economic activities. They are created on the principles of national ownership of the property of the participants and organize their activities on the basis of coordinated plans and programs of their participants.

A consortium is a temporary union of economically independent subjects, the purpose of which can be various types of their coordinated entrepreneurial activity.

Contractual cooperation is a combination of various forms of cooperation: foreign economic and credit operations, import of equipment, licenses and technologies, construction, use of labor force, etc.

Concessions are long-term contracts for putting into operation under certain conditions land, enterprises and other economic objects belonging to the state. Concessions are an effective means of mobilizing foreign exchange funds with minimal costs of own capital investments.

Leasing is a long-term lease of machines and equipment while the lessor retains ownership of them. Leasing can be financial and operational. Financial leasing provides for the payment during a certain period of its validity of sums that cover the full cost of depreciation of the equipment or most of it, as well as the profit of the lessor. The essence of the agreement on operational leasing is to enter into an agreement for a term shorter than the amortization period of the leased object. After the expiration of such an agreement, the object of the agreement may be returned to the owner or leased again.

Along with leasing, you can use short-term (rating) and medium-term (halring) leasing.

Cooperation on a compensatory basis - involves: provision of financial and material and technical resources on the terms of a loan for a specific purpose; creation of production and other capacities; repayment of financial

debt at the expense of proceeds from the sale of products produced at the facilities created in the process of cooperation.

Cooperation on the terms of product distribution is carried out between the parties participating in it ("production sharing"). This type of cooperation involves full or partial financing of the cooperation project with full or partial coverage of current costs by the foreign partner.

Production cooperation - involves the participation of enterprises from different countries in different, but technologically interconnected labor processes. At the same time, the property of its members is separated.

Scientific and technical cooperation is a joint activity of subjects of foreign economic relations of different countries, which is aimed at accelerating scientific and technical progress.

Trade in licenses and technologies ("know-how"). Trade in licenses is trade in permission to transfer the rights to use an invention, industrial design, or trademark. Trade in technology - trade in technological knowledge and experience that does not have legal protection.

Foreign tourism makes it possible to attract such specific export resources into the field of accounting for currency that cannot be realized in any other way. These are unique natural objects, historical monuments, architectural monuments, works of art, etc.

A free economic zone of Ukraine is the territory on which a special regime of economic activity of foreign investors and enterprises with foreign investments, as well as domestic enterprises and citizens, is established. In such a zone, Ukrainian legislation provides for preferential regulation of export-import, customs, tax, currency, banking, visa, and labor activities.

14. 2. Basic principles of creating enterprises in Ukraine

Joint ventures involving foreign partners have become widespread, especially in recent years. Their organization and functioning is one of the ways to overcome the economic crisis.

The main principles of creating joint ventures are:

a). Creation and production functioning of the JV in strict accordance with the current legislation. Violation of this principle can lead to significant economic losses. In addition, legal or economic complications that will arise in connection with the violation of legal norms may cause a decrease in the reliability of the Ukrainian side as a partner and the reluctance of foreign parties to work with it.

b). Belief in the absolute benefit of communicating with foreign investors.

In practical terms, this means the need for in-depth preliminary processing of all materials, justification of the direction of activity of the established enterprise, development of alternative options. At the same time, the decisive factor should be the certainty that the given enterprise will benefit from joint cooperation with foreign partners and that no damage will be caused to the state. The interests of the state must be preserved no less than the interests of the enterprise itself.

c). Voluntary pooling of capital. Like other aspects of business activity, work with foreign investors should be based on voluntary principles only.

d). Objective assessment of contributions to the joint venture of the contracting parties. The importance of this principle is due to the fact that in the future the profits will be distributed according to the share of contributions.

e). The most complete consideration of the social and psychological factor. Transition as a result of the creation of a JV to new technical, technological and organizational solutions in many cases leads to the release of the workforce. This can create social tension in the enterprise, deterioration of the psychological situation. Such phenomena should be foreseen and prepared in advance to overcome them by creating new jobs, developing and implementing social protection measures for employees. It cannot be allowed that people who have worked at this enterprise for a long time suffer socially, economically or psychologically as a result of the transition to partner production relations with foreigners.

f). High environmental security of enterprises created with foreign investors. This can be achieved by preliminary independent environmental expertise, production technologies, plant protection, etc., which will be applied in this JV.

Joint ventures develop in conditions of deepening internationalization of production, objective processes of socialization of capital, development of forms and methods of concentration and export. The scale and dynamics of JV creation on the territory of specific states are influenced by the level of their development, natural resource and innovation potentials, and the corresponding strategic orientation.

The motivation of foreign partners is aimed at reducing capital costs and reducing risk when creating new capacities; acquisition of sources of raw materials or a new production base; expansion of existing production facilities; the possibility of avoiding cyclical production; increasing the effectiveness of existing marketing; acquisition of new trade channels; the possibility of implementation in a specific geographic market; studying needs, gaining management experience in new markets, etc.

The production, economic and marketing motivation of foreign partners is obvious. According to them, the possibility of direct access to the market of Ukraine and the markets of other countries is not only the main, but also the most persistent motivation for creating a JV.

Other, as a rule, not fully studied motives should not be neglected: national, when investors in the state economy are citizens of this country or a JV is created, founders of the same nationality; personal, when the joint venture is created on the basis of family ties.

The main reasons for the creation of a joint venture in Ukraine:

- the most complete satisfaction of needs in certain types of industrial products and food products;

- use of high-performance, advanced foreign technology

technology and management experience;

- attraction of additional financial and material resources;

- development of the export base and reduction of irrational imports.

The direct participants of the JV realize their specific interests, which depend on many factors: the type of enterprise, its production and innovation potential, etc. Many enterprises, which are not competitive on the world

market, consider joint ventures as an opportunity to sell goods on the market of their partners. Some enterprises that have certain scientific and research achievements do not always have a sufficient amount of own capital (in hard currency) or management experience to enter the world market and work successfully there. In this regard, the marketing (mainly foreign economic) motivation of Ukrainian JV partners is more obvious than that of foreign partners.

Taking into account the requirements of currency self-sufficiency, which orient the JV to the foreign market, contradictions arise in the marketing motivation of the partners. But Western entrepreneurs count on the competitiveness of JV products on the world market, for example due to the low cost of production elements. Thus, according to Western estimates, real wages in Ukrainian industry are almost 5 times lower than in the USA, and labor productivity is about 40% of the American level. Accordingly, labor costs are almost 3 times lower than in the USA. Lower levels of prices for raw materials and energy resources are also known.

In addition to cheap raw materials, energy and labor, a clear advantage of investing Western capital in the innovative sphere of Ukraine is the highly developed scientific potential and priority in a number of areas of technology and science.

In addition to the general contradiction in the motivation of partners, which is related to the problem of choosing sales markets and currency payback of the joint venture, there are also specific ones, for example, of an innovative nature. Ukraine wants to get access to advanced technologies through the joint venture, although Western firms seek to implement in the joint venture primarily technologies that are not the latest, have ceased to give maximum profits on world markets, but are still effective enough, in their opinion, for the "seller's market" in Ukraine and other Eastern European countries.

In general, the movement of foreign capital is determined by the maximum profit, and because of this, the main factor is the profitability of operations in Ukraine, which should be no less than in its own country, or in countries where a certain company has branches. Moreover, the profit received must be in freely convertible currency (FKV) (Fig. 14.1).

Fig. 14.1. Ways of obtaining profit in VKV by a foreign partner

The creation of a JV is based on the current legislation of the country on whose territory it is established. Schematically, this process can be displayed as follows (Fig. 14.2):

Fig. 14.2. The mechanism for creating a joint venture

When choosing the sphere of activity of the joint venture, it is necessary to focus on its potential:

- to produce goods, the demand for which is not fully satisfied;

- promptly implement scientific discoveries for the production of competitive products on the domestic and foreign markets;

- to ensure a reduction of costs per unit of production in the consumer industries of joint venture products;

When choosing the sphere of activity of the joint venture, it is necessary to focus on its potential:

- to produce goods, the demand for which is not fully satisfied;

- promptly implement scientific discoveries for the production of competitive products on the domestic and foreign markets;

- to ensure a reduction of costs per unit of production in the consumer industries of joint venture products;

- to produce machines and equipment, the use of which in the economy will allow faster elimination of various types of hard, harmful physical labor, more efficient use of resources, and compliance with environmental standards;

- to produce high-quality consumer goods for the population.

Ukraine's partner is evaluated according to the following indicators:

- the quality of the manufactured products, their comparison with global analogues,

- technical characteristics of the equipment that can be transferred to the statutory fund;

- availability of buildings and structures that can be transferred to the statutory fund;

- professional training of specialists who will be involved in work in the JV;

- providing the territory of the future JV with transport communications;

- the location of the enterprise in relation to the suppliers of raw materials, semi-finished products and component products, which are necessary for the functioning of the joint venture.

The search for a foreign partner has its own characteristics, depending on the initial conditions of the Ukrainian partner with experience:

a) work with a potential foreign partner, when the joint venture becomes a logical stage in the development of export-import activities, deepening of scientific-technological or production cooperation.

b) foreign economic activity with other foreign partners.

It often depends on the scope and terms of work at that stage, the involvement of intermediaries, etc. Often, the initiative to create a JV comes from foreign companies and individuals.

But in any case, it is advisable, firstly, to ensure multivariate choice, and secondly, to analyze possible partners according to a certain system of criteria. For this purpose, they are used as direct indicators (the size of assets and their dynamics, the ratio between own and borrowed capital, the movement of earned profit, the number of employees, the number of enterprises of the firm, the volume of foreign sales), and relative - the ratio of profit to production costs, the level of labor productivity, the increase in production per unit of investment, etc.

Formation of the statutory fund is of fundamental importance when creating a JV. First, it becomes the basis for future activities; secondly, the distribution of residual profit depends on the share of JV participants in the statutory fund; thirdly, the amount of the statutory fund is taken into account when carrying out a number of operations - granting a loan, deduction to the reserve fund of the JV.

The statutory fund has a material assessment (natural resources, buildings and structures, objects of industrial and social infrastructure, equipment, licenses and "know-how") and a cost assessment - fixed and working capital.

The value assessment of the elements of the main capital of partners and the statutory fund is carried out at contractual prices, taking into account the prices of the world market. By agreement, participants' contributions are assessed both in hryvnias and in the currency converted into hryvnias at the official exchange rate.

Working capital can be estimated in hryvnias, VC, raw materials and materials necessary for the initial activity of the JV.

The development of a technical and economic feasibility study (FES) of its activity is important during its creation.

The statute of the joint venture has the following articles:

1. Subject and places of activity.

2. Participants, company name and location.

3. Legal status.

4. Statutory fund.

Fig. 14.4. Sources of financing in the creation of a joint venture

5. Other funds.

6. DISTRIBUTION OF PROFIT.

7. Settlements with participants.

8. Management bodies.

9. Meetings of participants.

10. President.

11. Directorate.

12. Audit commission.

FROM. Rights and obligations of participants.

14. The right to sign.

15. Term and termination of the enterprise.

16. Liquidation and Right of Preemption.

17. Arbitration.

18. Final provisions.

After the end of the negotiations and the signing of the founding documents, the JV is registered in the Currency and Economic Department of the Ministry of Finance of Ukraine. The following documents are required for this:

- a written statement of one of the JV participants, which indicates all JV participants. Their legal address, governing bodies of each participant, data on the person entrusted with obtaining the registration certificate;

- clearly expressed approval of the regional executive committee (for Kyiv city executive committee) on the creation and placement of the joint venture;

- clearly expressed approval of the governing body of the Ukrainian participant to create a JV;

- notarized copies of founding documents

- technical and economic justification of the creation of the JV, which confirms its effectiveness and currency self-sufficiency;

- documents confirming the registration of a foreign partner, such as

legal entity and its solvency.

Registration of a JV in the Ministry of Finance of Ukraine is carried out subject to a positive decision of the State Foreign Economic Commission of the Cabinet of Ministers of Ukraine. Constituent documents are considered by the Monetary and Economic Department of the Ministry of Finance of

Ukraine, as a rule, within 30 days from the time of receipt of the relevant decision by the State Foreign Economic Commission.

The Monetary and Economic Administration issues a certificate of JV registration.

The activity of the JV ends after the end of the term for which it was created or the achievement of the goal of creation; on the basis of the decision of the relevant body of the executive or judicial power of Ukraine in the case of a systematic or gross violation by the enterprise of the requirements of the law. The activity of the JV is terminated by its reorganization or liquidation. The latter is carried out in accordance with the current legislation and is considered to have been carried out from the moment it is recorded in the state registration register. The participants of the liquidated JV have the right to return their share in the form of goods or VCV at the residual value at the time of liquidation after payment of all obligations of the joint venture.

14.3. Mechanism of operation of joint enterprises

At the stage of creation of the JV, in its founding documents and technical and economic rationale, the fundamental issues of management and personnel support should be resolved, an organizational and economic mechanism of functioning based on the specific goal of the JV should be established, current regulations and agreements of partners.

Operating in the real sphere on the territory of Ukraine, joint ventures, on the one hand, reflect the relevant economic conditions, on the other hand, they have their own peculiarities in their activities, which are connected with their internal specificity and a number of external factors.

Material and technical support of the JV is carried out from both domestic and foreign markets. Transportation is regulated by the current norms and rules of domestic and international transportation. The number of JV personnel is not regulated and subject to the agreement of the partners. Issues of hiring and firing, forms and amounts of material interest are resolved independently. As a rule, joint ventures use flexible payment and labor incentive systems. At the same time, the terms of payment of local workers, the regime of their work and

rest, social security and insurance are regulated by the legislation in force in Ukraine.

Foreign citizens are subject to the work regime established at the JV and current Ukrainian legislation on certain working conditions. The terms of payment, the procedure for granting vacations and pensions are defined, as a rule, in the employment contract with each foreign citizen. Pension payments of these citizens are transferred to the respective funds of the countries where they permanently reside. There may be specifics for foreigners in matters of hiring and firing. It depends both on the specifics of the organization of work at a particular JV, and on the content of relevant interstate and intergovernmental agreements.

The order of creation of funds, sale of products, distribution of profits and taxes, crediting and settlement operations, insurance of joint ventures have their own specificity.

The composition of JV funds, the procedure for their formation and use are reflected in the founding documents. As a rule, reserve and depreciation funds, production, science and technology development fund, material stimulation fund, social development fund are created. A reserve fund is mandatory, which is strictly fixed and must be at least 25% of the statutory fund. When this level is reached, deductions to the reserve fund are stopped. When the size of the statutory fund changes, the reserve fund changes accordingly.

Depreciation deductions are made mainly according to current industry standards. But the possibility of establishing a different order of such deductions in the founding documents is allowed, since a higher percentage of depreciation deductions is used in Western countries than in Ukraine.

Joint ventures independently plan production and determine ways of selling products and services domestically and abroad foreign markets for hryvnias and foreign currency. In the domestic market, JVs can use branch and territorial sales systems, the wholesale trade system, including direct supply contracts, sell products through foreign trade organizations. In many cases, joint ventures do without intermediaries, for example, when selling products to Ukrainian members of the joint venture, when providing services, in the case of organization, corporate trade.

It is important for the functioning of joint ventures risk insurance. Insurance premiums are paid from the balance sheet profit.

The JV is obliged to promptly inform the insurance company about all significant changes in the objects of insurance, the amount of insurance sums and the degree of risk. The specified information is the basis for revising insurance conditions and increasing insurance premiums. In the case of late payment of the insurance premium, the insurance contract becomes invalid in terms of the insurance company's obligations.

14.4. Small enterprises in a market economy

A prominent place in the program of the transition of Ukraine's economy to the market is given to the development of entrepreneurship, including small independent enterprises. The functions that small enterprises perform in a market economy are well known to specialists. At the same time, among the majority of economists and managers of enterprises and branches of the economy, the idea of small enterprises as technically backward, which, simply put, hinders the successful development of the economy, has taken root.

Giganomania is the most characteristic feature of the administrative and command system. This system gave birth to a rule: the fewer control objects in the main link, the easier it is to manage; the fewer enterprises that produce homogeneous products, the easier it is to plan and distribute them from the center. In accordance with the principles of centralized planning and distribution management, the organizational structure of public production was formed, which was based mainly on large highly specialized enterprises.

Our evaluations of small businesses in the developed countries of the world also adapted to this "psychology". In short, our science assigned small business a secondary role in the economic life of society.

However, this is far from the case. The small business sector performs quite important functions in the economy of developed countries. First, it provides the necessary mobility in market conditions, creates deep specialization and extensive production cooperation, without which its high efficiency is impossible. Secondly, it is able not only to quickly fill the formed niches in the consumer sphere, but also to pay off relatively quickly,

sometimes using the very modern equipment and technologies. Thirdly, a small business creates the atmosphere of competition necessary for the market, a variety of forms that quickly appear and disappear, shows a readiness to instantly react to any changes in the market situation. Fourthly, and this is at least the most important, it creates the environment and spirit of entrepreneurship, without which no market economy, built primarily on the personal interest and initiative of producers, is possible. And, finally, small business is a workplace for many sections of the country's population.

The analysis of definitions of the essence of the concept of "small business" made it possible to characterize it as a special type of economic activity, the subjects of which combine two main generalizing qualitative characteristics - the combination of the owner and the direct manager of the firm in one person, as well as the innovative character and the increased level of economic risk, which has place at all stages of business activity.

The ratio of the roles of large and small businesses in the global practice of innovation processes is characterized, first, by the concentration of scientific research in large companies; secondly, by generating a significant number of radical innovations in small businesses that influenced the development of developed countries of the world; thirdly, bringing innovations created by small businesses to mass production by large companies through the formation of a powerful corporation on the basis of a small firm or its product being taken over by an already existing large company.

From 2000 to 2009, the amount of costs for innovations increased, but this phenomenon is not indicative, since the prices for the purchase of new technologies, preparation of production for the introduction of innovations, the purchase of appropriate machines and equipment, etc., increased significantly. As confirmation, we can cite the fact that in 2008, the volume of scientific and scientific and technical works performed in actual prices increased almost 8 times, but their share in the country's GDP decreased from 1.36% in 2000 to 0.9% in 2008.

Small enterprises, in our opinion, will find their place in the conditions of acceleration of scientific and technical progress, transition to new technologies in advanced sectors of the real economy. They will represent an organic element of the entire system, will ensure work with new information

technologies, new ideas and modernization of production. Small enterprises are also the optimal form of production in conditions of increased risk.

Thus, small enterprises and everything related to their activities constitute an important and organic element of the organizational structure of modern social production. This has long been understood in the developed countries of the world. Therefore, small business is given an important place in the economy and is provided with significant state support.

Indeed, the risk of introducing a completely new product to the market belongs to the small business, which is the main source of innovative growth of the economy, since the small business is ready to fight hard for the consumer. Venture capital, which supports the entrepreneur not only financially, but also with the help of consulting, is starting to play an important role in supporting the private innovator, in addition to the state, which must ensure the same conditions when entering the market. It is venture capital that plays the role of a creditor, providing a loan for the development and commercialization of innovations that create a new market, new jobs and ensure the rise of the economy1.

What to call a small enterprise? World practice does not know unambiguous definitions. For the most part, such indicators as the number of employees employed in them, the cost of fixed capital, and the volume of sales are used to determine the size of enterprises. However, the boundaries of such a watershed between small-scale and large-scale production are quite arbitrary.

Therefore, different countries adopt different criteria for determining the size of small enterprises, and first of all, according to their number. In the USA, this limit is limited to 500 employed people, in Japan - 300. In addition, the maximum size of enterprises that can be classified as small and count on special benefits is differentiated by individual industries. It is quite obvious that the size of a small enterprise in terms of the number of employees in trade should be much smaller than, for example, in construction. Obviously, the same approach should be used in our country during the preparation of legislation on small enterprises.

Under the current conditions, "unofficial" holders of entrepreneurial status, subjects of certain types of household activities, owners of farms and personal peasant farms should be additionally classified as small business

entities. Accordingly, the regulation of their activities should be carried out within the framework of the implementation of the state policy of small business support, but at the same time, the fundamental difference between the main purpose of commercial and non-commercial organizations in the field of small business requires the implementation of different options for their regulation based on basic principles.

First, regulation is a combination of forms and methods implemented by state administration bodies to achieve the set goal, i.e. activation of small business development. Secondly, for the effective development of small entrepreneurship, a well-branched infrastructure is necessary,

Thirdly, the regulation of small business should be interpreted as a purposeful complex activity of state institutions aimed at combination and coordination. Combination of different forms. Methods of regulation and support of small entities and their infrastructure.

The importance of the development of small entrepreneurship and small enterprises in our country has only recently been seriously discussed in connection with the problem of saturation of the consumer market with goods and services. Nevertheless, the importance of this problem for the transition to the market is not fully understood not only by specialists and managers of enterprises and branches of the real economy, but also by many economists.

Notations: - the number of small enterprises per 100,000 people of the existing population, units

- the share of employees at the private sector in the total number of employees at enterprises - business entities, %

- the share of MP in the total amount of sold products, services, works, %

However, in the USA, for example, out of 19 million different independent firms, more than 90% are small. In Japan, of the 10 million independent companies that belong to small and medium enterprises, 99% also belong to the small business sector. This sector accounts for about 50% of the country's GDP in the US, and more than 50% in Japan. In the US, small firms provide about half of the increase in the entire gross domestic product and 2/3 of newly created jobs.

In the Ukrainian agricultural sector, out of 58,387 operating agricultural enterprises by organizational and legal forms of management, 78.9% are small enterprises based on the number of employed workers (up to 50 people), and 59.7% of enterprises have the size of land plots up to 100 hectares per enterprise, and their the share in the total volume of production does not exceed 10%. In addition, about 16,000 small enterprises operate in the agricultural sector, which provide service to the main production and provide services to the rural population. As we can see, this is many times less than what the market economy has created in developed countries. The limited number of management objects in the main chain is a direct consequence of the administrative system. If we take into account that a significant part of small enterprises is included in the composition of various associations or other large structures, then the number of independently operating production entities is 3-4 times less than the mentioned figure. All this gave birth to an invisible monopolization of production. Its scale in our economy is huge1.

Small businesses have an important role to play in going to market. They are able to quickly solve many problems of stabilization of the consumer market, which large enterprises will not be able to do; ensure the competitive nature of production and its democratization. These enterprises should become a certain shock absorber during the transition to the market methods of large enterprises. Finally, they will be the basis for the formation of an independent market environment and entrepreneurship.

Small enterprises are able to emerge and develop quite quickly and, gradually displacing the remnants of the administrative system, contribute to the formation of a unified market economy of the country.

In the coming years, it is necessary to create a large number of small enterprises in all spheres of the economy. This should become the main thing at the current stage of transition to the market. And we already have certain market structures in the agricultural sector represented by small producers.

In addition, in the agrarian sector of the country (agriculture, construction, trade, etc.), there is a fairly large number of enterprises that can be classified as small enterprises by their size.

Cooperatives demonstrated the possibilities of rapid emergence and increase of production volumes. Their positive and negative experience should certainly be taken into account when creating and developing small businesses.

The fundamental principle of the activity of small enterprises is the principle of equality of conditions of their management, regardless of whether such enterprises are state, cooperative, joint-stock or private.

It is necessary to say a few words about the place and role of private enterprises, which should be widely distributed in trade, production of consumer goods, processing of agricultural products, construction and in a number of other branches of rural settlements. This will allow solving many problems, which are now driven inward and lead to the violation of laws and the transfer of essentially normal economic relations in the conditions of the market into the shadows.

In order for small enterprises to develop quickly and efficiently, to be able to create a stable sector of the market economy in the next 1.5-2 years, to solve many complex problems of the transition period, they must have, regardless of the form of ownership, the same principles of taxation, pricing, material and technical support, financial accounting and control. And they should not be subordinate to higher authorities.

One of the main conditions for the successful development of this area is the simplicity of the organization of small enterprises. The organization of small businesses should not require numerous visits to authorities, permits and visas. But all subsequent activities of the new enterprise must be strictly controlled by market conditions, competition, public and state organizations. Simultaneously with the transition to the development of entrepreneurship in the country, a clear and comprehensive system of financial control and accounting of their activities should begin to operate.

The question arises: are there any benefits for small businesses and the small business sector? This question can only be answered in the affirmative. This is due to the fact that small enterprises are characterized by such features as minimum amounts of equity capital, sensitivity to fluctuating market conditions, the need to operate in conditions of fierce competition, increased risk, especially in new areas of activity. In addition, small enterprises have a lot of obstacles in the period of their formation. Considering these features,

special support systems for small businesses have been established in many developed countries.

The governments of these countries believe that small businesses should be accessible to a wide range of people. Therefore, extensive systems of material and informational support for beginning small entrepreneurs operate in these countries. At the same time, the spirit of entrepreneurship is planted literally from the school desk.

Considering the important role that small businesses have to play in the transition to the market, a system of benefits is needed to support small businesses in our country as well.

The benefits are twofold. This is either a preferential taxation of income or profit, or a mechanism for providing targeted subsidies, subsidies, financial guarantees, a system of risk insurance and conventional insurance, etc.

In the USA, for example, small businesses do not enjoy any special tax benefits at the state level, but are supported by financial guarantees and special subsidies. And in Great Britain and Japan, reduced rates of income tax are provided for small and medium-sized companies.

Of course, under the conditions of our economy, everyone should be equal on the market. Preference can be given only to those enterprises that fall into the category of small enterprises. Financial benefits should be given first of all to capital-intensive productions that require a sufficiently long time for their construction and development of capacities. But for cooperatives or other small enterprises that work in the field of informatics, consulting services, where the use of large production assets is not required, as well as those that are included in industries with a quick return on investment, such benefits do not need to be provided.

As for pricing, apparently, these issues should be resolved within the framework of a general approach when implementing market relations. However, the bulk of products produced at small enterprises should still be sold at free market prices. Here, it is only possible to establish either upper price limits (comparable, for example, with world prices), or large taxes on excess profits. Only in such cases will real incentives for the rapid formation and development of small enterprises be created.

The problem of material and technical support is quite difficult. Formally, under the conditions of the market, enterprises must themselves solve the issue of material support and sales, using the mechanism of wholesale trade and marketing. However, the sad experience of cooperatives shows that they are deprived, especially at the first stages of their formation, of the basic resources for creating a normal material and technical base for the production of products and services, they were forced to either use illegal methods of extracting raw materials, materials and equipment, or to curtail production. Therefore, it is quite important at the first stage of the development of small enterprises to organize their material support with basic materials and equipment through special state or commercial wholesale and retail organizations.

It should be noted that the small business system abroad is served by a huge number of commercial banks, as well as various intermediary and small wholesale organizations. All elements of this system are organically interconnected. The accelerated development of small enterprises in our country requires a fairly clear organization of this process. In principle, participation in a small business should be accessible and understandable to every "average" person.

For the sustainable development of small enterprises, financial funds should also be created, which would act as guarantors for banks, would serve as sources of subsidies, including non-refundable ones, for the development of enterprises in especially priority areas of the economy1.

The organization of financing the organization and activities of small enterprises is of considerable interest. This system involves the direct use of funds from the state budget, as well as funds from local budgets. In the practice of Western countries, funds allocated from the budget are provided to small businesses through a network of governmental or private financial organizations that operate on a commercial basis. The provision of funds is mainly revolving in nature. This procedure ensures the efficient use of budget resources, makes it possible to carry out purposeful crediting of those areas of activity that receive priority, taking into account national or regional positions. For example, in the USA, the state budget funds allocated to subsidize the activities of small businesses are relatively small. They are used mainly to provide guarantees and compensations to commercial banks, which provide loans to small businesses, mostly at lower interest rates, when small

entrepreneurs are going to launch a new business or carry out technical rearmament of production.

In Japan, funds are provided to small businesses by special financial companies. These funds are distributed primarily according to priority areas of activity and are issued for a period of up to one year. Commercial credit in Japan is provided to small businesses by private banks on fairly strict terms, and the interest rates here are not lower, but sometimes even higher, than for large businesses. However, this system of loans is provided by a system of guarantees and insurances, which is organized at the regional level.

It should be said that the system of financial support is well developed. It combines wide opportunities for obtaining guaranteed credits, loans or loans mainly on a revolving basis with clear control, which is carried out by both credit organizations and the system of government bodies that directly provide support to small enterprises.

For the sustainable development of small enterprises in our country, centralized and regional financial funds should be created, which would act as guarantors for banks, and also serve as sources of subsidies, including non-refundable ones, for the development of enterprises in especially priority areas of the economy.

It is advisable to include the creation of special "incubators" for the cultivation of small enterprises in the state support system (such a system is developed in European countries and the USA). This "incubator" looks like this: on industrial premises owned by the state or leased by the state, small businesses can get the necessary space, equipment and even centralized accounting and management services for a low rent. All this is quite important in the initial period of their activity. And this is what small businesses use until they get back on their feet and can independently purchase or rent the necessary production space and perform all the functions of their economic activity. Such "incubators" are especially popular when setting up the release of new products, including consumer goods, and especially when implementing new promising technical projects.

Support for their activities at the regional level should play a major role in the formation of small enterprises. Encouraging their activity and development can be done primarily by reducing tax rates on that part of the profit that goes

to the local budget. In addition, from financial sources that are formed at the regional level, small businesses can be granted preferential loans from commercial banks with compensation from regional funds, as well as subsidies for technology improvement or other purposes, various differentiated tax discounts.

Small businesses are particularly sensitive to various unforeseen situations that may arise as a result of a sudden change in the economic situation, the insolvency of counterparties or a natural disaster. Therefore, in developed countries, a well-branched and established system of their insurance is used. Such an insurance system must be created in our country as well. It should guarantee normal conditions for the development of small enterprises, especially in those areas where commercial risk is high, create the necessary stability and confidence among entrepreneurs who risk their own or borrowed capital.

TOPIC XV

THE COMPANY AND THE WORLD TRADE ORGANIZATION (WTO)

15.1. The essence and main principles of the WTO

Globalization – it is an irreversible way of development of society, but along with its advantages, it carries a threat to this development and even a complete degradation of those countries in which national interests are not taken into account. The World Trade Organization (WTO) is one of the main institutions and mechanisms of globalization, along with the IMF.

The World Trade Organization (WTO), which was created in 1994 on the basis of GAAT, is, in fact, a new international trade organization. First of all, developed countries were involved in this organization, and secondly, developing countries and countries with economies in transition.

The powerful transnational corporations (TNCs) of the countries of the "golden billion" have a dominant position and influence on WTO policy. In the last decades of the 20th century, the superpower USA and EU countries first accumulated, integrated and organized on a scientific basis the personnel, intellectual, scientific and technological, financial and production potential of the West, and then, after the collapse of the USSR, they further strengthened their power and influence in the world.

Their strategic position consists in resolutely destroying the foundations of other countries, subordinating them to their political will and economic influence through two main institutions - financial (IMF) and international trade (WTO) with the aim of forming a "green street" for the free movement of international capital and transnational goods corporations (TNCs). In the world, there is a constant and frantic economic war for sales markets and resources, which periodically turns into direct aggression. Ukraine is facing such an audacious challenge today - politically subjugated, financially enslaved, economically ruined, ideologically devastated, but with a talented and hard-working people, with not yet fully destroyed scientific, technical, technological potential, with an education system still preserved, with talentless and unscrupulous managers and leaders of the ruling elite.

The WTO allegedly acts according to fair principles:

- trade without discrimination - "trade rules are the same for everyone";

- prevention of any protectionism, i.e. protection of one's market and support of one's producer;

- predictable and scalable access to markets;

- fair competition (for underdeveloped countries);

- economic development and reforms.

15.2. COT rules

Of the more than 140 countries in the world that are part of the WTO, three-quarters are developing countries in which market reforms are taking place. WTO rules formally allow these countries to make concessions in a number of areas agreed upon in the negotiation process.

But, as shown in the monograph "Globalization and security of development" (2001), this is only an illusion of justice, and in fact the mentioned terms of the WTO are a trap, because this organization, in fact, freezes forever or for a very long time that structure of production and that the state of the innovation process, which the country has at the time of accession to the WTO. This happens due to the inadequacy of the terms of international trade of the WTO and the conditions of competitiveness of countries in the geoeconomy.

The WTO imposes on underdeveloped countries, and Ukraine in particular,– Professor M. Pavlovsky notes in the article "Entry to the World Trade Organization - to whom development, and to whom decline" (see Gaz. "Voice of Ukraine" for April 10, 2003), – conditions of fair free market competition or "market fundamentalism" (J. Soros's term). Meanwhile, TNCs do not operate according to the rules of fair competition, but according to the rules of monopolistic competition between firms and political competition between countries.

This is the main meaning of the double morality of the West, i.e. the West lives by the same rules, and imposes completely different rules on the periphery. The former vice-president of the World Bank, the well-known US

scientist J. Stiglitz said about the "advice" of the fanatics of IMF monetarism as follows: "If these advices were followed, it would not have been possible to achieve significant economic growth in the USA."

In general, developing countries of the world take the Ukrainian innovative policy of M. Tuhan-Baranovsky as their basic economic policy, which always leads to the growth of knowledge-intensive production, while the periphery, and in particular Ukraine, impose Friedman's monetary policy, which leads to the regression (fall) of any of which production

In addition to the above, COT rules advocate only the same conditions of fair trade, but they do not take into account the different conditions of production, among which, other things being equal, natural and climatic conditions, patriotism and concern for their own people on the part of governments and leaders of countries are of significant importance. The rules of the WTO do not take into account the double morality of the West, which is also evident in the fact that developed countries, evidently or explicitly, directly or indirectly, pursue a policy of protectionism in relation to their companies, and in relation to the periphery - a policy of liberalization and openness. It is enough to mention dumping processes regarding the sale of Ukrainian metal, CDs, contrived artificial restrictions on the sale of Ukrainian grain on the market of EU countries, etc.

The conditions of the WTO and the IMF very often force the presidents and governments of the peripheral countries (including Ukraine) to neglect the theorems of geoeconomics known to students, in particular, the first Pareto theorem: "With limited resources on the globe, if a country becomes rich, it is only at the expense of the impoverishment of others ", M. Pavlovsky's theorem on liberalization: "If any country on the globe, especially a small one, is in crisis, and at this time its government or president pursues a policy of liberalization or it prematurely joins the WTO, then its knowledge-intensive production the country will not revive and develop even theoretically."

It must be admitted that Western experts honestly point out that the implementation of WTO agreements both in the short-term and in the long-term is beneficial, first of all, to developed countries or countries whose leaders are able to make political decisions independently and rely on the recommendations of science (the example of China and etc.). We will present some digital data from the book "Globalization and security of development"

(ed. Bilous O.G., 2001). Let's take the following three groups of goods for comparison: 1 – agricultural goods; 2 – textile; 3 – goods of the manufacturing industry and we will compare what they will gain per year (in billions of US dollars) from the terms of the WTO of EU countries and countries of Central and Eastern Europe in the short-term and long-term (numbers in brackets) perspectives.

As can be seen from the given data, developed countries, in particular, EU countries, will win, and underdeveloped countries, in particular, Central and Eastern Europe, will almost completely lose. In general, the advantage of the EU countries in case of fulfillment of the terms of the WTO in the long term will be 42.5 times greater than for the countries of Central and Eastern Europe, and in the short term - comparison is impossible, because the countries of Central and Eastern Europe will only have losses.

For Ukraine, the immediate accession to the WTO in 2004 would have even more serious consequences, because it is the poorest among the countries of Central and Eastern Europe. If, for example, Ukraine had joined the WTO at that time, then as shown in the work of V.S. Shumikhina (2002), she would immediately lose 1,070-1,100 million dollars. USA, in particular:

- in the woodworking industry 60-70 million dollars;
- in the automotive industry, 260-280 million dollars;
- 500 million dollars in mechanical engineering;
- to the shipbuilding industry 250 million dollars, and at the same time could receive (or not receive) an additional 150-180 million dollars. the USA due to the cancellation of dumping restrictions on metal exports.

The most dangerous thing is that it will be difficult for Ukraine to displace from its market even those imported goods that it can and should produce itself, and to develop its domestic market.

Today, in Ukraine, due to the underdevelopment of the domestic market and the poverty of the population, the share of exports in GDP is about 50%, while in the EU countries - 15-20%, Russia - 23%, China - 17%, Poland - 26%.

Ukraine's agriculture will suffer the most. Immediately after the planned accession to the WTO, the number of unemployed in the countryside (according to scientists' calculations) may increase by another 750,000 peasant families, which is about 2 million people. Another 3-4 million people will be added to the current army of 7 million unemployed (taking into account hidden unemployment).

It should be noted that today almost 13 million people in Ukraine have a daily income of less than 1 dollar. USA.

World practice and statistics show that if on the globe in the 60s of the 20th century the ratio of the wealth of the countries of the "golden billion" to the wealth of the poorest countries with the same population was 40:1, then after 40 years of the policy of globalization and accession to the WTO 144 countries, this ratio will be 90:1.

The problem is that only those who have money and who can buy high-quality domestic and imported goods can be consumers on the Ukrainian market. In Ukraine, almost 80% of the population is below the poverty line, so who are the consumers? Therefore, this argument is in favor of the oligarchs, who own 80% of the wealth of Ukraine.

15.3. How to join the WTO, overcome poverty and become a developed country?

It is necessary, taking into account the double morality of the West, to rely not on the recommendations of their expert consultants, but directly on the experience of developed countries and those rules and economic laws by which they themselves live.

First, for developed countries, the priority of national interests is higher than globalization. Globalization, WTO, etc. - for them, a mechanism for realizing their national interests. As US President Bush (senior) aptly said - "US national interest in the whole world". This means that protectionism (protecting one's market and supporting one's producer) is higher than liberalization (openness of one's market and not supporting one's producer).

Secondly, the basis of the wealth of developed countries and the well-being of their people is not raw materials, but technological leadership in science-intensive industries. World experience shows that a country that exports raw materials and intelligence, and imports goods from developed countries to its market, has a salary 20-40 times lower than in developed countries. (Compare, $160 USD is the average monthly salary of a teacher in our country and $1,000-2,000 in theirs). At the same time, their basic economic policy is not monetary (like ours), but our Ukrainian innovative theory of Mykhailo Tugan-Baranovsky.

Third, in order to get the economy out of the crisis, to ensure its stability and development conditions, according to the experience of developed countries, the banking system must be changed in such a way that the main part of credit resources (at least 80%, and today less than 5%) is directed to production with interest rates of no more than 10- 12% (the norm is 5-6%), because when the interest rate is more than 20% (as it is now), no production can develop. The main source of investments is own capital and savings of the own population (according to the calculations of domestic economists, our capital has "fled" abroad - 40 billion dollars, and another 17 billion dollars are in the hands of the population).

Fourthly, the competitiveness of production in developed countries is achieved not by its fragmentation (as in our case), not by focusing only on small and medium-sized businesses, but by concentrating production in science-intensive industries (electronics, automobile manufacturing, information technologies, space and aviation industries, weapons, etc.)., with state support for the conquest of markets through monopolistic competition between countries and civilizations for the imposition of conditions of perfect free market competition, total privatization and non-interference of the state in the economy on the periphery of the world economy.

Fifth, a developed and protected internal market is needed. In the three developed countries of the world: the USA, Japan and Germany, 90-92% of our own goods and, accordingly, 10-8% - imported goods, on the domestic market, and in our country, on the contrary: 80% - imported and 20% - our own. Now it is clear who will benefit from liberalization (openness of the market).

Sixthly, high salary and purchasing power of the population. Their minimum salary is thousands of dollars, and ours is tens of dollars. With their salary, of course, one can be a tasteful consumer and support the consumer phenomenon.

15.4. How to take into account the experience of developed countries and reach their parameters?

The most important thing isto use the scientific and technical potential that exists in the country. For this, it is necessary to change values in society– the main value should be a person with qualified work: a scientist, engineer, economist, teacher, doctor, skilled worker in all branches of the national economic complex of Ukraine.

The basis of realization of these values is own knowledge-intensive production. The main phenomenon at the stage of development for us should not be consumerism (as in developed countries), but actual knowledge-intensive, competitive production and conscientious work. Small and medium business, service sector under these conditions, they have to serve mostly their own goods and capital.

For this, it is necessary to take into account, first of all, the experience of China. During the years of reforms China created 15 industries (we destroyed 8) and 500 million skilled jobs (and we lost almost 10 million out of 23).

During our steady declines in production (up to 25% in some years), China had a steady growth of 8-12% per year.

Since globalization is still an inevitable process, shaping today's government policy regarding Ukraine's membership of USD. in the WTO, it is necessary to first of all understand that it is the creation of conditions for the effectiveness of the restructuring of the national economy and the strengthening of its competitiveness; changing the monetary economic policy to an innovative one; giving preference to protectionism (and not activities aimed at solving purely technical issues of legalizing Ukraine's membership in the WTO) and should determine the process of overcoming this path and the degree of readiness of Ukraine to stay in the WTO.

15.5. The World Trade Organization: the war for markets and resources

There is a constant and frantic economic war in the world for sales markets and resources,which periodically turns into direct aggression. Ukraine is facing such an audacious challenge today - politically subjugated, financially enslaved, economically ruined, ideologically devastated, but with a talented and hard-working people, with not yet fully destroyed scientific, technical, technological potential, with an education system still preserved, with talentless and unscrupulous managers and leaders of the ruling elite.

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- economic development and reforms.

In our opinion, it is appropriate to make such a digression when characterizing the World Trade Organization because in recent years we have developed the opinion that the World Trade Organization (WTO) is a monolithic and cohesive organization. True, in Ukraine, the attitude to this monolithicity and unity is different. Some of our "Eurooptimists" who are still waiting for a "signal" about joining the EU and think that joining the WTO will make our admission to the European Union a settled matter, that is, they consider the WTO to be a kind of benevolent organization, a kind of pass to the EU, which is just that is engaged in helping its members solve their economic problems. Others (more sensible, by the way), on the contrary, are sure that the WTO smothers any independent and self-sufficient development of transitional economies, and to benefit from membership in the WTO, the economy of our country must be highly developed. However, at the same time, the view that there are no contradictions within the WTO was established.

In fact,The World Trade Organization is torn apart by contradictions, and the most painful is the agricultural issue. These contradictions became especially acute during the negotiations on the development of agriculture and providing humanity with food, which took place in the capital of Qatar - Doha at the end of 2001. These negotiations were supposed to end with the adoption of a decision agreed upon by all WTO member countries, which would give humanity a chance to increase world GDP and alleviate the condition of millions of poor people. But from the very beginning, the "Doha Round" reached a dead end, and for more than five years, the negotiations have not been able to move from the dead point.

In July 2006, the head of the organization Pascal Lamy threatened to suspend the negotiations in case the ministers of the interested countries do not come to some kind of agreement. And the failure of the negotiations will significantly complicate the task of the WTO to conclude a global free trade agreement, planned for the end of 2006. As a result, the ministers of the European Union, the United States, Brazil, Australia, Japan and India - the so-called "big six members of the WTO" - were forced to immediately hold meeting in Geneva in the hope of saving the Doha Round negotiations. However, during the 14-hour debate, the parties were again unable to reach a consensus. The US insists that the EU and other members of the WTO agree to lower tariffs on agricultural imports, after which America can begin to seriously consider the issue of reducing subsidies. In turn, Pascal Lamy stated that in order to reach a compromise, the US should significantly reduce subsidies to the agricultural sector, the EU should remove obstacles to the import of agricultural products, and large developing countries should agree to open their markets.

Trade wars on agricultural issues between the USA and the EU have been going on for many years, and it is still too early to talk about their end. Why can't the European Union and the United States agree on such seemingly insignificant issues? After all, agriculture is not the dominant branch of the economy either in the United States or in the countries of the European Union. To begin with, in the last decade the control of food markets has become almost more important than the control of energy markets, especially in conditions where millions of people in developing countries are starving. Who will dictate the prices for them on a global scale depends on who will be the main producer of agricultural products. And this factor cannot be ignored in

the struggle for geopolitical leadership. And historically it happened that today all the trump cards are in the hands of the United States. The natural conditions of the USA are not ideal for growing the main food crops, primarily wheat, corn and soybeans. The structure of the country's agro-industrial complex is also important. Small independent farms have long since died out as a class in the US. There are farms in the agricultural areas of the United States, which in terms of land area often exceed the size of such European countries as Liechtenstein, Andorra or San Marino, and some large ones reach the size of such a full member of the EU as Luxembourg! At the same time, the production of all agricultural products in the USA is automated. To increase productivity, the most advanced scientific developments are used, the most productive varieties are introduced, intensive breeding work is carried out in animal husbandry. And at the same time, in essence, American farms (even the size of Luxembourg) are the bottom link of huge agro-industrial pyramids, at the top of which are large agrarian corporations. The middle ranks are represented by powerful specialized enterprises for the production of mineral fertilizers, herbicides, research institutes, breeding farms and breeding stations (at the same time, genetically modified varieties of plants and breeds of animals are widely distributed). And this whole pyramid is subsidized by the state. Competing with these monsters on a global scale is the same as competing with the collective farm system of the USSR for a single horseless peasant. By the way, the agricultural sector of the USA somewhat resembles a super collective farm that has spread its tentacles all over the world, which is much more efficient than traditional collective and peasant farming due to high computerization, mechanization and effective use of small but highly qualified human resources.

The US insists that accepting their terms will allow agricultural producers in high-agricultural countries (which they, of course, include themselves) to dramatically increase food production and feed all the suffering. The USA tries not to draw attention to the fact that hundreds of millions of peasants in developing countries will go bankrupt as a result.

What can the European Union and other states within the WTO oppose to this monster? Really, nothing, if you compete fairly. Natural conditions in most EU countries are worse than in the climate-matched regions of the United States. In addition, historically, agriculture here developed differently than in America. A significant part of agricultural producers in Europe are small and

medium-sized peasant and farm enterprises, the vertical integration and corporatization of which is very weak. The "patching" of agricultural land in EU countries is also explained by historical reasons. Europe is densely populated, has a complex geographical relief, and it was never thought possible to form a network of large farms here. Less investment resources are invested in the agricultural sector here, besides, European farmers are often inferior to American ones in research and development. That is why EU countries protect their agricultural producers with the only method available in such conditions – high tariffs on the import of agricultural products. Of course, EU countries could also increase state subsidies. However, in this case, they will go beyond all permissible norms of the WTO. Since European agriculture is already heavily subsidized, conflicts arise between EU countries, in turn, over who subsidized their agricultural producers more.

Particularly sharp contradictions regarding subsidies are observed between Great Britain and France. The fact is that Great Britain is characterized by large agricultural enterprises. France still remains one of the few countries in the European Union where small and medium-sized peasant land ownership prevails. This is due to both historical conditions and the specifics of French agriculture, where a significant share is occupied by labor-intensive industries: viticulture, horticulture and a number of others. The same applies to the countries of Southern and Eastern Europe – where farms are smaller, they need more total subsidies from the state budget. Therefore, Europe has already reached the maximum possible bar in subsidizing its agricultural sector, while simultaneously protecting it with a high import duty.

This does not suit the United States, but if Europe lowers import duties and subsidies, the massive ruin of small European farmers and the flooding of the market with American agricultural products is inevitable. In this case, in addition to its energy dependence on Russia and the countries of the Middle East, the European Union will become dependent on the United States for food.

It is interesting that the USA in the WTO supports a number of other countries with similar conditions for farming, primarily Argentina, Australia and Brazil, where large and very large agricultural enterprises also prevail. On the contrary, India with its "striped" farms and difficult natural conditions,

numerous peasant population is more inclined to the position of the European Union.

Therefore, according to the "Doha Round", developed countries - members of the WTO were divided into two camps. And it is no coincidence that the main contradictions between the USA and the EU are, on the one hand, the high level of subsidization of American agricultural producers by the state, which does not suit the European Union, and on the other hand, high tariffs for the import of agricultural products in the countries of the European Union, which does not suit the USA.

Which position is closer to Ukraine? Definitely anti-American, although it must be admitted: our agriculture is not in a position to compete with the European one, and our state is not able to provide the "European level of subsidies" to the countryside. In the event that the USA manages to impose its will in the WTO in the agricultural sphere, membership in this organization and following strict requirements does not bode well for Ukraine. After all, the size of farms, the state of agricultural machinery and labor productivity in Ukraine are at an extremely low level, making our agricultural products uncompetitive.

The collapse of the collective farm system, the unsoldering of land, the catastrophe of the single system of the agro-industrial complex, the launched selection and breeding work led to a decrease in indicators in the agricultural sector. And if even the countries of the European Union are not able to defend the interests of their own peasants in the face of American agrarian expansion, then what can we say about our state officials who listen to their American colleagues with open mouths. Therefore, when entering the WTO, it is necessary to strictly defend the interests of one's own rural producer.

15.6. Prospects for the development of small business under the conditions of Ukraine's transition to the WTO

The creation of the World Trade Organization (WTO) actually became the largest reform of world trade since the end of the Second World War, realizing in a more modern form the attempt to create the International Trade Organization in 1948. This completed the formation of the main set of

universal agreements of the GATT system, which allows us to talk about the creation of a new global legal order in the three main areas of trade - goods, services, intellectual property - which the GATT parties have been striving for since the signing of the General Agreement.

The multilateral international trade system, at the center of which is the WTO, can be broadly defined as a set of international rules that countries must follow in their trade relations with each other. These rules are aimed at comprehensively promoting open and liberal trade. The WTO serves as both a forum for negotiations and an arbitrator in the settlement of trade disputes between member countries.

For more than 50 years of existence, the GATT/WTO system has proven its effectiveness and achieved significant progress in the liberalization of international trade through a series of international negotiations, known as "rounds of multilateral trade negotiations." The penultimate, eighth or Uruguay round of negotiations ended in 1994 with the signing of the Marrakesh Agreement on the establishment of the WTO. Currently, the ninth, so-called "round of development" is underway.

In addition, several international organizations - UN, ICJ, IBRD, etc. - have observer status in certain structures of the WTO.

The sphere of activity of the WTO is determined by agreements and other legal documents. The most important functions of the WTO are:

- control over the implementation of agreements and arrangements;
- conducting multilateral trade negotiations and consultations between interested member countries;
- settlement of trade disputes;
- overview of the national trade policy of the member countries;
- technical assistance to developing countries on issues that are within the competence of the WTO;
- cooperation with international specialized organizations.

The general benefits of membership in the WTO can be formulated as follows:

- obtaining more favorable conditions for access to the world markets of goods and services based on the predictability and stability of the development of trade relations with WTO member countries, including the transparency of their foreign economic policy;

- elimination of discrimination in trade through access to WTO dispute resolution mechanisms, which ensures protection of national interests in case they are violated by partners;

- the possibility of realizing one's current and strategic trade and economic interests through effective participation in multilateral trade agreements while developing new rules of international trade.

Thus, from a legal point of view, the SORT system is a kind of multilateral contract (a package of agreements), the norms and rules of which regulate approximately 97% of all world trade.

Ukraine's accession to the WTO system will have a certain impact on small businesses. The degree of this influence and the tasks that small business entities face depends on many factors, but, in our opinion, small business will mainly benefit from this accession.

Certain positives should be considered in support of such conclusions:

a) the state of development of small entrepreneurship in Ukraine, in particular in the real sector of the economy;

b) the possibility of transfer of state approaches to support of small entrepreneurship by WTO member countries;

c) a transparent market regulated to some extent by the state;

d) projected directions of state policy regarding the development of small entrepreneurship under WTO conditions.

The state of development of small business in Ukraine. State policy regarding small business (and not only) throughout the world is defined as the unity of the content, forms and methods of exercising state power in a specific

sphere of state activity, characterized by a certain independence, homogeneity, and repeatability. If state power in the field of small business is exercised inconsistently, inconsistently, and fragmentarily, this indicates the absence of state policy as such. The main problem faced by the public administration system as a whole, in our opinion, is the low quality of implementation of state decisions, the absence or selective implementation of national legislation (primarily by state authorities). This gives rise to the following main problems, which in turn face and suffer from the national small business, namely:

- lack of a clearly defined state policy in the field of small business support;

- an excessive number of administrative barriers (especially of a permissive nature) and excessive intervention of state authorities in the activities of small business entities;

- corruption in state authorities, which stimulates small business entities to conduct activities in the "shadow zone".

These problems create, in a certain sense, a "vicious circle" of administrative obstacles to the development of small business.

For comparison, we present the main statistical data on the state of small entrepreneurship in the EU countries.

1 - trade; repair of cars, household products and personal items

2 - operation of hotels and restaurants

3 - transport and communication activities

4 - financial activity

5 - transactions with real estate, lease, engineering and provision of services to entrepreneurs

6 - education

7 - health care and provision of social assistance

8 - provision of communal and individual services; activities in the field of culture and sports

The analysis of the data in Table 15.1 shows that in terms of the number of small business entities per 1,000 people, Ukraine has already reached the level of the EU countries. At the same time, the development of small business in Ukraine is characterized by a significant number of systemic problems. In particular, this concerns the qualitative state of national small entrepreneurship (the majority of small entrepreneurs are outside the real economy) and its regional development (a large part, for example, of small enterprises is concentrated in large cities and industrial centers of the country).

Table 15.1

The state of development of small business in EU countries in 2001*

Country	Number of subjects, thousand				Number of population, million	The number of small and similar companies 1000 containers people
	micro	are small	average	in general		
Austria	195	26	5	225	8,1	28
Belgium	515	23	3	542	10,4	52
Great Britain	3301	158	25	3483	59,3	59
Spain	255	124	16	269	40,7	66

	5			5		
Italy	3938	168	16	4122	57,3	72
Germany	3127	363	45	3535	82,5	43
Portugal	638	38	6	682	10,4	66
France	2318	142	24	2484	59,6	42
Sweden	244	22	4	270	8,9	30
Ukraine (2005)	1916,6	337,1	...	2253,7	46,5	48,5

*http: // europa.eu.int; http: // www.eim. nl / observatory 7 and 8 en/stats /2001/ var 1/1 cou. Size. html.

Types and forms of state programs for the development of small businesses. Small entrepreneurship is a universal tool for the participation of millions of citizens both in the economic life of their own countries and in the system of the international division of labor, it acts as a kind of livelihood and an incentive for self-improvement for economically conscious citizens. The development of small entrepreneurship in countries with a transition economy is one of the main factors of both the development of democracy and the construction of the middle class, as well as the degree of market transformations and openness of the economy, which is ensured primarily by the level of legislative support and the quality of the public administration system.

Taking into account the fact that the WTO system, first of all, requires new decisions and procedures from the state administration system, we should hope and expect that the principles of the WTO regarding the transparency and predictability of state regulation should have a positive impact on the state and prospects for the development of the Ukrainian small entrepreneurship. Since the problems of the development of national small entrepreneurship go beyond the boundaries of a separate state policy and are the subject of joint efforts in the implementation of state policies (economic, social, price, tax, etc.), the requirements of the WTO can and should become a significant external factor of liberal transformations in the state system itself small business policy.

The WTO does not erase or redistribute the importance of small and large businesses in favor of large ones, but, on the contrary, strengthens the possibilities of state policy regarding the development of small entrepreneurship.

In the leading WTO member countries, small entrepreneurship is recognized as one of the main factors of political and social stability of society. Thus, the European Small Business Charter defines small business as the backbone of the EU economy, a key source of jobs and an incubator of business ideas, and the EU's efforts to build a new economy (according to the provisions of the Charter) will be successful only when small businesses are in the center of attention as states , as well as the whole society.

In the USA, the attitude towards small business is similar. Thus, in the Small Business Act, which was approved by the US Congress, it is recognized that the preservation and promotion of small entrepreneurship is the basis of the economic well-being of the country's citizens, the basis of US national security.

The US government provides all kinds of assistance to the development of this sector. Structures designed to implement the specified goal, of two levels: Federal (SBA) and various types of municipal structures. The US Small Business Administration (SBA) was created in 1953 as an independent agency of the Federal Government with the purpose of providing assistance, support and protection of the interests of small businesses, preserving free competition. SBA's activities are based on two main approaches: targeting a specific consumer/client and qualitatively focused management. SBA's motto: "The main thing in business is high-quality customer service." One of the main goals

of the SBA is to create an agency with a high level of efficiency, with a small number of employees and a low cost of services. The circle of customers is very diverse: directly a small entrepreneur, lenders looking for partners, etc. The agency has a scale of standards for the best service, monitoring and improvement of which occurs through constant feedback from clients.

SBA operates a number of programs, each of them has its own specific purpose, segment of action, clients, conditions of participation. Homogeneous programs are combined into blocks. The most traditional and large ones are: supporting the business activity of women and representatives of national minorities, developing export-oriented industries, providing assistance in research work, providing lawyer services, etc.

The two largest programs are "7a" and "504". These programs are divided into several subprograms. The goal of the "7a" program is to provide a guarantee to a small entrepreneur who, for some reason, is unable to obtain it by applying to a bank. Depending on the purpose, term and amount of the loan, a guarantee is provided for 75% of the loan for an amount not exceeding 750,000 USD, for 80% for an amount not exceeding 100,000 USD; up to 10 years for working capital and up to 25 years for fixed capital; the interest rate should not exceed 2.75 points of the loan rate. The goal of the "504" program is to help expand and modernize existing small businesses. After receiving relevant information about the company's activities, the "504" program provides a long-term loan with a fixed rate of financing for the purchase of real estate, equipment, and technology.

SBA provides a guarantee for 40% of the loan, while the maximum amount of the guarantee should not exceed 1 million dollars. The SBA's activities are funded by the Federal Government. 72% of the budget is directed to lending to traditional and time-tested small business development programs ("7a"); 20%– for the further development and modernization of existing small enterprises ("504") (this block of programs is distinguished not only by the low cost of the services provided, but also helps in finding and purchasing equipment, carrying out construction work, etc. at lower rates; 7%– financing of small enterprises created by joint investment of two or more companies; about 1% - microloans, which, as a rule, are not profitable and, therefore, highly risky.

However, out of 100% of the total number of clients served by the Administration, 85% go bankrupt after one year. But the success of the "survivors" makes up for the losses of the national economy.

This is just one of many examples of supporting small businesses in WTO member countries.

The main expected benefits for small businesses from the country's accession to the WTO. For the current qualitative state of the public administration system in Ukraine, the fact that the WTO system provides several important results is most important for the development of small businesses: protection against lobbying and the fight against corruption.

Protection against lobbying. After signing the WTO protocols, the government has more opportunities to protect itself from the actions of lobby groups, since trade policy is carried out in the interests of the economy as a whole. The state's implementation of protectionist policies for certain industries involves the political influence of representatives of these areas of production on the government, which disrupts competition, as a rule, not only in these industries, but also in the entire economy. At the beginning of the 20th century, the strengthening of the policy of trade restrictions led to trade wars, in which there were no winners, because even sectors that require state protection suffer from such restrictions. Economic growth slows down and general well-being declines. Joining the WTO system helps to avoid similar situations: the state's policy implementation within the framework of the WTO principles is oriented towards the development of all branches of the economy, and not its individual parts, which helps to optimize the competitive environment.

*Fight against corruption.*The system of free trade also creates prerequisites for making reasonable political decisions, fighting corruption, introducing positive changes in the legislative system, which ultimately contributes to the "inflow" of investments into the country. The application of some forms of non-tariff restrictions, for example, import quotas, is inevitably associated with the danger of corruption among the officials who distribute these quotas and, therefore, the obtaining of excess profits by the importing companies of the so-called quota rent. Transparency and openness, that is, ensuring the availability of all information on trade rules for the public; clearer criteria under the rules covering safety issues and product standards;

application of the principle of non-discrimination also affects the political situation, making arbitrary decision-making and deception impossible.

Anti-corruption and protection against lobbying, in other words, competitive environment,– these are the results that will be a positive factor for the development of national small entrepreneurship and strengthening of its export potential.

Under the conditions of the Government's conscious and consistent implementation of competition policy and WTO requirements, it can be stated that it is time for Ukraine to form a new state policy regarding small business, which should correspond to new realities. The new state policy regarding small business, on the one hand, should acquire a fundamentally new quality, and on the other hand, it should contribute to the achievement of a new quality in the small business sector.

Expectations from the new policy on entrepreneurship. The new quality of the state policy regarding small business should be connected with a change in the essence of the state administration system. The new essence of state administration is determined by the fact that state power is based on the responsibility of officials for their decisions and actions. Decisions of state authorities are perceived and implemented by society, business entities and citizens only when the state authorities themselves actually implement their decisions. And this is possible only when the rule of law reigns in the state.

The defining principles of the new state administration system should really become: service to the people of Ukraine; democracy and legality; expediency; adequacy; efficiency; balance; predictability; transparency and consideration of public opinion, that is, those principles that are the basis of state regulatory policy (Law of Ukraine "On the principles of state regulatory policy in the sphere of economic activity" dated September 11, 2003, No. 1160-IV). At the same time, it should be noted that the regulatory policy in Ukraine is not a Ukrainian "know-how", but fully meets the requirements for proper public administration formulated by the OESD member countries, which are all WTO members. Therefore, the construction of a new system of public administration should take place as a result of the introduction into the everyday practice of public administration bodies of Ukraine of the principles and norms of regulatory policy, which is one of the main tools of administrative reform.

The main provisions of the state policy for the development of national small entrepreneurship for the new period should be concentrated around the problems of increasing the export potential and the share of added value in small entrepreneurship:

a) increasing the export capacity of national small businesses;

b) simplifying the access of national small businesses to modern technologies;

c) increasing the ability of national small business to compete with imports;

d) increasing the access of national small businesses to long-term loans for the construction of new industries and services, the products or results of which are used in international trade;

e) increasing the access of national small businesses to information about state, municipal or private programs (including non-residents) to increase the ability of small businesses to compete on international markets;

g) adequate and appropriate representation of the interests of national small businesses in bilateral and multilateral international trade negotiations and agreements.

At the same time, it should be clearly understood that the WTO is only a tool, the real results of the application of which will depend not only on the wording and agreements reached in international negotiations, but also on the proper observance of the principles of the WTO in the current activities of the Government. This should be the subject of meticulous and professional monitoring by business associations for the coming years.

Thus, Ukraine's accession to the WTO will have a certain impact on all economic entities - large business, medium and small business. The degree of this influence and the tasks facing small business entities and their associations depends on many factors, but the general trend can be determined with high probability already now - in general, small business of Ukraine will benefit from the country's accession to the WTO.

To the question: "What problems of the business climate in Ukraine hinder development?" can be stated:

1) non-transparent and unstable regulatory environment, the rules of the game in the market change frequently and unexpectedly;

2) an imperfect competitive environment due to high market entry barriers;

3) small and medium-sized enterprises do not enjoy the preferences that big business has;

4) low level of protection of the rights of private owners and investors;

5)undeveloped market infrastructure (transportation, telecommunications, information);

6) limited access of domestic firms to foreign markets due to high tariffs and non-tariff trade barriers;

7) high cost of financial resources, permits, licenses, certificates;

8) prevalence of corruption schemes for solving business issues.

To the question: "What are the risks of Ukraine's accession to the WTO for small businesses", it can be argued that they are caused by:

1) intensification of price competition in the domestic market due to the reduction of import tariffs;

2) an increase in the volume of imported products on the domestic market, and therefore an increase in competition in terms of quality and assortment;

3) the implementation of international standards and norms of safety and product quality will require significant costs;

4) the need to increase the competitiveness of the small business sector in a short period of time will create an additional burden on business;

5) the entry of new foreign companies into the market will necessitate the implementation of new marketing strategies in small businesses, which will

create additional costs for preserving and expanding the share of domestic products on the market.

However, small business structures, in contrast to large businesses, have a number of advantages that ease the process of their adaptation to work under WTO conditions, namely: a) more mobile in the process of adaptation to new consumer needs; b) largely ready to introduce innovations (especially in the field of marketing); c) practically adapted to the improvement of organizational methods of conducting business.

TOPIC XVI

COMPANY SECURITY

16.1. The essence of the concept of "company security"

The economic security of the firm depends primarily on the existence of the legal system. The guarantor of the company's economic security is the state.

An important factor in the company's security is the methods of economic regulation by the state, and primarily tax policy and the tax system. The main condition for the company's security is the stability of the tax policy.

The security of the firm depends on the degree of state intervention in the economy. If the state hardly intervenes in the economy, this is a model of classical capitalism. If it intervenes in almost all economic processes, it is a model of state socialism, which existed in the USSR for many decades. In the Soviet Union, private entrepreneurs were almost completely destroyed: there was a so-called law on tradesmen, according to which an individual who created a firm was liable to be shot, and the members of this firm were threatened with imprisonment for 10 years.

In Ukraine, in the conditions of radical economic transformations, the issue of entrepreneurship protection is becoming more and more important.

The economic security of entrepreneurship is one of the necessary principles for maintaining the stability of the economic and social situation, increasing defense capabilities, and eliminating the possibility of social, labor, international and other conflicts that threaten the security of the state.

A significant place in the country's economy is occupied by non-state business entities - joint-stock and commercial banks, joint-stock companies, private and joint enterprises, that is, companies that sustainably develop their own production of products and services. Being relatively new structures in the domestic economy, they have already made a significant impact on the economy of the state, participate in the development of modern technologies, expansion of exports, creation of new jobs, increase of tax revenues in the budget.

But the everyday practice of business entities shows their increased vulnerability to illegal and other actions by various types of criminal structures and individuals, compared to state structures. Ensuring the security of the entrepreneurial activity of firms becomes a vital need, one of the basic principles of their functioning. The tense criminogenic situation in the country, the appearance in Ukraine of actively operating economic intelligence structures, international organized crime, harsh methods of influencing business structures used everywhere determine the urgency of the problem of business security in the near future.

Taking into account the complex political and economic situation in Ukraine, there has already been an interest in the problem of protecting economic objects from the efforts of organized crime, industrial espionage and other offenses, the preservation of commercial secrets, as well as the functioning of non-state security services.

However, until now, there has not been a single point of view on the issues of a comprehensive, systematic approach to ensuring the security of economic objects, mechanisms and principles of the creation and functioning of security services of objects, their interaction with each other and with law enforcement agencies. A significant number of managers of business structures have not developed an understanding of the principle of ensuring security as one of the basic ones in economic activity, which is why in practice the problem of security is often considered secondary.

In the conditions of a market economy, firms operate in conditions of uncertainty and unpredictability. The long and deep economic crisis in our country has caused many unforeseen dangers and threats to a still young business. In addition, the development of entrepreneurship is influenced by such factors as the unstable political and socio-economic situation in the country, imperfect commercial legislation, criminalization of society, government and business, corruption, fraud, etc. All this sharply exacerbated the problem of ensuring the company's economic security.

Most often, ensuring the economic security of business is reduced to confrontation, protection against various economic crimes (robbery, fraud, forgery, arson, unfair competition, industrial and commercial espionage, information security, etc.). Undoubtedly, these threats are very important and

must be constantly analyzed and taken into account, but the concept of economic security of the enterprise has a wider meaning.

Economic security of the firm - this is the state of a business entity in which, with the most effective use of available resources, it achieves prevention, mitigation or protection from existing dangers and threats or other unforeseen circumstances and mainly achieves business goals in conditions of competition and economic risk.

This definition of the economic security of the firm allows us to show that the firm, which is in a situation of uncertainty, unpredictability, changes in both internal economic conditions and external: political, macroeconomic, ecological, legal, makes risky decisions in conditions of fierce competition, achieves prevention, weakening or protection against existing or projected dangers and threats; that under these conditions it ensures the achievement of business goals. In this situation, the company's resources (land, capital, labor, entrepreneurial abilities, information, intellectual property, technology, etc.) are used not only to prevent dangers and threats, but also primarily to achieve business goals. Identifying, preventing dangers and threats, using resources to prevent harm, making risky decisions, fighting competitors, etc. is the way to achieve strategic business goals.

16.2. Security of the firm and protection of its competitive advantages

The transition to a market economy, the creation of a significant number of enterprises, the emergence of various methods of competition, imperfect legislation, the weakness and corruption of state structures, the criminalization of economic activity and other reasons have created conditions for business entities in which they are forced to pay significant attention to ensuring their own economic security .

In the conditions of a socialist planned economy, almost all firms (enterprises) were based on the state form of ownership, the state regulated economic processes with strict centralized administrative measures. Under such conditions, unfair competition, industrial espionage, racketeering, corruption, organized economic crime, and the shadow economy were much

smaller than they are now. The state system of law enforcement agencies and state security services were used to combat such manifestations.

All this shows that the problem of economic security of business in the socialist economy was not as urgent as in the conditions of the market economic system.

In this economic situation, companies have complete economic independence, they themselves determine their economic policy, organize production and sales of products, are fully responsible for the results of economic activity. This once again speaks of the need to ensure economic security in modern conditions.

Ensuring the economic security of the business requires the creation of the company's own security system. When characterizing the company's economic security system, one should first define some methodological provisions:

1. The system of economic security of a firm (enterprise) cannot be templated. She should be*unique* at each enterprise, as it depends on the characteristics of each enterprise (level of development, structure, size, production potential and efficiency of its use, direction of activity, qualification of personnel, production discipline, competitive environment, location, riskiness of production, presence of secret materials and their degree of secrecy etc).

2. The company's security system should be*independent*, separated from similar systems of other production units. But her separation is relative. Many tasks facing the company's security system cannot be performed independently, without the necessary decisions made at a higher level, and above all at the state level. The security service of a particular firm also depends on the countermeasures of competitors' security services and, first of all, on their intelligence units. It is created and functions on the basis of legislative acts adopted in the country, the availability and ability to purchase protective equipment, the level of training and qualification of personnel, etc.

3. The company's security system should be*complex*. It is designed to ensure economic, scientific and technical, personnel, intellectual, ecological, informational, physical, man-made, fire, communication, etc. security. Taking

into account the above, the economic security system should include the appropriate elements, bodies, forces, and means. Only the complexity of the economic security system can ensure the appropriate reliability of the company's security.

4. But, in our opinion, the main provision is*effectiveness and efficiency* economic security, since the uniqueness, independence and complexity of the economic security system does not provide any guarantee that this system will operate, except to operate effectively.

The creation of the company's security system and the organization of its successful functioning should be based on the methodological foundations of the scientific theory of security. The goals of the company's security system should be defined: what needs to be done, what should be achieved; what tasks must be solved to achieve the set goals; what are the main functions of the enterprise security system - to determine the scope of this system. The security system is built on the basis of certain scientific principles. All this serves as a methodological basis for the creation of the company's security system.

It is possible to achieve the set goals by solving a whole set of tasks. The most significant include:

· identifying real and forecasting potential dangers and threats;

· finding ways to prevent them, weaken or eliminate the consequences of their action;

· finding the forces and means necessary to ensure the security of the company;

· organization of interaction with law enforcement and control bodies in order to prevent and stop offenses against the company's interests;

· creation of the company's own security service, corresponding to the identified dangers and threats, etc.

16.3. Functions and principles of security of the firm

The company's security system is designed to perform certain functions. The most significant of them include:

· forecasting, detection, prevention, mitigation of dangers and threats;

· ensuring security of the company's activities and its personnel, preservation of its property;

· creation of a favorable competitive environment;

· liquidation of the consequences of the damage caused, etc.

The company's economic security system is built on certain principles. The most important of them are: complexity, or systematicity; priority of prevention measures (timeliness); continuity; legality; planning; frugality; interaction; competence; combination of publicity and privacy.

Complexity, or systematicity. This principle provides for the creation of such a security system that will ensure the protection of the company, its property, personnel, information, various spheres of activity from any dangers and threats, unforeseen circumstances. That is, the security system, its constituent elements, forces, means must be sufficient to ensure economic, ecological, scientific and technical, personnel, fire and other types of security.

Not only full-time employees and special services, but also almost all of its employees should participate in ensuring the company's security.

Priority of prevention measures (timeliness).The security system must be built in such a way that it can detect various destructive factors at an early stage, take measures to prevent their harmful effects and damage to the company. The implementation of this principle is economically much more profitable than eliminating the damage caused.

Continuity. The security system must be built in such a way that it acts to constantly protect the interests of the company in conditions of risk and countering intruders.

Legality. All work to ensure the security of the company must be carried out on the basis of current legislation and not contradict it. Those security

measures that are developed in the company itself must also be carried out within the limits of the applicable legal norms.

Planning. This principle brings organization into the functioning of the security system. It allows each participant in the process to act in a logical sequence, clearly fulfilling the duties assigned to him and solving the tasks set before him. Security activities are organized on the basis of a single plan outlined in a comprehensive program and specific plans for individual directions and types of security.

Frugality. The security system should be built in such a way that the costs of its provision are economically feasible, and the cost of the costs should be optimal and not exceed the level at which the economic feasibility of their application is lost.

Interaction. To ensure the safety of the company, it is necessary that the efforts of all persons providing it, units, services are coordinated. All participants in this process must interact with each other. They must clearly know who is responsible for what and what work is being done. The success of the case, the final result and the achievement of the set goal depend on the coherence of the activities of all participants in the process.

The principle of interaction also involves the establishment of close business ties and coordination of actions with external organizations (law enforcement agencies, local and district security services, authorities, etc.) capable of providing the necessary assistance in ensuring the company's security.

A combination of publicity and privacy. The system of basic safety measures must be known to all employees of the company, and in order to ensure safety, its requirements must be fulfilled. This will allow timely detection of potential and real dangers and threats and their prevention. At the same time, a number of ways, forces, means, methods of ensuring security must be classified and known only to a narrow circle of persons. This makes it possible to deal more effectively with both internal and external threats, to prevent damage to the company in a timely manner.

Competence. The issue of ensuring the security of the company is not secondary, but vital. As a result of the actions of intruders, unfair competition,

making very risky decisions, etc., irreparable damage can be caused to the enterprise, so the issues of ensuring the security of the enterprise should be handled by professionals who know the essence of the problem, are able to assess the situation in time and make the right decision.

16.4. Company security policy, strategy, objects and subjects

The company's security system is built in accordance with the current policy and security strategy.

Security policy company is a system of views, measures, solutions, actions in the field of security that create conditions, a favorable environment for achieving business goals.

That is, the implemented security policy allows the company to carry out the production program, produce competitive products (goods, works, services), increase production efficiency, multiply property, get the necessary profit, etc.

Undersecurity strategy understand the set of the most important decisions aimed at ensuring the software level of security of the company's functioning.

Security strategies vary in their content. Three types can be distinguished.

1. The strategy is related to the need for a sudden response to emerging threats (production activity, property, personnel, etc.). That is, in this case, the principle of "threat - reflection" applies. Created (most often hastily) to solve this task, units, services, dedicated forces and assets can weaken or prevent the action of the threat, but a situation may arise when the firm will be damaged.

2. A strategy focused on forecasting, early detection of dangers and threats, purposeful research of the economic and criminogenic situation both within the company and in its surrounding environment. Specialists, formed divisions and security services allocated to solve such a task create an opportunity to consciously and purposefully work on creating favorable conditions for entrepreneurial activity.

3. Security strategy aimed at reparation (restoration, compensation) of damages. Such a strategy can be considered appropriate only when the losses

can be compensated, or when it is not possible to implement the strategy of the first and second types.

Today, there is no consensus on the meaning of the "company's security system". For example, according to V.P. Mak-Maka, the company's security system includes the scientific theory of security, security policy and strategy, means and methods of ensuring security and the concept of security of the company.

V.I. Yarochkiv defines the security system as an organized set of special bodies, services, means, methods and measures that ensure the protection of the vital interests of an individual, a firm (enterprise), the state from internal and external threats.

The security system of a firm (enterprise) is a limited set of interrelated elements that ensure the safety of the firm and its achievement of business goals.

Constituent elements of such a system are the object and subject of security, the mechanism of ensuring security, as well as practical actions to ensure security. Let's consider these elements in more detail.

A security object stands for all that security efforts are aimed at. They should include:

a) various types of company activities (production, commercial, management, supply, planning, etc.);

b) property and resources of the firm (financial, material and technical, informational, intellectual, etc.);

c) personnel of the company, its managers, shareholders, owners, various structural units, services, partners, employees who have information that constitutes a commercial secret, and others.

Firm (enterprise) security subjects there are those persons, divisions, services, bodies, departments, institutions that are directly engaged in ensuring business security. Considering the multifaceted nature of the company's security activities, it is not enough to cover its security with the help of one or

two bodies. Therefore, the company's security subjects include many bodies. All of them can be classified according to different characteristics.

By affiliation, security subjects can be divided into two groups:

· The first - services that deal with this activity directly at the firm (enterprise);

· The second is external bodies and organizations.

With direct participation:

· special subjects;

· semi-special;

· the rest of the company's staff.

By impact on the security object:

· direct appointment;

· indirect purpose.

By legitimacy:

· official bodies;

· criminal structures;

By subordination:

· government agencies;

· non-state bodies.

Having synthesized the presented classification of security subjects, two groups can be distinguished and given their characteristics.

To the first group include entities that are part of the structure of the firm itself and solve the tasks of ensuring its security. This group includes special subjects (security or security service, fire brigade, rescue service, etc.); semi-special (legal department, financial service, medical department, etc.); the rest

of the company's personnel, who also care about the security of their enterprise.

To the second group entities include those outside the firm (enterprise) and not subject to its management. These are primarily state bodies that create conditions for ensuring the company's security. These include:

· *legislative bodies*, which adopt laws creating a legal basis for activities related to ensuring security at the level of the state, region, enterprise, and individual;

· *executive authorities* – who implement the security policy, detail the security mechanism;

· *judicial authorities*, which ensure compliance with the legal rights of the enterprise and its employees;

· *state institutions*, which carry out border protection, customs, foreign exchange and export, tax control, etc.;

· *police*, who fight against offenses and crimes;

· *system of scientific and educational institutions*, which implement tasks related to the scientific study of security problems and personnel training.

With the beginning of market reforms, various private security and detective organizations, analytical centers, and information services began to emerge in parallel with state reforms; educational, scientific and consulting organizations, etc. As a rule, for a fee, they provide services for the protection of objects, ensure the protection of information, commercial secrets, accumulate and provide information about competitors, unreliable partners, etc. World experience shows that it is mainly non-governmental organizations that solve the tasks of ensuring business security.

The formation of the security system and, above all, the creation of its bodies (entities) depends on the size of the enterprise, its economic, financial, production-technical, informational, intellectual, professional, organizational and other capabilities.

As domestic experience shows, small firms (enterprises) most often use the services of external specialized private organizations: consulting, security,

information, etc. These include registration chambers, companies engaged in the selection and certification of personnel, credit bureaus that provide information services regarding the business reputation of partners, their solvency, marketing research centers, private security and detective organizations, etc.

Medium firms (enterprises) can use a combined security system. On the one hand, if it is necessary to receive services from external organizations, on the other - to actively rely on the capabilities of one's own services and divisions. For example, such as legal and financial departments and marketing, security, security, human resources, economic analysis, access control, office management services, etc. In order to improve the efficiency of the services and divisions that protect the company's economic interests, a coordinating body should be created at the enterprise or one of the managers responsible for economic security should be appointed.

For a large firm (enterprise), it would be appropriate to create its own security service. As a rule, one of the heads of the firm (enterprise) coordinates all activities related to ensuring security. A security council may be established to make proposals and perform advisory functions. The security service may include a wide variety of departments, groups, and divisions. Among the most significant are the divisions: security, regime, personnel work, special document circulation marked "KT", engineering and technical protection, intelligence and counter-intelligence, information and analytical activities, operational response, crisis group.

One of the most significant elements of the company's security system is the mechanism of its provision, which is a set of legislative acts, legal norms, driving motives and incentives, methods, measures, forces and means by which the subject influences the object to achieve goals security and problem solving.

The forces and means used, as a rule, are divided into several groups: financial, personnel, organizational, technical, informational, legal, intellectual, etc. With their help, tasks related to ensuring security are solved. So, for example, with the help of technical means, such as video and radio equipment, security and fire systems, etc., they solve the task of monitoring objects. With the help of organizational measures, special units, security zones, special posts, patrols, etc. are created. Financial means are necessary for the purchase of technical security devices, maintenance of the security service, personnel

training, labor incentives, etc. Similarly, other forces and means are used as intended.

The company's security system will solve the tasks set before it when it works, that is, practical actions to ensure business security are an integral part of it.

Thus, as a result of studying the essence of the economic security of a firm (enterprise), it can be concluded that it is designed to create conditions for the effective operation of the enterprise and, as a result, the achievement of business goals in the conditions of competition and economic risk, by timely identifying and mitigating the effects of various dangers and threats.

TOPIC XVII

CLUSTER ECONOMY AND THE COMPANY

17. 1. The essence of economic clustering

According to M. Porter's theory, a cluster is a group of interconnected companies (suppliers, manufacturers, etc.) that are geographically neighbors, and related organizations (educational institutions, state administration bodies, infrastructure companies) that operate in a certain sphere and complement each other. M. Porter believes that the country's competitiveness should be considered through the lens of international competitiveness not of its individual firms, but of clusters - associations of firms of various industries, and the ability of these clusters to effectively use internal resources is of fundamental importance. He also developed a system of determinants of the competitive advantage of countries, which was named "Competitive rhombus" (or "diamond") based on the number of main groups of such advantages, which include:

- factor conditions: human and natural resources, scientific and informational potential, capital, infrastructure, in particular factors of quality of life;

- conditions of domestic demand: quality of demand, compliance with the trends of demand development in the world market, development of the volume of demand.

- adjacent and service industries (clusters of industries): areas of supply of raw materials and semi-finished products, areas of supply of equipment, areas of use of raw materials, equipment, technologies.

- strategy and structure of firms, intra-industry competition: goals, strategies, methods of organization, management of firms, as well as intra-industry competition.

In addition, there are two additional variables that significantly affect the situation in the country. These are random events (that is, those that the management of firms cannot control) and government policy.

M. Porter believed that promising competitive advantages are not created from outside, but in internal markets. It turned out that the most competitive multinational companies are usually not scattered randomly across different countries, but tend to concentrate in one country, and sometimes even in one region of the country. This is explained by the fact that one or several firms, achieving competitiveness in the world market, spread their positive influence on the immediate environment: suppliers, consumers and competitors. And the successes of the environment, in turn, influence the further growth of the competitiveness of this company. As a result, a "cluster" is formed - a community of firms from closely related industries that mutually contribute to the growth of joint competitiveness. For the national economy, clusters play the role of growth points of the domestic market. At the same time, in the cluster, the benefit is distributed in all directions of connections:

- new manufacturers from other industries accelerate their development, stimulating the GDR and providing the necessary means to implement new strategies.

- there is a free exchange of information and rapid dissemination of innovations through the channels of suppliers or consumers who have contacts with numerous competitors.

- interrelationships within the cluster, often completely unexpected, lead to the emergence of new ways in competition and generate completely new opportunities.

- human resources and ideas form new combinations.

Over time, effective clusters become the cause of large capital investments and government scrutiny, i.e. the cluster becomes something more than the simple sum of its individual parts. The center of the cluster is often several powerful companies, while competitive relations are maintained between them. This is how a cluster differs from a cartel or a financial group. The concentration of competitors, their buyers and suppliers contributes to the growth of effective specialization of production. At the same time, the cluster provides work for many small firms and small enterprises. In addition, the cluster form of the organization leads to the creation of a special form of innovation - "combined innovative product". Uniting into a cluster based on vertical integration does not form a spontaneous concentration of various

scientific and technological inventions, but a certain system of distribution of new knowledge and technologies. At the same time, the most important condition for the effective transformation of inventions into innovations, and innovations into competitive advantages, is the formation of a network of stable connections between all cluster participants. Thus, cooperation becomes more and more necessary, but it carries with it a known danger - the possibility of losing independence (the ability to conduct an independent line of behavior on the market, to independently master new products, new technologies, etc.). That is why effective "cluster strategies" that are built on centers of business activity that have already proven their strength and competitiveness on the world market have acquired such importance in a number of countries in recent decades. Governments are concentrating their efforts on supporting existing clusters and creating new networks of companies that were not previously in contact with each other. At the same time, the state not only contributes to the formation of clusters, but also becomes a participant in networks. For example, since 1995, the Bio Regio program for the creation of biotechnological clusters has been operating in the Federal Republic of Germany. In the UK, the government has identified areas around Edinburgh, Oxford and South East England as prime locations for biotech firms. In Norway, the government encourages cooperation between firms in the maritime industry cluster. Finland has a developed forestry cluster, which includes the production of wood and wood products, paper, furniture, printing and related equipment. The close interaction of the firms of this cluster in the dissemination of knowledge provides it with competitive advantages over the main trade rivals. According to experts, Finland is currently leading in terms of both research and technological cooperation.

Currently, experts have described 7 main characteristics of clusters, the combination of which is the basis for choosing one or another cluster strategy:

geographical: construction of spatial clusters of economic activity, starting from purely local ones;

horizontal: several industries/sectors can be part of the largest cluster;

vertical: adjacent stages of the production process may be present in clusters (at the same time, it is important which of the network participants is the initiator and final executor of innovations within the cluster);

lateral: various sectors are combined into a cluster, which can provide economies of scale due to the effect of scale, which leads to new combinations;

technological: a set of industries that use the same technology;

focal: a cluster of firms concentrated around one center - an enterprise, research institute or educational institution;

qualitative: here it is important not only the question of whether firms really cooperate, but also how they do it; the network does not always automatically stimulate the development of innovations, and relationships with suppliers can be used to shift costs to partners and oppress them financially. Accordingly, such networks are neither stable nor stimulating.

So, the cluster approach, initially used in the research of competitiveness problems, over time began to be used in solving an increasingly wide range of tasks, in particular: 1) in the analysis of the competitiveness of the state, region, industry; 2) as the basis of national economic policy; 3) when developing regional (territorial) development programs; 4) as a prerequisite for stimulating innovative activity; 5) as a basis for interaction between large and small businesses.

M. Porter's methodology was the basis of the world competitiveness rating, which is determined by the World Economic Forum.

In general, the countries of the European Union adopted the Scottish model of a cluster, in which the core of such joint production becomes a large enterprise uniting small firms around it. There is also an Italian model - more flexible and "equal" cooperation between small, medium and large businesses. The experience of these countries has shown that the cluster approach serves as the basis for a constructive dialogue between entrepreneurs and the state. It made it possible to increase the effectiveness of the interaction of the private sector, the state, trade associations, research institutes/universities in the innovation process.

17.2. Characteristics of modern clustering of the economy

Today, in the developed countries of the world, clustering of the economy is rapidly unfolding. Since 1997, the introduction of typical National Innovation Systems (ideologist - M. Porter) is based on the cluster approach. The model law on innovation activities of the CIS (2006) also contains provisions on technological/innovation clusters, in respect of which state authorities, local self-government bodies, on the territory of which such cluster organizations are located, must provide support, including tax benefits and other preferences, in accordance with the established procedure . The importance of clustering is also indicated by recent relevant decisions of the European Union (European Cluster Memorandum adopted in 2008, other accompanying legal acts).

Unlike developed countries, in Ukraine the cluster topic is still on the back burner. At the same time, the Recommendations of the Verkhovna Rada of Ukraine on the topic "National Innovation System of Ukraine" (Resolution No. 1244, 2007) mention the need to introduce sustainable innovation clusters. That is, in Ukraine we should expect the deployment of cluster processes in the economy. And for this it is necessary to prepare both in the field of science and in the field of practice and public administration.

To a large extent, the success of economic clustering, as proven by world experience, depends on the development of state and corporate planning systems (operational and strategic). Because if cluster formations need support from the state, then, according to the current legislation of Ukraine, for this it is necessary that their activities coincide with public interests, which are reflected in the program documents of the economic and social development of Ukraine. Of course, the planning system of Ukraine itself is still at the stage of its formation. But it is the dynamics of clustering that can activate this process of formation and contribute to its maturation. That is, clustering should become not only a tool for innovative changes, but also a tool that will contribute to streamlining the system of state and corporate governance.

The main trend of modern civilizational development is the transition of humanity from the paradigm of absolute hierarchy to the combination of hierarchy with the ideology of partnership. Resolution of the Council of Europe No. 1698 dated 20.09.2005 on rural support indicates that the strategy is such a consistent set of actions aimed at achieving local goals and meeting

needs, which are carried out in partnership at the appropriate level. Decision of the Council of Europe No. 144 dated 20.02.2006 regarding the strategic guidelines for the development of rural areas also actualizes the promotion of partnership between private individuals and the state. The state target program for the development of the Ukrainian countryside for the period until 2015 also emphasizes the need to strengthen the processes of unification of production links on the basis of partnership. Therefore, the formation of methodological principles for the selection of promising clusters today is becoming an urgent task of science and practice, which must also be solved on the basis of the partnership of science, production and state administration.

The acceleration of the movement into a post-industrial society requires new forms of organization. Under such conditions, an organizational factor related to the territorial association of the network of producers (technological cooperation) became a significant element of efficiency improvement. This contributed to the creation of clusters formed in the territories from enterprises that perform different functions, but united by a single technological process, the result of which is the final product, created by the efforts of all participants in the process, from science and personnel training to technologists, packers, transporters and a dealer network.

It should be noted that already in 1968, the General Directorate for Regional Policy was created within the framework of the EU, in 1975 - the European Fund for Regional Development, and in 1988 the Charter of Regionalism was adopted by the European Parliament, and the Council of Regional and Local Communities began to function. At the same time, the development of federal programs for the cooperation of supplier firms, marketing and commerce, labor and education begins in the USA.

Initially, a unified approach to intercompany cooperation was developed in Denmark in 1989-1990. For the preparation of the project, 25 million dollars were allocated for three years, in order to determine promising network structures in the country, trained specialists who will contribute to the implementation of the program for the formation of the desired network structures, according to which grants were issued for the implementation of phases: conceptualization of the program, development planning, implementation of cooperation initiatives. At the first stages, industrial complexes were investigated according to the "supply-demand" scheme in the

regional section in four branches: agriculture, textile production, production of office equipment, environmental protection means. Then the mechanisms of knowledge and technology transfer in three sectors were analyzed: electromedical equipment, furniture, pharmaceuticals. The agro-industrial complex in Denmark exceeds all other sectors of the economy in terms of production volumes, and is key from the point of view of the consumer market and investment potential. The "milk vertical" plays a special role in it, from milk processing to technology and equipment suppliers. The Danish Business Development Council, as the body responsible to the government for developing the concept of clustering, has initiated a number of new developments in this area. The Ministry of Business and Industry, the Ministry of Research, the Ministry of Education, the Ministry of Labor, the Trade and Industry Development Agency and even the Ministry of Finance were included in the study. In 1992, 40% of all the country's firms, which provided 60% of exports, participated in clusters. In 1997, the annual report noted that 513 analysts from companies, organizations, institutes, ministries, who were united in 35 working groups specializing in specific sectors, participated in the research, they issued 1,522 proposals, of which 66 have already been implemented. Enterprises reflected a wide range of problems - from changes in legislation, administrative management structures to changes in budget allocations of ministries. The work carried out over a number of years has made Denmark a world leader in economic clustering, where 29 leading clusters are operating today. In order to expand the practice of clustering (creation of regional social and production complexes), it is important that they be a real embodiment of the objective trend of integration, and not some product of a far-fetched experiment that turns any organization into a fiction.

In order to understand the strengths and weaknesses of the territory at the initial stage, it is necessary to: find out the number of employees and institutions participating in this sector of the intended cluster; to reveal the specific weight of local sectors in the cluster and their specific weight both in the region and in the country; determine the ratio of costs and revenues throughout the chain of the technological process, from the supply of raw materials and materials to the sale of products; determine the growth rate of the cluster. Practice knows examples of such analysis: the experience of the state of Arizona, where a strategic partnership program for economic development was developed with the participation of the M. Porter Center. As a result, models of 9 clusters were selected and a regional structure was created, which

includes groups of consultants on directions and work, groups on the creation of 6 support funds. The task was to develop a map of the location and distribution of capacities, prospects for development and methods of achieving results. The activity of the clusters during 1991-1999 showed their ability to survive and improve. They functioned as network structures with certain requirements for their membership and intentions, which should correspond to the goals of the structures: jointly educate, conduct marketing, buy, conduct and create economic funds and structures. In 1995, at the National Conference on Clusters in Arizona (USA), a formula for determining dominant clusters was proposed, where production concentration should reach 40%, growth - 10%, and cooperation ties - 10% among cluster participating enterprises. This made it possible to identify the 380 largest clusters of the USA in the areas of high technologies, production of consumer goods, service industry, and extraction of natural resources. These clusters employed 57% of the country's total workforce and produced 61% of GDP. Studying the classification and characteristic features of clusters shows their differences in different countries, but in general they can be reduced to 12 indicators of resources and expected results. Seven indicators can be considered foreign economic for local companies: opportunities for research and development, skill of the workforce; development of labor potential; proximity of suppliers; availability of capital; access to specialized services; relations with equipment suppliers. The eighth indicator - associated structures - represents a tool for joint actions. The last four characterize; intensity of network formation; entrepreneurial energy; innovation and learning; collective vision and leadership. Among these indicators, a specialized workforce is critically important for all firms. In research and in practice, it is emphasized that the important fact is the availability of not an average, but a specialized labor force, therefore specialized training of the labor force is one of the leading advantages of regional programs for the development of production networks. The structures forming the cluster policy seek to combine existing systems with new strategies, but the most general approaches are found in the marketing of the region, the involvement of various types of business, highly educated specialists and professional workers. It was also emphasized the importance of the direct participation of the heads of regions in this and the creation of conditions for attracting investments.

The formation of a cluster requires approval of its creation, and its members must demonstrate an understanding of the objectives of their

membership. The primary initiative comes from key participants based on the creation of a cluster council, which acts as an instructor. The task of the council is to strengthen the social capital of the region and develop partnership norms of behavior, as well as increase the number of cluster members based on the terms of membership fees. As practice shows, those clusters where large companies seek to dominate due to their capabilities, imposing their approaches, find themselves in a losing position compared to young, sufficiently balanced clusters. In general, the cluster organization allows providing participants with a centralized sphere of services, usually scattered across numerous services: marketing, financial services, technical assistance, business councils, etc. In a cluster, this can be integrated into a service cluster or create a cluster center, or a network of specialized intermediaries in territories united by single ties. Modern motives in the creation of cluster associations are reduced to the following: the desire to raise the level of urban economies; development of high-tech industries (technopolises); increasing the economic activity of depressed regions; export support; training of highly qualified specialists. Summarizing the experience gained over the last ten years of the development of cluster systems, we can say that they gave a significant impetus to the development of the regions of those countries that applied their principles.

All of the above is confirmed by the recent experience of creating 200 industrial districts (IO) in Italy, where the role of the state is also felt: it carries out management aimed at assistance, that is, it provides discounts on exports, warranty coverage, support, attraction of investors, consulting. The concept of competition also underwent changes, which now acquired the meaning of the national system of competitiveness, and not just the competitiveness of individual products produced in Italy, which characterizes the entire society in a qualitatively new way and allows Italy to produce 90% of competitive products).

The economy of Austria gained a noticeable pace of development, in which cross-border clusters with Germany, Italy, Switzerland, and Hungary began to operate, and relations with France and Great Britain became more active. Austria has developed its approach to economic policy, where the cluster approach has taken an important place. The key factor was the policy of stimulating the development of ties between research institutes and the industrial sector, reducing regulatory barriers in innovation programs,

specialization of clusters and the formation of competitiveness centers. The driving force was also the country's innovative research clustering program and its consistent implementation. This program was simultaneously innovative, research and consulting, founded on the federal government's own initiative and implemented by the Austrian Institute of Economic Research in cooperation with the Austrian Research Center. Objectives of the program: collection of information, its processing, development of recommendations based on technological changes and their effects on the national innovation system. In accordance with the tasks of the first stage, the interaction of state and private institutions with enterprises was studied at the macro level; at the meso-level of regions - structural shifts in the economy; at the micro level - the behavior of firms. On the basis of the conducted analysis, measures were developed for 1996-1999, entitled "The path to the information society and knowledge society". The program had modules: national innovation system; productivity: growth and employment; regulation as a tool of technological policy; consulting in the field of technological policy.

In Scotland, the formation of integrated enterprises and the training of specialists are carried out through the creation of networks of local initiative companies (LECs), which coordinate local economic infrastructures in the district, territory, village, including administrative, accounting assistance, real estate services, marketing, development of investment programs, land protection This period takes 12-15 months, during which trends are researched, documentation is created, and project implementation is launched.

Canada is also implementing a territorial development program (TR). In the province of Ontario, it was called JOCA, combining 22 programs implemented by six ministries. Within the framework of the JSA, a program of management innovations was developed, a secretariat for economic development of communities (CEDS) was created, which consolidated all elements of the JOCA program. CEDS solved current issues and developed large-scale development projects, in particular, the "Niagara" project for the development of a depressed area of the province of Ontario. The results of the project convincingly proved the need to change traditional approaches to managing the development of territorial models (communities, districts, regions). In the provinces of Canada, the implementation of development programs began, and the emphasis was placed on the development of innovations and the introduction of high technologies.

In Japan, there is experience in the implementation of cluster solutions on the island of Hokkaido, where in the first half of the 1990s, the Central Organization for Ensuring Sustainable Development and Stimulating the Development of Industrial Clusters was created. In the process of development, the area of increasing business activity is determined, discussions are held, a project is prepared, working groups are formed, supervisory boards are created, and a project development plan is prepared. In 1998, a center for the integration of industry, universities, and government was also created in Japan with the following tasks: search for projects that require the consolidation of three levels (industry, science, and government); development of joint research and production; technical consulting; support of innovative projects at the stage of their practical implementation; training and professional development of entrepreneurs; ensuring the transfer of patents from the field of science to production; conducting a series of business meetings to create associations.

In the Federal Republic of Germany, the development of territories is facilitated by the federal system, according to which the states have great independence and carry out their own development programs at the expense of their own resources. The country is on the path of development based on high technologies in this direction and the efforts of industry and scientific centers are being consolidated. There are three types of clusters: scientific, transferring their technologies to production; unifying research and production; arising on the basis of innovative firms operating in a competitive environment. Industrial clusters usually receive financial resources from federal and local sources. Germany is home to 3 of the world's best 7 high-tech clusters, which received the honorary title of "Silicon Valley of the 21st century", namely Munich, Hamburg, Dresden, etc.

Within the framework of the cluster analysis, Finland was somewhat late with the restructuring of economic policy: it was done only in 1995. But within the framework of the project "Finland's advantages", which was carried out by the Institute of Finnish Economy, the future possibilities of the national industry and the possibilities of information support for management decisions were studied. The Ministry of Trade and Industry prepared directives, on the basis of which the National Industrial Strategy was developed and approved, which made it possible to make a transition from macroeconomic regulation to an industrial and technologically competitive policy based on the development

of clusters. The most promising industries were analyzed, the criterion was the presence of stable exports and the inflow of foreign investments, the "cluster framework" was defined, the compilation of which was preceded by a lot of work. Cluster maps of forestry, non-ferrous metallurgy, energy, telecommunications, ecology, health care, transport, chemistry, construction, and food were compiled. Based on the above, Finland's economy has completely shifted from supporting low-growth basic industries to high-tech growth industries as well as clusters.

France had a more difficult time transitioning to a new economic organization than other developed countries, because it traditionally had a strong centralized state sector, which employed 25% of the workforce and accounted for 30% of production and a quarter of exports. In 1995, a program on the organization and development of territories was adopted, an organization for managing the development of territories and a fund for their arrangement were created. During 1997-1999, draft programs were developed and 99 regional development projects united by a system of production clusters were approved. In the course of this activity, 4,300 enterprises joined the system. Associations of enterprises were concentrated around the 30 largest companies. The distribution of projects is proportionally satisfied, but a number of territories are developing more intensively: the South of the Pyrenees, Rhône-Alpes, Franc-Comte, Auvergne, Champagne, Ardennes; the cities of Paris, Toulouse, Marseille, Saint-Etienne.

Since there is no single model to determine the necessary and appropriate structure of the emerging cluster, extensive and in-depth studies of cluster complexes are being conducted in the USA. Using the components of the method of factor and matrix analysis, the Institute of Regional Studies of the USA made an attempt to consider the problem of the national economy through the prism of existing cluster associations. In the course of studies of the intensity of connections between industries, clusters, and sectors of clusters, 23 production cluster groups were identified, united in 4 blocks, in which from 5 to 116 participating sectors were united; they included from 82 to 102 thousand enterprises with the number of employees from 38 thousand to 4.5 million people, which created added value from 4.5 billion dollars. up to 324 billion dollars. That is, clustering in the USA today is gaining significant distribution and regulation by the state administration.

The process of industrial clustering is also underway in Eastern European countries. In 5 countries of the Visegrad Group (Hungary, Poland, Slovakia, Czech Republic, Slovenia), clustering is supported by a special program. Hungary turned out to be the most adapted. Currently, there are 75 industrial parks operating there, uniting 556 companies, where 60,000 people work. Industrial parks receive some privileges: infrastructure, reduced tax. The principles of building the program: support, interested parties, the opportunity to develop and settle down, integration into the industry and the area, openness, transparency. 5 years are given for development. In 1996, the regional industrialization program was adopted. Funding sources were provided: entrepreneurs, local authorities, decentralized resources, state finances. The development of industrial parks became the basis for the development of clusters. Among the 7 regions of Hungary, Pannonia, which is implementing the "Business Initiative of Pannonia" program, has achieved special rates of development. For this purpose, the Advisory Council for the Development of Regions (TERET) was created. Local councils (TERET) have developed three-year programs for the development of micro-regions, which take into account the unification of the development of territories with EU norms and take into account the details and specificity of the area. 250 experts are involved in the development of the program. The Council concluded agreements with local authorities, which stipulated specific priorities: development of labor potential (education); technological innovations; development of the region; improvement of the standard of living. Also, 4 committees were created and 200 specialists were involved. The program is focused on the development of the PANAC automobile cluster with the parallel development of woodworking, tourism, the use of thermal waters, etc. The regional development agency and the holding combine three funds, labor potential centers, and a network of industrial parks.

A report on the world's best innovation centers prepared by BCD in 2001 singled out the centers of Munich, Hamburg, Dresden, Dublin (Ireland), Oulu (Finland), and Cambridge. The main criteria for leadership are: proximity to research institutes; availability of corporate samples for the dissemination of experience; access to venture capital; infrastructure; entrepreneurial intelligence; the ability to attract personnel. This is the key to the success of clustering programs in any economy of the world.

17.3. System of formal and logical models of modern clustering

The term cluster analysis, first introduced by Tryon in 1939, includes more than 100 different algorithms. In contrast to classification tasks, cluster analysis does not require a priori assumptions about the data set, does not impose restrictions on the representation of the studied objects, and allows the analysis of indicators of various types of data (interval data, frequencies, binary data). It must be remembered that the variables must be measured in comparable scales. Cluster analysis allows you to reduce the dimensionality of data, make it visual. It can be applied to aggregates of time series, here periods of similarity of some indicators can be distinguished and groups of time series with similar dynamics can be determined. Cluster analysis developed in parallel in several directions, such as biology, psychology, etc., therefore, most methods have two or more names. This significantly complicates the work when using cluster analysis. Tasks of cluster analysis can be combined into the following groups:

1. Development of a typology or classification;

2. Study of useful conceptual schemes for grouping objects;

3. Presentation of hypotheses based on data research;

4. Testing of hypotheses or studies to determine whether the types (groups) identified in one way or another are really present in the available data.

Cluster analysis process: recommended steps.

In general, all stages of cluster analysis are interconnected, and decisions made at one of them determine actions at subsequent stages.

The analyst must decide whether to use all observations or to exclude some data or samples from the data set.

Selection of metrics and method of standardization of initial data.

Determination of the number of clusters (for iterative cluster analysis).

Definition of the clustering method (rules of association or connection).

According to many experts, the choice of the clustering method is decisive in determining the form and specificity of clusters.

Analysis of clustering results: This stage involves solving the following questions: is the resulting division into clusters not random; whether the partitioning is reliable and stable across subsamples of the data; whether there is a relationship between the clustering results and the variables that did not participate in the clustering process; whether it is possible to interpret the obtained clustering results.

Verification of clustering results: Clustering results should also be verified by formal and informal methods. The formal methods depend on the method used for clustering. Informal include the following clustering quality check procedures:

1) analysis of the clustering results obtained on certain samples of the data set;

2) cross-checking;

3) carrying out clustering when changing the order of observations in the data set;

4) clustering when removing some observations;

5) clustering on small samples.

One of the options for checking the quality of clustering is the use of several methods and comparison of the obtained results. The lack of similarity will not mean that the results are incorrect, but the presence of similar groups is considered a sign of qualitative clustering.

Difficulties and problems that may arise when using cluster analysis:

1) like any other methods, cluster analysis methods have certain weaknesses, that is, some difficulties, problems and limitations.

2) when conducting a cluster analysis, it should be taken into account that the results of clustering depend on the criteria for dividing the initial data set. When reducing the dimensionality of the data, certain distortions may occur, some individual characteristics of objects may be lost due to generalizations.

There are a number of complexities that should be considered before clustering:

1) the difficulty of choosing the characteristics on the basis of which clustering is carried out. An ill-considered choice leads to an inadequate division into clusters and, as a result, to an incorrect solution to the problem;

2) the difficulty of choosing a clustering method. This choice requires good knowledge of methods and prerequisites for their use. To check the effectiveness of a specific method in a certain visual area, it is advisable to apply the following procedure: several a priori different groups are considered and their representatives are randomly mixed. Next, clustering is performed to restore the initial division into clusters. The share of object matches in the detected and initial groups is an indicator of the effectiveness of the method.

3) the problem of choosing the number of clusters. If there is no information about the possible number of clusters, it is necessary to conduct a number of experiments and, as a result of sorting through different numbers of clusters, choose the optimal number of them.

4) the problem of interpretation of clustering results. The form of clusters in most cases is determined by the choice of the unification method.

17.4. Cluster analysis procedure

Let's say we have a data set A consisting of 14 examples, which have two features X and Y each. The data on them are given in the table. 17.1.

Table 17.1.

A data set based on X and Y features

Table 1. Data set A

Example number	sign X	mark Y
1	27	19
2	11	46
3	25	15

4	36	27
5	35	25
6	10	43
7	11	44
8	36	24
9	26	14
10	26	14
11	9	45
12	33	23
13	27	16
14	10	47

Data in tabular form are not informative. Let's present the variables X and Y in the form of a scatter diagram shown in Fig. 17.1.

Fig. 17.1. Scatterplot of X and Y variables

In Figure 1 we see several groups of "similar" examples. Examples (objects) that are "similar" to each other in X and Y values belong to the same group (cluster); objects from different clusters are not similar to each other.

The criterion for determining the similarity and difference of clusters is the distance between the points on the scatter diagram. This similarity can be "measured", it is equal to the distance between the points on the graph. There are several methods of determining the measure of the distance between clusters, also called the measure of proximity. The most common way is to calculate the Euclidean distance between two points "I" and "j" on the plane, when their X and Y coordinates are known:

(1)

Note: to find out the distance between two points, you need to take the difference of their coordinates along each axis, square it, add up the acquired values for all axes and extract the square root of the sum.

When there are more than two axes, the distance is calculated as follows: the sum of the squares of the coordinate difference consists of as many terms as there are axes (dimensions) in our space. For example, if we need to find the distance between two points in the space of three measurements (such a situation is presented in Fig. 17.2), formula (1) takes the form:

(2)

Fig. 17.2. The distance between two points in the space of three measurements

The cluster has the following mathematical characteristics: center, radius, root mean square deviation, cluster size.

The center of the cluster is the geometric mean of the points in the space of variables.

The radius of the cluster is the maximum distance of points from the center of the cluster.

Clusters can be overlapping. This situation occurs when overlapping clusters are detected. In this case, it is impossible to unambiguously assign the object to one of the two clusters using mathematical procedures. Such objects are called controversial.

A controversial object is an object that can be assigned to several clusters in terms of similarity.

The size of the cluster can be determined either by the radius of the cluster or by the root mean square deviation of the objects for this cluster. An object belongs to a cluster if the distance from the object to the center of the cluster is less than the radius of the cluster. If this condition is met for two or more clusters, the object is disputed. The ambiguity of this task can be eliminated by an expert or an analyst.

The work of cluster analysis is based on two assumptions. The first assumption is that these characteristics of the object allow, in principle, the desired division of the pool (aggregate) of objects into clusters. The comparability of the scales is the second assumption - the correctness of the choice of the scale or units of measurement of the features.

The choice of scale in cluster analysis is of great importance. Let's consider an example. Let's imagine that the characteristics of x in data set A are two orders of magnitude greater than the characteristics of y: the values of the variable x are in the range from 100 to 1000, and the values of the variable y are in the range from 0 to 1. Then, when calculating the distance between points reflecting the position of objects in the space of their properties, the variable with large values, that is, the variable x, will almost completely dominate the variable with small values, that is, the variable y. Thus, due to the heterogeneity of the units of measurement of features, it becomes impossible to correctly calculate the distances between points.

This problem is solved by pre-standardizing the variables. Standardization (standardization) or normalization (normalization) brings the value of all the transformed variables to a single range of values by expression through the ratio of these values to some value that reflects certain properties of a specific characteristic. There are different ways of normalizing the initial data.

The two most common methods are:

• dividing the initial data by the root mean square deviation of the corresponding variables;

• calculating the Z-contribution or standardized contribution.

Along with the standardization of variables, there is an option to give each of them a certain coefficient of importance, or a weight that would reflect the importance of the corresponding variable. Expert evaluations obtained in the course of a survey of experts - specialists in the field of vision can act as weights. The resulting products of normalized variables on the appropriate weights allow obtaining distances between points in a multidimensional space taking into account unequal weights of variables. During the experiments, it is possible to compare the results obtained with and without expert evaluations, and choose the best of them.

Cluster analysis methods can be divided into two groups:

• hierarchical;

• non-hierarchical

Each of the groups includes many approaches and algorithms.

Using different methods of cluster analysis, an analyst can obtain different solutions for the same data. This is considered a normal phenomenon.

Let's consider hierarchical and non-hierarchical methods in detail.

Hierarchical methods of cluster analysis

The essence of hierarchical clustering consists in sequentially combining smaller clusters into larger ones or dividing large clusters into smaller ones.

Hierarchical agglomerative methods (Agglomerative Nesting, AGNES)

This group of methods is characterized by the sequential combination of initial elements and the corresponding reduction in the number of clusters.

At the beginning of the algorithm, all objects are separate clusters. In the first step, the most similar objects are combined into a cluster. In subsequent steps, the unification continues until all objects form one cluster.

Hierarchical divisive (divisible) methods (DIvisive ANAlysis, DIANA)

These methods are the logical opposite of agglomerative methods. At the beginning of the algorithm, all objects belong to one cluster, which is divided into smaller clusters in subsequent steps, resulting in a sequence of splitting groups.

The principle of operation of the groups of methods described above in the form of a dendrogram is shown in Figure 17.3.

Fig. 17.3. Dendrogram of agglomerative and divizyme methods

The software implementation of cluster analysis algorithms is widely represented in various Data Mining tools that allow solving tasks of sufficiently large dimensions. For example, agglomerative methods are implemented in the SPSS package, divisive methods are implemented in the Statgraf package.

Hierarchical clustering methods are distinguished by the rules for building clusters. The criteria that are used in solving the question of "similarity" of

objects when they are combined into a group (agglomerative methods) or divided into groups (divisive methods) act as rules.

Hierarchical methods of cluster analysis are used for small volumes of data.

The advantage of hierarchical clustering methods is their visibility.

Hierarchical algorithms are related to the construction of dendrograms (from the Greek dendron - "tree"), which are the result of hierarchical cluster analysis. The dendrogram describes the proximity of individual points and clusters to each other, graphically represents the sequence of merging (separation) of clusters.

A dendrogram is a tree diagram containing n levels, each of which corresponds to one of the steps in the process of sequential consolidation of clusters.

A dendrogram is also called a tree diagram, cluster union tree, hierarchical structure tree.

A dendrogram is a nested grouping of objects that changes at different levels of the hierarchy.

There are many ways to construct dendrograms. In a dendrogram, objects can be located vertically or horizontally. An example of a vertical dendrogram.

The numbers 11, 10, 3 and so on correspond to the numbers of objects or observations of the initial sample. We see that in the first step each observation represents one cluster (vertical line), in the second step we observe the combination of the following observations: 11 and 10; 3, 4 and 5; 8 and 9; 2 and 6. In the second step, clustering continues: observations 11, 10, 3, 4, 5 and 7, 8, 9. This process continues until all observations are combined into one cluster.

Similarity measures

Various similarity measures (similarity measures), also called metrics or distance functions, are used to calculate the distance between objects. At the beginning of the lecture, we considered the Euclidean distance, which is the most popular measure of similarity.

The square of the Euclidean distance.

We can use the square of the Euclidean distance by squaring the standard Euclidean distance to give greater weight to objects that are more distant from each other.

Manhattan distance (distance of city blocks), also called "hamming" or "sati-block" distance.

This distance is calculated as the average of the differences in coordinates. In most cases, this distance measure leads to results similar to Euclidean distance calculations. However, for this measure, the influence of individual emissions is smaller than when using the Euclidean distance, since here the coordinates are not squared.

Chebyshev distance. This distance should be used when two objects need to be defined as "different" if they differ by some single measurement.

Percentage of disagreement. This distance is calculated if the data is categorical.

Methods of association or communication

When each object is a separate cluster, the distances between these objects are determined by the chosen measure. The following question arises - how to determine the distances between clusters? There are different rules, called join methods or links, for two clusters.

Nearest neighbor method or single connection. Here, the distance between two clusters is determined by the distance between the two closest objects (nearest neighbors) in different clusters. This method allows you to identify clusters of any complex shape, provided that different parts of such clusters are connected by chains of elements close to each other. As a result of the operation of this method, the clusters are represented as long "chains" or "fibrous" clusters, "joined together" only by individual elements that happened to be closer to each other than the last ones.

The method of the most distant neighbors or complete connection. Here, intercluster distances are defined by the largest distance between any two objects in different clusters (ie, "farthest neighbors"). The method is good to

use when objects really come from different "groves". If the clusters have some kind of elongated shape or their natural type is "chain", then this method should not be used.

Ward's method. The distance between clusters is taken as the increase of the sum of squares of the distances of objects to the centers of clusters, obtained as a result of their union (Ward, 1963). Unlike other methods of cluster analysis, methods of variance analysis are used here to estimate distances between clusters. At each step of the algorithm, the following two clusters are combined, which lead to a minimal increase in the objective function, that is, the intragroup sum of squares. This method is aimed at merging closely located clusters and "tends" to create small clusters.

Unweighted pair-group method using arithmetic averages (UPGMA (Sneath, Sokal, 1973)).

The average distance between all pairs of objects in them is taken as the distance between two clusters. This method should be used if the objects really come from different "groves", in cases of the presence of clusters of the "chain" type, assuming unequal cluster sizes.

Weighted pair-group method using arithmetic averages (weighted pair-group method using arithmetic averages, WPGM A (Sneath, Sokal, 1973)). This method is similar to the method of unweighted pairwise average, the only difference is that here the size of the cluster (the number of objects contained in the cluster) is used as a weighting factor.

This method is recommended to be used precisely when there is an assumption about clusters of different sizes.

Unweighted pair-group method using the centroid average (Sneath and Sokal, 1973)).

As the distance between two clusters in this method, the distance between their centers of gravity is taken.

Weighted centroid method (weighted pair-group method using the centroid average, WPGMC (Sneath, Sokal 1973)). This method is similar to the previous one, the difference is that weights are used to account for the difference between the sizes of clusters (the number of objects in them). This

method should preferably be used in cases where there are assumptions about significant differences in cluster sizes.

Determination of the number of clusters

There is a problem of determining the number of clusters. Sometimes it is possible to determine this number a priori. However, in most cases, the number of clusters is determined in the process of agglomeration/separation of many objects.

The process of grouping objects in hierarchical cluster analysis corresponds to the gradual growth of the coefficient called the criterion E. The jump-like increase in the value of the criterion E can be defined as a characteristic of the number of clusters that actually exist in the studied data set. Thus, this method boils down to determining the jump-like increase of some coefficient, which characterizes the transition from a strongly bound to a weakly bound state of objects.

If the value of the Coefficients field increases by leaps and bounds, then clustering should be stopped, otherwise clustering that is relatively far from each other will occur. The optimal number of clusters is considered to be equal to the difference between the number of observations (14) and the number of steps to the jump-like increase in the coefficient (12). Therefore, after the creation of two clusters, no further associations should be made, although visually we expected the appearance of three clusters.

Data aggregation can be represented graphically in the form of a dendrogram. It determines the combined clusters and the coefficient values at each step of the agglomeration (the displayed coefficient values are scaled from 0 to 25).

The dendrogram for our example. Cutting the aggregation tree along the vertical boundary gave us two clusters consisting of 9 and 5 objects.

The numbers of algorithm steps are marked horizontally on the top line, the entire algorithm required 25 steps to combine all objects into one cluster.

With a large number of observations, hierarchical methods of cluster analysis are not suitable. In such cases, non-hierarchical methods based on partitioning are used, which are iterative methods of splitting the initial

population. In the process of division, new clusters are formed until the stopping rule is met. Such non-hierarchical clustering consists in dividing the data set into a certain number of separate clusters. There are two approaches. The first consists in determining the boundaries of clusters as the most dense areas in the multidimensional space of the initial data, that is, defining a cluster where there is a large "condensation of points". The second approach consists in minimizing the degree of difference of objects

Algorithm to-means (k-means)

The most common among non-hierarchical methods is the k-means algorithm, also called fast cluster analysis. Unlike hierarchical methods, which do not require prior assumptions about the number of clusters, to be able to use this method, it is necessary to have a hypothesis about the most likely number of clusters.

The k-means algorithm builds clusters located at possible large distances from each other. The main type of problems solved by the k-means algorithm is the presence of assumptions (hypotheses) about the number of clusters, and they should be as different as possible. The choice of the number to can be based on the results of previous studies, theoretical considerations or intuition.

The general idea of the algorithm: a given fixed number of observation clusters are mapped to clusters so that the averages in the cluster (for all variables) differ from each other as much as possible.

Description of the algorithm

1. Primary distribution of objects by clusters.

A number to is chosen, and in the first step these points are considered the "centers" of the clusters. One center corresponds to each cluster.

The initial centroids can be selected as follows:

- k-observed selection to maximize initial distance;

- k-observed random selection;

- selection of the first k-observed.

As a result, each object is assigned to a certain cluster.

2. Iterative process.

Centers of clusters are calculated, which are then and further considered to be pocoordinate averages of clusters. Objects are redistributed again.

The process of calculating centers and redistributing objects continues until one of the following conditions is met:

- cluster centers have stabilized, i.e. all observations belong to the cluster to which they belonged in the current iteration;

- the number of iterations is equal to the maximum number of iterations.

Figure 6 shows an example of the k-means algorithm for k equal to two.

Choosing the number of clusters is a complex issue. If there are no assumptions about this number, it is recommended to create 2 clusters, then 3, 4, 5 and so on, comparing the obtained results.

Checking the quality of clustering

After obtaining the results of the cluster analysis using the k-means method, the correctness of the clustering should be checked (that is, the extent to which the clusters differ from each other should be assessed). For this, average values are calculated for each cluster. With good clustering, strongly differing means should be obtained for all or most of the measurements.

Advantages of the k-means algorithm:

• ease of use;

• speed of use;

• clarity and transparency of the algorithm.

Disadvantages of the k-means algorithm:

• the algorithm is very sensitive to outliers that can distort the average. A possible solution to this problem is the use of a modification of the algorithm - the k-median algorithm;

• the algorithm can run slowly on large databases. A possible solution to this problem is the use of data sampling.

PAM algorithm (partitioning around Medoids)

PAM is a modification of the k-means algorithm, the k-median algorithm (k-medoids).

The algorithm is less sensitive to noise and outliers than the k-means algorithm because the median is less affected by outliers.

PAM is effective for small databases, but should not be used for large datasets.

Preliminary dimensionality reduction

Let's consider an example. There is a database of the company's clients, which should be divided into homogeneous groups. Each customer is described by 25 variables. The use of such a large number of variables leads to the selection of clusters of unclear structure. As a result, it is quite difficult for the analyst to interpret the obtained clusters.

Clearer and more transparent clustering results can be obtained if, instead of a set of initial variables, some generalized variables or criteria are used, containing in a concise form information about the relationships between variables. That is, there is a task of reducing the dimensionality of the data. It can be solved using different methods; one of the most common is factor analysis. Let's dwell on it in more detail.

Factor analysis is a method used to study relationships between variable values.

In general, factor analysis pursues two goals:

• reducing the number of variables;

• classification of variables – determination of the structure of relationships between variables.

Accordingly, factor analysis can be used to solve data dimensionality reduction tasks or to solve classification tasks.

The criteria or main factors selected as a result of the factor analysis contain in a condensed form information about the existing relationships between the variables. This information makes it possible to obtain better

clustering results and better explain the semantics of clusters. A certain meaning can be communicated to the factors themselves.

With the help of factor analysis, a large number of variables is reduced to a smaller number of independent influencing values (factors).

The factor in a "condensed" form contains information about several variables. Variables that are highly correlated are combined into one factor. As a result of the factor analysis, such complex factors are sought that explain the relationships between these variables as fully as possible.

At the first step of the factor analysis, the values of the variables are standardized, the necessity of which was discussed in the previous lecture.

Factor analysis is based on the hypothesis that the analyzed variables are indirect manifestations of a relatively small number of some hidden factors.

Factor analysis is a collection of methods aimed at identifying and analyzing hidden dependencies between observed variables. Hidden dependencies are also called latent dependencies.

One of the methods of factor analysis - the method of principal components - is based on the assumption that the factors are independent of each other.

Iterative clustering in SPSS

Usually, a wide arsenal of methods is implemented in statistical packages, which allows you to first reduce the dimensionality of the data set (for example, using factor analysis), and then the actual clustering (for example, using the method of fast cluster analysis). Consider this variant of clustering in the SPSS package.

To reduce the dimensionality of the initial data, we will use factor analysis. To do this, select in the menu: Analyze (Analysis) / Data Reduction (Transformation of data) / Factor (Factor analysis):

Use the Extraction: button to select the extraction method. We will leave the default principal component analysis as mentioned above. You should also choose a rotation method - let's choose one of the most popular - the varimax

method. To save factor values as variables in the "Values" tab, you need to check "Save as variables".

As a result of this procedure, the user receives the report "Explained total variance", which shows the number of selected factors - these are the components whose eigenvalues exceed unity.

The acquired values of the factors, which are usually assigned the names fact1_1, fact1_2, etc., are used for cluster analysis by the k-means method. To perform a quick cluster analysis, select from the menu:

Analyze / Classify / K-Means Cluster: (Cluster analysis by k-means method).

In the K Means Cluster Analysis dialog box, you need to place the factor variables fact1_1, fact1_2, and so on in the tested variables field. Here, it is necessary to specify the number of clusters and the number of iterations.

As a result of this procedure, we receive a report with the values of the centers of the formed clusters, the number of observations in each cluster, as well as with additional information specified by the user.

Thus, the k-means algorithm divides the set of initial data into a given number of clusters. To be able to visualize the obtained results, you should use one of the graphs, for example, a scatter diagram. However, traditional visualization is possible for a limited number of measurements, because, as is known, a person can perceive only three-dimensional space. Therefore, if we analyze more than three variables, we should use special multidimensional methods of presenting information, which will be discussed in one of the subsequent lectures of the course.

Therefore, international experience shows:

- clusters by their very nature are a group of close, geographically interdependent companies and related organizations that jointly operate in a certain type of business, are characterized by common areas of activity and complement each other;

– the classification of clusters (by the direction of the predominant integration ties, by economic sectors and types of activity) demonstrates the

multifaceted nature of their functioning. Thanks to this, clusters can be considered universal tools of economic development;

- it is expedient to use clusters in both national and regional economies. One of the demonstrative examples of a cluster regional economy is the economy of the European Union;

- the cluster policy of the countries of Europe and the EU as a whole demonstrates the expediency of state (and interstate) support for clusters and as a result of it - the effective development of national and regional economies, and through them - a positive impact on the development of the global economy.

The modern economy is increasingly gaining a global character, all subjects of which (countries, regions, transnational corporations, etc.) closely interact with each other. In the context of globalization, the following measures can be proposed for the development of the cluster economy:

– organization of research institutes and laboratories for studying the potential of the cluster economy;

- formation of the cluster policy of the countries and regions of the world based on the conducted scientific research;

– creation of a legislative and regulatory framework for the establishment and operation of clusters;

– mandatory state support for cluster activities;

- creation of national, regional and international organizations to regulate the development of clusters.

Thus, clusters demonstrate significant potential in the sphere of effective development of the modern global economy. Therefore, it can be considered expedient to study the global experience of cluster activity and its implementation in the economy of Ukraine, taking into account the peculiarities of its development.

APPENDICES TO PART I

Appendix 1

Control testing from the course "The firm is a subject of the market economy"

Test 1

1. What is characteristic of the market economy system?

a) consumers coordinate their choice of products;

b) the product is distributed among consumers based on their desire and ability to pay a certain amount for it;

c) products are exchanged among themselves.

2. A special resource characteristic of the market economy system is:

a) financial resource (capital);

b) entrepreneurship;

c) workforce (labour resources);

d) land (land resource).

3. The main purpose of commercial enterprises is to:

a) obtaining the volume of output and sale of products;

b) accumulation of fixed and working capital;

c) making a profit;

d) produce competitive products.

4. According to the nature of the impact on the objects of work, business entities are divided into:

a) tangible and intangible production enterprises;

b) mining and processing enterprises;

c) enterprises of single, serial and mass production;

d) small, small, medium and large.

5. According to the purpose of their activity, legal entities are divided into:

a) those with binding rights;

b) those that do not have binding rights;

c) commercial and non-commercial;

d) production, service.

6. What does not apply to the founding documents:

a) founding agreement or decision to establish an enterprise;

b) charter;

c) regulations on remuneration;

d) certificate of payment of state duty;

e) list of founders (participants) of the enterprise.

7. When liquidating a company, first of all, the following are satisfied:

a) employees of the enterprise;

b) claims of hired personnel;

c) obligations to the state;

d) property and monetary claims of creditors.

8. What is a condition for the development of entrepreneurship:

a) qualified personnel;

b) availability of fixed and working capital;

c) free access to foreign markets;

d) economic freedom of producers and consumers;

e) centralized management.

9. Which of the following is not included in the privatization methods:

a) sale of firms at an auction following a commercial competition;

b) availability of vouchers for company members;

c) mortgage auctions, investment auctions?

10. According to purpose and scope of application, fixed funds are divided into:

a) on leased and owned;

b) on main and convertible;

c) on production fixed assets of the main activity, non-production fixed assets and non-production fixed assets of industrial enterprises.

11. What is not displayed in the inventory map for the object:

a) object name and inventory contract;

b) recoverable value;

c) initial cost and main technical and economic characteristics;

d) surname, first name and patronymic of the founders (participants) of the firm?

12. Using the depreciation rate:

a) labor and industrial relations within the company are regulated;

b) the quality of the release of goods is regulated;

c) the production process is intensified;

d) the general level of specialization of the firm is determined.

13. Return on capital and capital intensity refer to:

a) individual indicators;

b) indicators of land use efficiency;

c) generalizing indicators;

d) individual indicators.

14. What does not apply to the factors that determine the amount of production capacity:

a) the labor intensity of the production program and the mode of operation of the equipment;

b) location of the enterprise;

c) composition and quality of rising material and raw materials;

d) level of qualification of employees?

15. The coefficient of intensive use of equipment is calculated by:

a) capacity of the firm;

b) the average annual number of employees engaged in the production and sale of products (services, works);

c) equipment operation time;

d) power per unit of time.

16. Funds of a business entity are divided into fixed and circulating funds based on:

a) the nature of turnover and the method of value transfer;

b) areas of activity;

c) use in the production process;

d) industry characteristic.

17. The material capacity of products is:

a) integral indicator;

b) partial indicator;

c) inverse indicator;

d) direct indicator.

18. Working capital and working capital are combined into current assets based on:

a) the nature of turnover and the method of value transfer.

b) areas of activity;

c) organizational and legal forms of management;

d) belongings.

19. From the listed elements of current assets, indicate the elements that are not rationed by the consumer:

a) all circulating funds and circulating funds;

b) all working capital and finished products in the warehouse;

c) all working capital, with the exception of finished products in the warehouse.

20. The duration of one turnover characterizes:

a) the number of turnovers carried out with a given amount of current assets for the period;

b) duration of one turnover in days;

c) the amount of profit per hryvnia of working capital.

21. Technological unemployment occurs in cases where:

a) there is no demand for professions with insufficiently high qualifications;

b) scientific and technological progress is combined with a high level of income.

c) there is no optimal ratio of the employed population to the unemployed.

22. All employees, depending on the degree of participation in production activities, are divided into:

a) workers, employees and ITR;

b) industrial-production and non-production personnel;

c) list and verb composition;

d) hired personnel.

23. The average roster number for the period from the beginning of the year to the reporting month, inclusive, is determined by summing up the total number of rosters for all months that have passed during the period from the beginning of the year to the reporting month, inclusive, and dividing the resulting amount by:

a) the number of months of work for the period since the beginning of the year;

b) the number of months from the beginning of the year to the reporting month inclusively;

c) the number of months since the beginning of the year, broken down into quarters.

24. Which of the following refers to external factors that affect the selection of personnel:

a) level of production technology;

b) improvement of the organization of production processes and labor protection;

c) the level of labor organization and its regulation;

d) changes in the production program.

25. Which of the following does not apply to labor turnover:

a) turnover rate for employment;

b) growth factor;

c) the turnover rate at disposal?

26. The timesheet fund of working time is equal to the difference:

a) between the maximum possible working time fund and round-the-clock losses provided for by labor legislation;

b) between the calendar fund and the number of days falling on holidays and weekends.

27. Which of the types of observation is the most accurate:

a) timing;

b) photo of the working day;

c) method of instant observation;

d) photo timing.

28. In the above, indicate the methods of changing labor productivity:

a) balance and index;

b) balance and labor;

c) natural, valuable and labor.

29. According to the nature and purpose of labor costs, labor intensity is distinguished:

a) technological, service and management.

b) normative, planned and actual.

c) gross and commodity operation.

30. Wages in market conditions perform the following functions:

a) reproductive, motivational, accounting;

b) accounting, regulatory, motivational;

c) reproductive and psychological.

31. The list of professions, specialties of workers by types of work, as well as the qualifications of these works characterizes:

a) tariff grid;

b) tariff and qualification directory;

c) tariff rate.

32. Wages are distinguished by types:

a) tariff-free, rating, contract;

b) real and standardized;

c) individual and temporary;

d) contractual, contractual.

33. Indicate which of the following is not included in the tariff-free labor payment system:

a) employee's qualification level;

b) tariff grid;

c) labor participation rate;

d) actually worked time.

34. The general wage fund is equal to the sum of:

a) direct (tariff) fund and payments, additional payments, bonuses;

b) basic and additional wages;

c) direct (tariff) fund and additional wages.

35. According to the method of reimbursement, expenses are divided into:

a) workshop, production and sales (full);

b) basic and additional;

c) explicit and implicit.

36. According to the role in the production process, costs are divided into:

a) direct and overhead;

b) main and overhead;

c) on conditionally constant and conditionally variable.

37. How do fixed costs per unit of production behave when the volume of production increases:

a) increase;

b) decrease;

c) remain unchanged.

38. Determine the sequence of drawing up an estimate of production costs:

a) make an estimate of costs for maintenance and production management;

b) prepare estimates for certain types of special expenses;

c) make an estimate of production costs for the main workshops;

d) make an estimate of the costs of auxiliary workshops.

39. In the above, indicate what does not apply to calculation methods:

a) direct account method;

b) reporting and statistical method;

c) calculation and analytical method.

40. What function at the level of a business entity does the price not perform under the following conditions:

a) accounting;

b) planned;

d) distributive?

42. The upper price limit is determined by:

a) volume of output (services, works);

b) the amount of demand for products (services, works);

c) the amount of fixed and variable costs.

43. What does not belong to the group of prices of the economy of the transition period:

a) free contractual;

b) state (planned);

c) global;

d) state (regulated and fixed)?

44. In the above, indicate what refers to the disadvantage of the strategy "removing the cream":

a) a high price ensures a large amount of profit;

b) a high price attracts potential producers of similar goods;

c) a high price contributes to an increase in demand in the case of a prestigious product.

45. Correlate production measurement units with methods of measuring production results:

a) valuable - kg, t, m, pcs.;

b) labor - hryvnias;

c) natural - hours.

46. Which of the following does not apply to demographic factors that determine demand:

a) age structure and population size;

b) income and price level;

c) number of families and geography of distribution?

47. Which of the following does not apply to value indicators:

a) assortment;

b) commodity products;

c) sold products?

48. The change of which indicator distinguishes the sold products from the commercial ones:

a) change in work-in-progress balances;

b) change in costs of future periods;

c) change in the balance of finished unsold products?

49. The general financial result characterizes:

a) cost price;

b) profit or loss;

c) profitability.

50. Which of the following is not included in the results of non-realization costs:

a) profit from the sale of products (works, services);

b) profit from previous years, discovered this year;

c) lack of material values, revealed during the inventory?

51. The principles of distribution of balance sheet profit determine:

a) managing entity;

b) municipality;

c) the state;

d) the company's workforce.

52. The profitability of selling products depends on:

a) structure of sold products;

b) price level and cost structure;

c) both factors.

53. According to the "content" feature, planning is distinguished:

a) target, program, planning means and actions;

b) production and finance planning;

c) strategic, tactical, operational.

54. What does not apply to indicators of the use of planning:

a) volumetric and specific;

b) direct and overhead;

c) quantitative and qualitative?

55. In the list below, indicate what does not apply to business planning:

a) investment business plan;

b) business plan for financial recovery;

c) techpromfinplan.

56. Which of the following characterizes technical and economic justification in the conditions of a planned economy:

a) strict relationship between planned indicators and a certain production technology;

b) flexible planning of indicators without specifying a specific addressee?

57. Which of the following does not belong to the sections of the business plan:

a) product characteristics and marketing strategy;

b) competition and demand analysis;

c) profitability and income?

58. The need for transformation in foreign economic activity is determined by:

a) Ukraine's accession to NATO;

b) the collapse of the USSR and unfavorable the structure of foreign trade turnover;

c) the development of NTP.

59. Which of the listed transactions is not included as an independent element in foreign economic activity:

a) trade operations;

b) financial operations;

c) non-commercial operations;

d) barter operations?

60. Financial leasing is characterized by:

a) a long lease term, during which all or most of the cost of the equipment is amortized;

b) a short lease period, which is shorter than the period of economic functioning of the equipment.

61. Financial policy in conditions of stable economic development is oriented towards planning:

a) from income;

b) from expenses;

c) from income and expenses.

62. According to the sources of the formation of current assets, they are divided into:

a) own, equal to them and involved;

b) non-normalized and normalized;

c) highly liquid securities and dependent stocks.

63. According to the method of reimbursement, costs are divided into:

a) permanent, mixed, variable;

b) material and equivalent expenses for maintenance of hired personnel;

c) costs reimbursed at the expense of the price and at the expense of profit.

64. What does not include the management of balance profit:

a) attraction of financial resources;

b) maximization of income with available sources;

c) expansion of the nomenclature of sources of formation of balance sheet profit?

65. What does not apply to external financial obligations:

a) obligations to creditors and insurance companies;

b) obligations to business partners;

c) obligations to the state;

d) obligations to owners?

66. The main forms of financial risk losses are:

a) direct damage, additional financial costs and lost profit;

b) average profit and additional profit;

c) lost profit and loss.

Test 2

1. The motivating motive for activity in the conditions of command-administrative economy is:

a) obtaining the maximum profit;

b) implementation of the plan;

c) population employment.

2. What is the purpose of the household (family) economy:

a) maximizing the usefulness of purchased goods;

b) maximization of profit from economic activity;

c) maximization of the sales volume?

3. Property liability of the business entity means that the firm:

a) has his own property, which is used for certain purposes;

b) bears responsibility with his property;

c) independently carries out various types of transactions and operations.

4. The property liability of the business entity means that the enterprise:

a) has his own property, which is used for certain purposes;

b) bears responsibility with his property;

c) independently carries out various types of transactions and operations.

5. According to the type of production, enterprises are divided into:

a) large, medium, small, monopoly enterprises;

b) enterprises of serial, mass and unit production;

c) with intermittent and continuous mode of operation.

6. According to the forms of entrepreneurial activity, legal entities are divided into:

a) business associations, production cooperatives and state and municipal unitary enterprises;

b) commercial and non-commercial;

c) those who have and do not have property rights;

d) open and closed enterprises.

7. To obtain a permanent registration certificate, you must:

a) to contribute 100% of the value of the authorized capital, register with the tax service, the Pension Fund, the state insurance fund, obtain codes from the State Committee of Statistics of Ukraine;

b) contribute any amount to the authorized capital of the company, register with the tax inspectorate, open a bank account, register with the Pension Fund, obtain codes from the State Committee of Statistics of Ukraine;

c) contribute at least 50% of the value of the authorized capital, register with the tax inspectorate, open a bank account, register with the Pension Fund, obtain codes from the State Committee of Statistics of Ukraine.

8. Regarding liquidation measures:

a) rehabilitation, competitive production;

b) merger, accession;

c) allocation and division. ?

9. Which of the functions do not reveal the essence of entrepreneurship:

a) the entrepreneur takes the initiative of combining factors of production;

b) the entrepreneur undertakes the implementation of planned tasks for graduation;

c) the entrepreneur determines the strategy and tactics - he is the organizer.

10. Which of the following refers to forms of privatization:

a) hidden form of privatization;

b) public form of privatization;

c) sale by commercial tender?

11. According to the type of use, fixed assets are divided into:

a) those that are in operation, undergoing reconstruction, in reserve for reconstruction, technical rearmament;

b) active and passive fixed assets;

c) building, equipment, machines, structures, etc.

12. Fixed assets are calculated on the balance sheet:

a) at recoverable value;

b) at the full initial cost;

c) at residual value;

d) at the liquidation value;

e) at mixed cost.

13. Depreciation is terminated:

a) in the month of disposal or full repayment of the cost;

b) from the first day of the following month of disposal or full repayment of the value of the object.

c) one month before disposal or full repayment of the value of the object.

14. The high rate of elimination of the active part compared to all the main funds indicates:

a) about the state of impact on the fund return;

b) about the negative impact on the fund return;

c) does not affect the value of the fund return.

15. Power is allocated by type:

a) shops, districts, brigades;

b) design, input, output and annual average;

c) enterprises, firms, associations.

16. Productive capacity is determined by the same group of equipment, where:

a) processing of parts is not time-consuming;

b) the processing of details is particularly time-consuming;

c) does not depend on labor intensity.

17. The main purpose of working capital:

a) create a material basis for effective work;

b) to ensure the rhythm of the circulation process with monetary means.

18. The cost (material) rate is equal to:

a) the difference between net weight (useful) and production waste;

b) the sum of net weight (useful costs) and production waste;

c) amount of net weight (useful costs).

19. What is not included in the working capital:

a) finished products in the warehouse and goods on the way;

b) funds in accounts, cash register and current account;

c) costs of future periods?

20. Based on the sign of the continuity of the production process, current assets are divided into:

a) own and involved;

b) normalized and non-normalized;

c) circulating funds and revolving funds.

21. What factor determines the effectiveness of working capital:

a) acceleration of turnover of current assets;

b) growth of own working capital;

c) both factors?

22. The natural level of unemployment is characterized by the fact that:

a) there is an increase in the general level of prices (inflation);

b) there is no increase in the general level of prices;

c) there is a decrease in the general price level.

23. Depending on the nature of the functions performed in the production process, industrial and production personnel are divided into:

a) managers of higher, middle and lower ranks;

b) workers, employees, ITR;

c) workers and managers.

24. Determination of the number of personnel by labor intensity is used in the calculation of:

a) auxiliary workers;

b) main workers;

c) ITR and employees.

25. With regard to the lack of selection of personnel from an internal source:

a) the moral climate improves and attachment to the enterprise strengthens;

b) lack of influx of people with new views;

c) cost-effectiveness of recruitment?

26. The average number of hours an employee must work during the planned period is characterized by:

a) the maximum possible working time fund;

b) real time planning fund of working time;

c) effective fund of working time.

27. According to the complexity of the structure, labor norms are divided into:

a) one-time, seasonal, temporary;

b) differential, consolidated, complex;

c) republican, sectoral.

28. Which of the following characterizes "performance, fruitfulness and efficiency" of a specific type of work:

a) material capacity;

b) production capacity;

c) labor productivity;

d) types and systems of remuneration?

29. The average amount of production per employee is defined as:

a) average daily;

b) annual average;

c) average hourly.

30. A compromise between the interests of the employee and the employer is achieved thanks to:

a) standardization and increase of labor productivity;

b) organization of wages;

c) identifying the inclination and interests of the employee.

31. The single tariff grid, which consists of 18 categories, is used for the tariffing of workers:

a) budgetary sphere;

b) any organizational and legal forms of management;

c) only private structures.

32. Which of the listed wage systems is used to pay auxiliary workers who have a significant impact on the output of the main workers:

a) unit-premium system of remuneration;

b) indirect piece rate payment;

c) piece rate payment;

d) hourly premium?

33. Determine the sequence of stages of salary calculation in the case of a tariff-free system of labor payment:

a) the share of the remuneration fund, which accounts for the payment of one point, is determined;

b) the number of points earned by each employee is determined;

c) the total number of points earned by all employees is determined;

d) the salary of an individual employee is determined.

34. Define the procedure for calculating the wage fund by fund categories:

a) additional payments to the hourly, daily, monthly fund and premiums are determined in accordance with the company's wage system;

b) the direct (tariff) wage fund is determined;

c) the general wage fund is determined;

d) the amount of the basic salary is calculated.

35. In the above, indicate the new implicit costs:

a) costs of raw materials, materials, equipment, labor;

b) interest on invested capital, remuneration of the entrepreneur, intangible assets;

c) components, administrative costs, fuel, energy.

36. Costs for management and organization of production are included in costs:

a) straight lines;

b) variables;

c) permanent;

d) invoices.

37. Indicate which of the above is not included in variable costs:

a) rent;

b) salary of main employees;

c) raw materials and materials;

d) depreciation of fixed assets;

e) administrative and management costs.

38. When calculating expenses for 1 hryvnia. cost indicators are used for commodity products:

a) gross production;

b) commodity products;

c) sold products;

d) all of the above.

39. When drawing up costing, costs are divided into:

a) main and overhead;

b) simple and complex;

c) direct and indirect.

40. What does not apply to external factors that influence price formation:

a) consumers and the state;

b) market environment;

c) establishment (calculation) of the price;

d) participants in channels of trade?

41. State price regulation is established for products:

a) monopolistic enterprises;

b) basic sectors of the economy and socially significant goods;

c) export-import operations.

42. The long-term price is set for goods:

a) single demand;

b) mass demand;

c) having unique properties.

43. Conventionally natural units of measurement are used in the event that the following products are produced:

a) uniform in purpose and content;

b) has common basic consumer properties, but differs in purpose;

c) products that are heterogeneous in purpose and homogeneous in content.

44. Which of the groups of factors affecting demand determines the consumer's ability to pay:

a) socio-cultural factors;

b) general economic;

c) demographic factors;

d) natural factors?

45. The assortment includes:

a) a list of names of products (works, services);

b) a list of names of products (works, services) by brands, varieties, standard sizes;

c) a list of product names

46. According to accounting data, the inventory is determined:

a) the cost of work-in-progress balances at the beginning of the period;

b) the cost of work-in-progress balances at the end of the period.

47. In the above, highlight the factors of the external environment that affect the amount and dynamics of profit:

a) organization of production and work;

b) price level for sold products;

c) tax system.

48. The balance sheet profit consists of:

a) profit from the sale of products (works, services) and non-sale income;

b) profit from sale and profit from non-sale income and expenses;

c) profit from sales, profit from other operations, non-realization and extraordinary income and expenses.

49. Net profit is equal to the difference between:

a) balance sheet profit and the amount of income tax;

b) taxable income and income tax;

c) profit from sales, income tax.

50. What does not characterize the profitability of capital:

a) profitability of assets;

b) profitability of sales;

c) return on equity?

51. If possible, plans are divided into:

a) global, contour, detailed;

b) rigid and flexible;

c), capital, technologies, payments, transfers and labor force;

c) general and partial.

52. Specific (relative) indicators that are used in planning are established:

a) absolute values of production as a whole, individual processes and factors;

b) the ratio of two or more interrelated indicators;

c) economic efficiency of production, its individual indicators.

53. The investment business plan provides for:

a) restoration of solvency and support of effective activity;

b) improvement and change of technology or introduction of new means;

c) ensuring loan repayment and timely payment of interest for the use of loans.

54. Which of the following does not apply to the "Marketing strategy" section:

a) payback period of the project;

b) demand analysis;

c) analysis of production costs?

55. The possible results of the adopted decisions are reflected in the generalized value expression:

a) in the production section;

b) in the financial section;

c) in the marketing section.

56. What does not apply to the forms of foreign economic relations:

a) foreign trade;

b) movement of services, capital, technologies, payments, labor force;

c) development of minerals and their use?

57. In what case is it inappropriate to sell products in disassembled form:

a) export and import of this type of product is prohibited by the government;

b) transportation as a whole is impossible for technical reasons?

58. Which of the following does not apply to forms of international leasing:

a) financial leasing;

b) operational leasing;

c) strategic leasing?

59. Specify the main tasks of the spending policy:

a) maximization of income from actually available sources;

b) rational cost minimization;

c) expansion of the nomenclature of income sources.

60. According to the degree of liquidity (that is, the speed of conversion into cash), current assets are divided into:

a) monetary and material;

b) cash in hand, on a current account, funds in accounts, highly liquid securities, stocks of finished products, production stocks and work-in-progress;

c) own, equal to them means and borrowed.

61. What does not apply to the classification of costs based on the rational minimization of all their types:

a) expenses reimbursed at the expense and at the expense of profit;

b) expenses necessary for carrying out statutory activities;

c) costs to be minimized for any results;

d) expenses that are subject to reduction when the financial condition improves?

62. The net profit of the enterprise reflects the stage:

a) formation;

b) distribution;

c) use of profit.

63. What does not apply to internal financial obligations:

a) obligations to branches and subsidiaries;

b) obligations to the budget and extrabudgetary funds;

c) obligations to hired personnel;

d) obligations to creditors?

64. The level of losses, not exceeding the estimated profit, characterizes the zone:

a) unacceptable risk;

b) acceptable risk;

c) critical risk.

65. According to investment goals, investments are divided into:

a) aggressive, moderate, conservative;

b) direct and portfolio;

c) short - medium - and long-term.

66. Investment cost is:

a) form of value in use;

b) a group of indicators;

c) object of value in use.

67. By nature, technological processes are divided into:

a) direct, capital-intensive;

b) synthetic, direct, analytical;

c) material-intensive, capital-intensive, labor-intensive.

68. Net investments:

a) equal to gross investments;

b) more gross investments;

c) more gross investments by the value of the depreciation fund.

69. Value in use is the value of ownership:

a) for a specific user;

b) for a group of users;

c) for a specific user or groups of users.

70. Unification and standardization of production are integral elements:

a) production specialization;

b) concentration of production;

c) combining production;

d) production cooperation.

Appendix 2

Problems from the course "The firm is a subject of the market economy" for independent solution

Task 1. The composition of the production fixed assets of the enterprise at the end of the corresponding year by separate groups is shown in Table 1. Determine the functional group structure of the fixed assets of the enterprise as a percentage of their total volume for the corresponding years.

Table 1

The balance sheet value of fixed assets of the state enterprise for 2012-2014, UAH million.

Group of fixed assets	Specific elements of the fixed assets of the group	2012	2013	2014
The first	Buildings, constructions and transmission devices	39,55	41,53	44,02
Another one	Automobile transport, devices and tools, office equipment	5,45	5,89	6,77
The third	Other fixed funds	20,80	23,38	27,21
Total book value of fixed assets				

Task 2. The balance sheet value of the production fixed assets of the joint-stock company at the beginning of 2149 amounted to UAH 70 million. During May and September 2014, new basic funds worth UAH 750 and 1,650,000, respectively, will be put into effect. In addition, according to a previously concluded agreement with a foreign firm, a new automatic line worth 2,200,000 dollars will be purchased in October of the same year. USA. The costs of its transportation and installation will amount to 10% of the cost of imported equipment. In October of this year, the machines and equipment for the total amount of 2.5 million hryvnias should be decommissioned due to full physical operation. Economic performance (depreciation) of production fixed assets will reach 40% at the beginning of 2014. For calculations, 1 US dollar is equal to 5.04 hryvnias. Calculate: 1). Average annual cost of production fixed assets of the enterprise in 2014; 2). The initial (balance sheet) and residual value of the company's fixed assets at the beginning of 2015.

Task 3. the initial data given in the table. 2, it is necessary to determine the functional and specific structure of the material assets of the joint-stock company. Draw a conclusion about the trend of changes in the structure of the company's material assets for the analyzed period.

Table 2

The amount of tangible assets of JSC at the end of the relevant year,

yew. UAH

Elements of tangible assets	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Production funds:						
The main ones	13850	16850	17100	17800	18900	19800
Reversible	4250	4550	4700	4950	5800	6700
Property of social purpose	3335	4300	4250	4050	3900	3200
Total tangible assets	21435	25700	26050	26800	28600	29700

Task 4. Using the initial information (Table 3.) about the degree of economic performance and the movement (updating, disposal) of the production fixed assets of the enterprise over the past few years, determine: 1). The average annual cost of fixed assets and their dynamics over several years; 2). Coefficients of economic operation, disposal, extensive and intensive renewal of fixed assets for the evaluated period. When calculating, take into account that the average annual volume of production fixed assets, which are entered and withdrawn, is equal to 35% of the total volume of such funds entered and withdrawn.

Table 3

Indicators of economic performance and movement of fixed assets of the enterprise, thousand hryvnias, by year

Indicator	2012	2013	2014	2015
The cost of fixed assets at the beginning of the year	75300	H	H	H
The amount of accumulated depreciation at the end of the year	22590	27265	31760	36480
Movement of fixed assets:				
commissioning	7500	8200	8900	9500
elimination	3765	4500	4620	4750

Task 5. According to the data in Table 4, determine the degree of technical and economic performance of the existing equipment of model "X" at the domestic enterprise.

Table 4

Technical and economic indicators of equipment "X" compared to the best world model

Indicator	Comparable equipment	
	domestic ("X")	**a world model**

Productivity, pieces/year	1035	2550
Price, USD USA	500	1000

Task 6. The initial data for determining the book value of a group of fixed assets of the enterprise are given in the table. 5. Calculate the book value of the group of fixed assets of the enterprise at the beginning of three reporting years.

Table 5

Source information for determining the balance sheet value of the company's fixed assets, thousand hryvnias, by year

Indicator	2011	2013	2015
The balance sheet value of the group of fixed assets at the beginning of the year preceding the reporting one	58500	?	?
The amount of the company's expenses:			
· For the purchase of new fixed assets	4600	5000	5800
· To carry out capital repairs of fixed assets	2500	2400	2700
· For the reconstruction of production premises and modernization of equipment	3750	3980	4250
The cost of decommissioned fixed assets			

during the year preceding the reporting year	2925	3100	3400
The amount of depreciation deductions in the year preceding the reporting year	4590	4850	5200

Task 7. Calculate the rate of depreciation deductions for purchased new equipment (several lathes), the book value of which is UAH 3,500,000. Its liquidation value is predicted at the level of 5% of the balance sheet (full) value, and the normative term of operation is 8 years.

Task 8. The furniture factory purchased a new technological line for the production of identical wooden blanks (parts) worth UAH 362,000. Costs for transportation and installation of the technological line amounted to UAH 10,000. The projected regulatory life of the technological line is 10 years, and its liquidation value is UAH 12,000. Determine the rate of depreciation deductions for the technological line under the condition of applying uniform and double-residual depreciation of the means of labor; to find out which of the named depreciation methods is economically more profitable for a furniture factory.

Task 9. This company includes the main enterprise and three branches located in the territory of one and the same region of Ukraine. Data on the balance sheet value and movement of fixed assets in the structural subdivisions of this

company are shown in Table 6. The average annual value of newly put into operation and decommissioned fixed assets in the accounting year can be taken in the amount of 40% of the total value of the entered and withdrawn material assets of this type. The percentage ratio of individual groups of fixed assets by production divisions of OJSC is presented in Table 7. The rates of depreciation deductions from the book value of individual groups of fixed assets are %: the first group – 5; the second group – 25; the third group - 15. Determine the average annual cost of fixed assets and the amount of depreciation deductions in the accounting year of JSC.

Table 6

The balance sheet value of fixed assets of OJSC at the beginning of the reporting year, their commissioning and decommissioning, thousand UAH.

Structural unit	Book value	Implemented	Decommissioned
The main enterprise	20550	2400	1150
Branch No. 1	14400	1500	700
Branch No. 2	16100	1900	850
Branch No. 3	12450	1450	690
Together at JSC "Energia"	63500	7250	3390

Table 7

The structure of fixed assets of JSC by its production divisions in the accounting year, % of the total

Group of fixed assets	The main enterprise	Branch 1	Branch 2	Branch 3
The first	48,5	45,6	47,7	46,8
Another one	9,6	10,4	10,8	9,9
The third	41,9	44,0	41,5	43,3
Together	100,0	100,0	100,0	100,0

Task 10.JSC decided to apply accelerated depreciation of fixed assets of the third group in accordance with the current legislation of Ukraine. The cost of fixed assets is UAH 6 million. Using the method of accelerated depreciation of fixed assets of the third group, determine the annual amounts of depreciation deductions during seven years of their operation. To draw a conclusion about the economic feasibility of using the method of accelerated depreciation of fixed assets.

Task 11. The size of production fixed assets and their movement (introduction, withdrawal) for several years, as well as the volumes of manufactured products and the gross profit received for the corresponding years at the state enterprise are shown in Table 8. To calculate the absolute indicators of putting into operation and decommissioning of fixed assets a factor of 0.45 can be applied. Calculate the average annual cost of production fixed assets, return on capital (according to marketable products and profit), as well as draw a conclusion about the dynamics of return on capital at the enterprise.

Table 8

Fixed assets, merchandise and balance sheet profit of the enterprise for 2012-2015, thousand UAH.

Indicator	2012	2013	2014	2015
Production fixed assets at the beginning of the year	165000	5100	9400	1700
Implementation of new fixed assets	16200	6500	7000	7500
Decommissioning of used fixed assets	8800	316980	324100	342650
Total volume of merchandise	328245	36890	42150	48460
Balance sheet profit	30350			

Task 12. The reported indicators of production fixed assets, merchandise and net products of JSC for 3 years are given in table 9. Calculate the indicators of return on capital (by merchandise and net products) and analyze its dynamics for 2013-2015; to determine the degree of influence of the capital return and the average annual cost of fixed assets on the increase in the volume of merchandise and net products in 2013 and 2015.

Table 9

The average annual cost of production fixed assets, the volume of merchandise and net products of JSC for 2013-2015, thousand UAH.

Indicator	2013	2014	2015
Average annual cost of production fixed assets	37400	42800	54500
Commodity products	104750	136960	201650
Pure products	19800	27710	40730

Task 13. The average annual cost of the company's production fixed assets is UAH 2,500,000. In the reporting (base) year, the volume of manufactured products reached 950 tons. The wholesale price for one ton is UAH 3,000, and the production level is 20%. Next year, it is expected to increase the average annual cost of fixed assets by 3% and production output by 10%, and reduce production costs by 2%. Calculate the amount of return on capital based on production and profits in the base and calculation years.

Task 14. The economic indicators of JSC's production and economic activity are given in Table 10. Calculate the absolute change in capital return under the influence of labor productivity, the number of personnel and the cost of production fixed assets.

Table 10

The main indicators of JSC activity

Indicator	Reporting year	Fiscal year
Commodity products, thousand UAH.	12640	19970
Production fixed assets, thousand UAH.	9540	17770
Staff, person	1095	1115
Labor productivity, thousand hryvnias	11,54	17,91
Fund return, hryvnias.	1,32	1,16

Task 15. The cost of fixed assets of the enterprise at the beginning of the base year was UAH 5,860,000. From May 1 of the same year, new fixed assets in the amount of UAH 980,000 were put into operation, and from October 1, operational fixed assets in the amount of UAH 1,360,000 were decommissioned. The level of fund return in the base year was UAH 1.12. In the estimated year, it is expected to increase the volume of sold products by 15%, and the average annual cost of fixed assets by 8%. Determine the level of capital intensity in the base and calculation years. Calculate the absolute and relative changes in capital intensity and the account of the dynamics of the volume of products sold and the average annual cost of fixed assets.

Task 16. The company's production fixed assets at the beginning of the accounting year amounted to UAH 5,229,000. In the first days of July of the same year, the company purchased new fixed assets worth UAH 557,000, and at the beginning of November it decommissioned physically activated fixed assets worth UAH 127,000. In the accounting year, the volume of production should be 24,760 thousand UAH, and the level of profitability of production

should be 12%. Determine the volume of production and the amount of profit per UAH 1. Values of fixed assets.

Task 17. At the enterprise, the value of fixed assets at the beginning of the reporting year amounted to UAH 8,136,000. From May 1 of the same year, fixed assets in the amount of UAH 1,235,000 were withdrawn, and from November 1, new fixed assets worth UAH 1,450,000 were put into effect. The volume of sold products was UAH 9,132,000, and the total number of employees was 250. Calculate: 1). Average annual cost of fixed assets; 2). Return on capital and capital intensity of products; 3). Funding of labor (enterprises).

Task 18. The results of a one-time survey of the level of variable extensive use of metal-cutting machines in the production shops of the machine-building enterprise are shown in Table 11.

1. Determine the coefficients of variability of metal-cutting machines for individual workshops and the enterprise as a whole in two ways (without taking into account and taking into account intra-shift losses of working time).

2. After comparing the calculated indicators, draw a conclusion about which of the applied methods of determining the coefficient of variability of the equipment's operation more accurately characterizes the extensive level of its use.

Table 11

Available fleet of metal-cutting machines, physical units, and the level of their extensive use at the enterprise

Production workshop	The number of installed machines	The number of working machines during the shift		The number of working machine hours per shift	
		the first	the second	The first	the second
Mechanical workshop No. 1	125	100	85	700	520
Mechanical workshop No. 2	108	98	75	690	450
Mechanical workshop No. 3	117	105	88	670	530
Tool shop	24	20	15	140	84
Repair and mechanical shop	16	14	10	95	56
Together in the enterprise	390	337	273	2295	1640

Task 19. In the mechanical section of the repair shop of the enterprise, 14 units of metal-cutting machines were installed, of which 5 were lathes, 4 were milling, 2 were drilling, 3 were grinding. During the month, which had 22 working days, the machines actually worked 2,750 machine-hours, including including lathes - 1,540; milling - 575; drilling - 270; grinding machines - 365 machine hours. Determine the coefficients of variability of work for each

group of metal-cutting machines and the average coefficient of variability of the equipment in the mechanical department of the repair shop.

Task 20. Next year, the company must purchase 97 tons of construction materials for production needs. The price of the material is UAH 6,000/ton. The costs associated with placing an order, controlling the passage of invoices for payment, accepting goods (costs for servicing a batch of goods) are equal to UAH 5,000, and the costs of storing metals are 18% of the value of their average annual production stock. Determine the optimal size of the batch of materials to be purchased by the company.

Task 21. Based on the valuations of some elements of the firm's working capital in the specified years (Table 12.), determine their production and technological structure and analyze the dynamics during the last three years (2007-2009).

Table 12

The cost of the constituent elements of the firm's working capital

for 2013-2015, thousand UAH.

Working capital	2013	2014	2015
Inventories: · raw materials, basic and auxiliary materials	3700	3980	4327
· fuel and fuel	235	275	324
· purchased semi-finished products	940	1050	1276

· Spread out	256	286	328
· repair units and parts	386	430	464
· low value tools	427	460	487
· household inventory	446	353	450
Non-ferrous metals and semi-finished products of our own production	2250	2470	2850
Expenses of future periods: costs for production preparation and mastering the release of new products	468	586	738
costs of rationalization and invention	198	210	250
expenses for the acquisition of scientific, technical and economic information and subscription to periodicals	94	100	106
Together			

Task 22. The company's need for component products is 50,000 units per year. The price of one component product is UAH 10. The costs of the enterprise for servicing the purchase of component products (order placement, document preparation, control over the completion of calculations, acceptance of products in terms of quantity and quality, etc.) are equal to UAH 2,000. Per batch. Costs for storage of purchased component products (rent for warehouse premises, wages of operational staff of warehouses, loss of resources during storage, interest on a loan in the case of financing the purchase with credit resources, etc.) make up 18% of the average cost of stocks of component products. Determine the optimal batch size of component products and the rhythm of their supply.

Task 23. According to the balance sheet, the company's intangible assets amount to UAH 3,100, including the cost of: training program – UAH 1,500, software – UAH 600, acquired license – UAH 1,000. In order to bring the balance sheet value of intangible assets closer to their market value, the company's leading experts believe that it is necessary to carry out a revaluation of individual elements of these assets on the basis of such initial data.

1. The training program was developed by the company's specialists, it is used for professional development and retraining of employees of other companies in the industry on a commercial (paid) basis. The cost of studying under the program for one student is UAH 384. Students study in groups of 15 people. The duration of one educational cycle is 4 months. The profitability of the educational process is 10%. The life cycle of the program is 2 years.

2. Costs for the creation of software include: salary with accrual - 500 hryvnias; material costs - UAH 80; depreciation of equipment and other expenses - UAH 50. The market price of the software exceeds the cost of its creation by 27%.

3. The license for the production of a separate node, which is a component unit of the product manufactured by the enterprise, was purchased for UAH 1,000. Under the terms of the agreement between the licensor and the licensee, the company must pay a royalty of UAH 700. for 4 years.

4. Determine the market value of the company's intangible assets.

Task 24. The research and production concern has significantly increased its own intangible assets over the past two years. At the beginning of the accounting year, their balance sheet value was UAH 234,700. Determine at the end of the estimated current year the accumulated book value of intangible assets and the annual amount of amortization deductions in accordance with current legislation, using the following initial information.

1. The research and production concern intends to sell about 2,000 copies of the educational computer program for higher educational institutions of Ukraine this year. The estimated selling price of one copy of the program will be UAH 250.

2. A well-known foreign manufacturing firm in a related industry offered the concern to purchase the right to use its trademark, which has a stable high demand in the domestic market. After appropriate economic calculations, the concern agreed to accept the trademark from July 1 of the current year. The commercial price of the trademark is USD 15,000. USA. In the middle of the accounting year, the official exchange rate is $1. USA is forecasted at the level of UAH 5.54.

3. The concern decided to buy "know-how" in the field of production of an important structural unit of a specific product manufactured by it from a large foreign company of a similar scientific and industrial profile. The corresponding license agreement must be signed by April 1 of the accounting year. The cost of a license for the right to use "know-how" is equal to 25% of the annual sales volume of a certain type of product, which should reach UAH 200,000 in December of the current year.

Task 25. The components of working capital are listed in table. 13. Calculate the general structure of working capital (ratio of working capital and working capital). Determine the elemental structure of JSC working capital. Identify the trend of changes in the structure.

Table 13

The cost of individual elements of working capital and their dynamics during 2011-2015, thousand UAH.

Elements of working capital	2011	2012	2013	2014	2015
1. Inventories	25750	25150	25210	25340	25490
2. Unfinished production	6400	6570	7100	7200	7100
3. Self-made semi-finished products	4330				
	2150	4430	4530	4570	4540
4. Expenses of future periods	5620	2090	2450	3240	3500
5. Remains of finished products	3500	5700	5800	5880	5820
		3730	3830	4200	4650
6. Products shipped	3220				
7. Cash on the current account	2020	2620	2815	2910	3780
8. Receivables	660	1410	1460	1550	2040
9. Other working capital		700	905	1160	1280
Together					

Task 26. Calculate the standard of production stocks of construction material in physical and value terms, using the following source data.

1. The time interval for the delivery of the material to the enterprise is 30 days.

2.It takes three days to place an urgent order for the purpose of receiving the material from a specific supplier, and another 6 days for its delivery and unloading to the consumer.

3.Preparation of the material for use in the production process lasts 2 days.

4.The average daily consumption of construction material is 18 tons, and the contract price of 1 ton of this material is UAH 780.

Task 27. To determine the standard of working capital in the production stocks of basic materials and semi-finished products of several types, when it is known that according to the plan in the IV quarter of the accounting year, 200 pieces of products A, 50 pieces of B should be produced. The rest of the initial data required for calculation are given in the table. 14.

Table 14

Input data for calculating the ratio of working capital to production stocks of basic materials and semi-finished products.

Indicator	Code of certain types of materials			
	M_1	M_2	M_3	M_4
Consumption rate:				
per product A, kg	100	200	10	10
for product B, kg	200	150	30	50
The price is negotiable, hryvnias/ton	80	50	180	1000
Interval between deliveries, days	20	30	60	90
Transport stock, days	5	-	5	10

Task 28. The manufacturing company has mastered the production of a new product A, the gross production costs (cost) of which are UAH 4,000. According to the identified market demand, the annual production program of the new product was formed in the amount of 900 units. According to the established technology, the duration of the production cycle is 4 days. The cost of raw materials and materials, the processing (processing) of which begins on the first day of the production cycle, is equal to 60% of the gross costs for the production (cost) of the new product A. The remaining costs are distributed evenly over the days of the production cycle. The number of working days in a year is 250. Determine the standard of working capital in the unfinished production of a new product A.

Task 29. Determine the norm of working capital in the unfinished production of the state enterprise on the basis of the following initial data for calculations. The annual volume of production in the accounting year should be 12,000 units (pieces), and the gross production costs (cost price) per unit of production should be UAH 345. The duration of the production cycle will be 7 days. Current costs are distributed by days of the production cycle as follows: one-time costs (costs of the first day of the production cycle) – 65%; evenly increasing costs of the remaining days of the production cycle - 35% of the total cost of one product. (Assume that a year has 250 working days).

Task 30. Form with the help of specific calculations the standard of working capital of the state enterprise for the following reporting year, using the following source information.

1. The average production stock of raw materials, basic materials and purchased semi-finished products at the enterprise in the reporting year was 16 days. Preliminary calculations have shown that improving the organization of material and technical support of production and streamlining (restoring) cooperative relations with other suppliers will allow to shorten the interval of material resource deliveries by 0.7 days. In addition, the delivery interval will be reduced by 0.3 days thanks to the improvement of the operation (traffic) of transport. In the estimate of production costs in the

estimated year, 41,280,000 hryvnias were allocated for raw materials, basic materials and semi-finished products.

2. In the reporting year, auxiliary materials in the amount of UAH 30,000 were spent on each million hryvnias of marketable products. Subsequently, it is possible to reduce the specific costs of auxiliary materials by 5%. The actual volume of merchandise reached UAH 112,900,000. In the estimated year, the production volume should increase by 20%. Previously, auxiliary materials were delivered to the enterprise once every two months on average. The average stock of auxiliary materials is planned to be reduced by 5 days.

3. In the reporting year, the actual stock of fuel at the enterprise was such that it would be enough for 28 days, or 25% would exceed the standard stock of this type of resource. Due to future changes in fuel supply conditions, its regulatory reserve should be reduced by 3 days. According to the developed production estimate, fuel costs in the total amount of UAH 7,420,000 are expected.

4. The value standard of working capital for spare parts for the repair of technological equipment in the reporting year was 4 kopecks. calculated for each hryvnia of the cost of equipment and vehicles. An increase in the inter-repair period and other organizational and technical measures will make it possible to reduce this standard by 5%. As the calculations showed, next year the expected average annual cost of equipment and vehicles will amount to UAH 42,000 thousand.

5. Gross production costs (cost price) of goods in the IV quarter of the accounting year should amount to UAH 24,800,000. For the corresponding quarter of the reporting year, the actual rate of work-in-progress was equal to 5.3 days on average. In the accounting year, this norm must be adjusted taking into account a 5% reduction in the duration of the production cycle. The cost growth factor will be 0.8.

6. For the enterprise as a whole, working capital in the stocks of containers and the remains of quickly processed tools, devices and inventory in the reporting year amounted to UAH 62 and 380 thousand, respectively. Calculations proved the need to increase the standards for the mentioned elements of working capital by 12 and 8%, respectively.

7. At the beginning of the accounting year, the expected balance of expenses (expenses) of future periods is equal to UAH 700,000. According to the compiled cost estimate, the costs of future periods will amount to UAH 8,000 thousand. During the estimated period, gross production costs (cost price) of goods will amount to UAH 4,150,000. of these expenses.

8. For the IV quarter of the reporting year, the balance of finished products in the company's warehouse was as follows: standard - 3.5 days, actual - 4 days. In the accounting year, the standard for product shipment will not be one and a half days, but only one day.

Task 31. An increase in production to the required volumes, in order to more fully satisfy the needs of the market, can be achieved through the reconstruction of an existing enterprise or the construction of a new one. Technical and economic indicators of possible forms of increase in production volumes are presented in the table. 15. Calculate the profitability (profitability) of production investments (capital investments) and manufactured products in case of various forms of increase in production volumes. Based on these calculated indicators, determine the most profitable option for investing in production facilities.

Table 15

Determining technical and economic indicators of the current (unreconstructed, reconstructed) and new enterprise

Indicator	**Current enterprise (restructuring)**		**The enterprise under construction**
	To	**After**	

Annual production volume, pieces	11000	30000	19000
Unit cost of production, hryvnias.	210	205	190
Contractual price of a product unit, hryvnias.	250	250	250
Capital investments, hryvnias.	-	57600	79800
Normative efficiency ratio of investments	0,15	0,15	0,15

Task 32. Using the initial indicators given in the table. 16, to make a quantitative assessment of the marketing potential of a company that has launched its business activities on the territory of Ukraine. The maximum possible quantitative assessment of the firm's marketing potential is 5 points.

Table 16

Initial indicators for quantitative assessment of the marketing potential of an operating firm

Components of marketing potential	Weighting factor	The rating of the component according to the five-point system
product quality	0,60	4
Product promotion to the market	0,05	3
Selling price of a product unit	0,20	4
Sales of products to consumers	0,15	5

Task 33. In the reporting year, the labor intensity of the enterprise's production program amounted to 1,778,000 standard hours. It is assumed that in the next year, due to some complication of the manufactured products, its total labor intensity should increase by 11%. It is expected that the annual fund of working time of one worker, which amounted to 1,785 standard hours in the reporting year, should increase by approximately 6% due to the reduction of intra-shift downtime, and the expected fulfillment of production norms by each worker, which was equal to an average of 112% from the reporting year, - by 5%. Determine the required number of temporary production workers.

Task 34. In the machine-tool construction association at the beginning of the accounting year, the park of technological equipment included 750 metal-cutting machines, 160 and 140 units of forging and press and foundry equipment, respectively. The plan for technical re-equipment of production envisages the introduction of new and modernization of existing equipment with a significant increase in its productivity (Table 17). In the reporting year, the volume of goods produced by the association amounted to UAH 28,000,000, and the output per employee was UAH 8,000. In the estimated year, the volume of production should increase by 15%. The share of workers working on metal-cutting equipment is 43% of their total number, 9% on forge and press and 8% on foundry.

Table 17

Number of introduction of new and modernization of existing metalworking equipment to increase its productivity

Types of equipment	Implementation of new equipment, unit		Modernization of existing equipment, units.	Productivity increase, %	
	to change the activated	to expand production		new	modernized

Metal cutting	50	25	30	35	20
Forging press	16	5	8	40	25
Foundry	10	4	6	50	30

Calculate the degree of influence of the introduction of new and modernization of existing equipment on increasing labor productivity in the association.

Task 35. The average duration of regular leave of a certain part of the company's production workers will be increased in the accounting year from 22 to 25 working days. The real fund of working time of one worker, taking into account the increased vacation, will be 226 working days. The share of workers whose leave is increased is 31% of the total number of workers.

To determine the degree of increase in labor productivity, which could compensate for the increase in the length of vacations of a certain category of workers of the enterprise.

Task 36.A production worker of an industrial enterprise works according to a piecemeal-progressive wage system. The daily tariff rate of a fifth-grade worker is UAH 8. 48 kopecks For exceeding the production norm, the worker's work is paid at a rate increased by 50%.

Calculate the total amount of earnings of a worker of the fifth category, who in the calculation month fulfilled the production norm by 118% and worked 23 work shifts.

Task 37. At the production enterprise, the unit-premium system of labor remuneration prevails. During the calculation month, the temporary worker worked 176 man-hours and produced 485 parts. The standard time for the production of one part is 0.4 man-hours, and the price is 29.2 kopecks. for one manufactured part. The expected bonus for workers is calculated in the following amounts: for fulfilling the established work rate - 10%; for each percentage of exceeding the norm - 1.5% of unit earnings.

Determine the total amount of accrued wages of the temporary worker for the month.

Task 38. Calculate the total amount of wages of an auxiliary worker who serves the main temporary workers, under the working conditions discussed below.

The established rate of service for an auxiliary worker is 10 temporary workers. The rate of production of each main temporary worker is 6 products in one 8-hour shift. 1,500 units of products were produced during the accounting month. The tariff rate of an auxiliary worker is equal to 83 kopecks. per hour. The amount of the bonus for the performance of the production task is set at the level of 25% of the tariff earnings.

Task 39. Calculate the monthly earnings of a worker under individual piecework, piecework-premium and piecework-progressive wage systems and give their comparative assessment, if known:

1. the standard time for the production of one part is 0.7 hours, and the hourly tariff rate is 55 kopecks;
2. 610 units of products were produced by the main production worker in a month; of them, 580 units were accepted by the VTK controller from the first submission. The planned task of the worker per month is 500 products;
3. bonusing of workers for the delivery of products from the first submission is carried out according to a special scale (Table 8.14);
4. if the planned task is exceeded by up to 10%, the tariff rate increases by 1.5 times, and in the case of more - by 2 times.

Task 40. The manufacturing and trading company expects to reach the level of the most important indicators of its activity, listed in table 18, in the accounting year.

1. Make an estimate of production costs by economic elements for the calculation period.
2. Calculate the percentage reduction of specific production costs (per 1 hryvnia of revenue from product sales).

Table 18

Initial indicators for drawing up an estimate of the company's production costs, UAH 1,000.

Indicator	Base year	Accounting year
Material costs for the production of products	9100	10000
Depreciation calculations	760	800
salary expenses	3740	3800
Other current expenses	195	200
Revenue from the sale of merchandise	17280	19200
Income from interest payments	80	100
Interest expenses	345	400

Task 41. Calculate the break-even point of the industrial enterprise using the following information. The production capacity of the enterprise, which produces one type of product, is 650,000 units. per year, and income from the sale of products - UAH 2,600,000. Fixed production costs are UAH 900,000, variable costs are UAH 1,360,000. Solve the problem using an analytical and graphical method.

Task 42. At a small enterprise, the costs of renting premises and their maintenance amount to UAH 4,000 thousand. per year, and expenses for management, engineering and production and economic maintenance and depreciation deductions - UAH 3,000 thousand. Variable costs for one product are UAH 200, its selling price is UAH 300. Determine the minimum volume of output per year that ensures break-even production.

Task 43. At the production enterprise in the first quarter of the current year, variable costs per unit of production amounted to UAH 950, the unit price of the product was UAH 1,250, and total fixed costs were UAH 500,000. During the second quarter of the same year, the price of raw materials increased by 10%, which led to an increase in variable costs by the same percentage. Determine how the change in the price of raw materials affected the critical volume of production.

Task 44. The selling price of the manufactured product, which was UAH 200 in the first quarter, increased by 10% in the second quarter. Fixed costs amount to UAH 2,000,000. Specific variable costs UAH 60. Calculate the degree of influence of price changes on the critical volume of production.

Task 45. The industrial enterprise produces products of the same name and sells them on the domestic market at a price of UAH 230. per unit Specific variable costs amount to UAH 180. Fixed costs total 550,000 hryvnias. As a result of the rent increase, fixed costs increased by 8%. In addition, the conditions of the domestic market caused a decrease in the selling price of the company's products by 5%. Determine how an increase in fixed costs and a decrease in the selling price of products will affect the estimated value of its critical volume, which must be produced at the enterprise.

Task 46. Open JSC manufactures a certain range of scientific and household devices, including RR-2 manual refractometers and bar refrigerators. Separate elements of costs for the production of a unit of products are given in the table. 19.

The normative profit is 10.8% of the full cost price of a product unit, and the value added tax is 20% of the wholesale price per product unit. Determine the selling price for a RR-2 manual refractometer and a bar refrigerator.

Table 19

Elements of costs for the production of a unit of hand-held refractometers and bar refrigerators at OJSC

Costing articles	Unit of measurement	Hand refractometer RR-2	Bar fridge
Raw materials and materials	UAH	16,31	35,43
Purchased components and semi-finished products	UAH	58,64	78,88
Basic salary	UAH	5,73	15,00
Additional salary	%	11,0	11,0
Deduction for social insurance	%	37,0	37,0
Equipment maintenance and operation costs	%	250,0	250,0
Workshop costs	%	200,0	200,0
General plant costs	%	540,0	540,0
Other production costs	UAH	3,07	4,10
Non-production costs	%	0,9	0,9

Task 47.A wholesale business should develop a financial plan for the current year with quarterly distribution based on such forecasts.

1. The cash balance of the trading company at the beginning of the accounting year will be UAH 120,000. It is planned to increase the company's equity capital by UAH 1,000,000.

2. The amount of expenses (working capital) for the purchase of goods from manufacturers and the expected volume of gross sales for individual quarters of the accounting year are shown in the table. 20.

Table 20

Indicator	**Quarter of the accounting year**			
	first	**second**	**third**	**fourth**
Cash costs for the purchase of goods	5607	5846	6730	7799
Gross profit	9042	9427	10852	12577

3. In the first quarter of the accounting year, it is planned to increase the inventory by UAH 1,010,000, so that it corresponds to the average annual value of this time period. However, there is an agreement that the payment of the increase in commodity stocks will be made after the end of six months from the time of purchase of the corresponding groups of goods.

4. The sum of the required annual recurring costs according to preliminary calculations is UAH 12,060,000. To cover them, 25% of the annual cash requirement will be sent quarterly.

5. The fee in the form of interest for using a short-term loan will amount to UAH 110,000. quarterly Payments on bank debt in the amount of UAH 400,000. must be carried out in the last quarter of the accounting year.

6. During the second quarter, it is planned to purchase new equipment worth UAH 600,000. with deferred payment for the fourth quarter.

7. It was decided to use UAH 50,000 for the personal consumption of the co-owner of the trading enterprise. during each quarter of the accounting year.

Make a financial plan of the enterprise for the current year and submit it in the form of a table.

Task 49. The production enterprise sold 200,000 units of products at a selling price of UAH 48. per unit The gross production costs (cost) of a unit of manufactured products amounted to UAH 40. Calculate the total amount of

profit received by the enterprise and the level of profitability of the products manufactured by it.

Appendix 3

Classification of forms of ownership and management

The State Committee of Ukraine on Technical Regulation and Consumer Policy, by Order No. 97 dated May 28, 2004, approved new state classifiers, effective from June 1, 2004:

a) DK 001:2004 – Classification of forms of ownership;

b) DK 002:2004 – Classification of organizational and legal forms of economic donation.

The following forms of ownership are distinguished:

- private;

- state corporate;

- state;

- communal;

- communal corporate.

Subjects of private property law are natural and legal entities. Individuals and legal entities can be the owners of any property, with the exception of certain types. The law may limit the size of a land plot that can be owned by an individual or a legal entity.

State property includes property, including money, belonging to the state of Ukraine. On behalf of and in the interests of the state of Ukraine, the right of ownership is exercised by relevant state authorities.

In communal ownership there is property, including money, that belongs to the territorial community. Management of communally owned property is carried out directly by the territorial community and local self-government bodies formed by it.

State corporate and communal corporate property are recognized for the property of subjects in whose statutory fund the share of state or communal property exceeds fifty percent or amounts to an amount that provides the relevant bodies of state administration or local self-government with the right to decisive influence on the economic activity of these subjects.

Organizational and legal form of business (OPFG) – the form of economic (in particular, entrepreneurial) activity with the corresponding legal basis, which determines the nature of relations between the founders (participants), the regime of property liability for the obligations of the enterprise (organization, institution), the procedure for creation, reorganization, liquidation, management, distribution of received profits, possible sources of financing activities, etc.

Legal entity -an organization created and registered in accordance with the procedure established by law. It can be created by combining persons and (or) property. Legal entities, depending on the order of their creation, are divided into legal entities under private law and legal entities under public law.

A legal entity under private law is created on the basis of founding documents.

Legal entity under public law is created by an executive act of the President of Ukraine, a state authority or a local self-government body.

Economic activity- the activity of business entities in the sphere of public production, aimed at the manufacture and sale of products, the performance of works or the provision of services of a valuable nature, which have a price determination.

Non-commercial economic activity independent systematic economic activity carried out by economic entities, aimed at achieving economic, cultural, social and other results without the goal of obtaining profit.

Commercial (entrepreneurial) activity- self-initiative, systematic, at one's own risk economic activity, carried out by business entities (entrepreneurs) with the aim of achieving economic and social results and obtaining profit.

Business entities -participants in economic relations, who carry out economic activities, realizing economic competence (a set of economic rights

and obligations), have separate property and are responsible for their obligations within the limits of this property, except for cases provided for by law.

Business entities are: economic organizations - legal entities, state, communal and other enterprises; citizens of Ukraine, foreigners and stateless persons who carry out economic activities and are registered in accordance with the law as entrepreneurs; branches, representative offices, other separate subdivisions of economic organizations formed by them to carry out economic activities.

The state, state authorities and local self-government bodies are not business entities.

Organizational and legal forms of business

1. Enterprises

Enterprise -an independent business entity created by a competent state authority or local self-government body, or by other entities to meet public and personal needs through the systematic implementation of production, research, trade, and other economic activities in the manner prescribed by law.

Enterprises can be created both for entrepreneurial and non-commercial activities.

The enterprise is a legal entity, has separate property, an independent balance sheet, accounts in bank institutions, a stamp with its name and identification code.

Farming -a form of entrepreneurial activity of citizens with the creation of a legal entity who expressed a desire to produce marketable agricultural products, engage in their processing and sale for the purpose of obtaining profit on the land plots provided to them for farming.

Private enterprise -an enterprise operating on the basis of the private property of one or more citizens, foreigners, stateless persons and his/her labor or using hired labor. An enterprise operating on the basis of the private property of a business entity - a legal entity - is also private.

State Enterprise – an enterprise operating on the basis of state ownership.

A state unitary enterprise is formed by a competent body of state power in an executive order on the basis of a separate part of state property, as a rule, without dividing it into shares, and is included in the sphere of its management. The name of the state unitary enterprise must contain the words "state enterprise". State unitary enterprises act as state commercial or public enterprises.

State commercial enterprise -a subject of entrepreneurial activity, acts on the basis of the charter on the principles of entrepreneurship and bears responsibility for the consequences of his activity to all property belonging to him by the right of economic transfer.

Public enterprise -an enterprise created by decision of the Cabinet of Ministers of Ukraine.

Joint venture -an enterprise based on the property and labor of different owners.

2. Business associations

Business associations -these are enterprises or other business entities created by legal entities and (or) citizens by pooling their property and participating in the company's business activities for the purpose of making a profit.

Joint-stock company -a company that has a statutory fund divided into a specified number of shares of equal nominal value is liable for obligations only by the company's property.

Open Joint Stock Company (WATT) – a type of joint-stock company, the shares of which can be distributed through open subscription and purchase and sale on stock exchanges.

Joint Stock Company (THING) – a type of joint-stock company, the shares of which are distributed among the founders and cannot be distributed by subscription, bought and sold on stock exchanges.

State joint-stock company (DAC) – a joint-stock company whose state share in the authorized capital exceeds fifty percent or amounts to an amount

that provides the state with the right to decisive influence on the economic activity of this company.

Limited liability company(LLC) – a business association that has a statutory fund, divided into shares, the size of which is determined by the founding documents, and is responsible for its obligations only with its property. Company members who have paid their contributions in full bear the risk of losses related to the company's activities within the limits of their contributions.

Company with additional responsibility (VAT) – a company whose statutory fund is divided into shares of the sizes determined by the founding documents. The members of such a company are responsible for their debt contributions to the statutory fund, and for the insufficiency of these amounts, they are additionally responsible for their property in the same multiple for all members as the contribution of each member.

Full company (PT)– a partnership, all members of which are engaged in joint business activities and are jointly and severally liable for the obligations of the partnership with all their property.

Limited partnership (CT) – a company in which, together with one or more members who carry out business activities on behalf of the company and are responsible for the company's obligations with all their property, there is one or more members whose liability is limited to the contribution to the company's property.

3. Cooperatives

Cooperative – a legal entity formed by individuals and (or) legal entities that have voluntarily united on the basis of membership to conduct joint economic and other activities in order to meet their economic, social and other needs on the basis of self-government.

Production cooperative -cooperative, which is formed by uniting individuals for joint production or other economic activity with the purpose of obtaining profit on the basis of their mandatory labor participation and pooling of property share contributions, participation in the management of the enterprise and distribution of income among the members of the cooperative in accordance with their participation in its activities.

Production cooperatives can carry out production, processing, procurement and sales, supply, service and any other business activities.

Service cooperative -cooperative, which is formed by uniting individuals and (or) legal entities to provide services mainly to members of the cooperative, as well as to other persons for the purpose of carrying out their economic activities. Service cooperatives provide services to other persons in volumes not exceeding 20% of the total turnover of the cooperative.

Consumer cooperative- a cooperative (consumer society), which is formed by uniting individuals and (or) legal entities for the organization of trade services, procurement of agricultural products, raw materials, production of products and the provision of other services in order to meet the consumer needs of its members.

4. Organizations (institutions, institutions)

Organization (institution, institution) -an organizational structure created by one or more persons (founders) who do not participate in its management by combining (allocating) their property to achieve the goal determined by the founders at the expense of this property.

State organization -is formed by a competent body of state power in an executive order on the basis of a separate part of state property, as a rule, without dividing it into shares, and is included in the sphere of its management.

Communal organization -is formed by a competent body of local self-government in an administrative manner on the basis of a separate part of communal property and is included in the scope of its management.

Private organization -is formed on the basis of private property of one or more citizens, foreigners, stateless persons or on the basis of private property of a business entity - a legal entity.

Organization of tenants -an organization created by the labor team of a state enterprise, which has the right over other individuals and legal entities to enter into a lease agreement for the property of that state enterprise, organization, where it was created.

Organization of buyers -a voluntary association of citizens who have entered into an agreement on joint activity for the purpose of acquiring privatization objects.

Association -a contractual association created for the purpose of permanent coordination of the economic activities of enterprises that have united by centralizing one or more production and management functions, developing specialization and cooperation in production, organizing joint productions based on the pooling of financial and material resources by the participants to satisfy mainly economic needs of association members. The statute of the association must state that it is a business association. The association does not have the right to interfere in the economic activity of the enterprises that are members of the association.

Corporation -contractual association, created on the basis of a combination of industrial, scientific and commercial interests of the united enterprises, with their delegation of separate powers of centralized regulation of the activities of each of the participants to the management bodies of the corporation.

Consortium -a temporary statutory association of enterprises for the achievement by its participants of a certain common economic goal (implementation of target programs, scientific and technical, construction projects, etc.).

Concern- a statutory association of enterprises, as well as other organizations, based on their financial dependence on one or a group of association participants, with the centralization of the functions of scientific, technical and industrial development, investment, financial, foreign economic and other activities. Members of a concern cannot simultaneously be members of another concern.

5. Other organizational and legal forms

Entrepreneur -a natural person who is a citizen of Ukraine, a foreign citizen, a person without citizenship, who carries out entrepreneurial activity. A citizen is recognized as a business entity in the event that he carries out entrepreneurial activities, subject to his state registration as an entrepreneur without the status of a legal entity.

Commodity exchange -a special business entity that provides services in concluding exchange agreements, identifying demand and supply for goods, commodity prices, studies, organizes the circulation of goods and facilitates related trade operations. The Commodity Exchange is a legal entity, operates on the basis of self-government and economic independence, has separate property, an independent balance sheet, accounts in bank institutions, and a seal with its name. A commodity exchange is created on the basis of a voluntary association of interested business entities. The founders and members of the exchange cannot be state authorities and local self-government bodies, as well as state and communal enterprises.

Stock Exchange – an organized, permanently operating market on which securities are traded.

Stock Exchange - a joint-stock company that concentrates the demand and supply of securities, contributes to the formation of their stock exchange rate and carries out its activities in accordance with the legislation, charter and rules of the stock exchange.

Stock Exchange acquires the rights of a legal entity from the day of its registration by the State Securities and Stock Market Commission.

Stock Exchange- an organization that is created without the purpose of making a profit and is exclusively engaged in the organization of concluding agreements for the purchase and sale of securities and their derivatives. It cannot carry out transactions with securities on its own behalf and on behalf of clients, as well as perform the functions of a depository.

Credit Union -is a non-profit organization founded by individuals, trade unions, their associations on a cooperative basis with the aim of meeting the needs of its members in mutual lending, providing financial services by pooling monetary contributions of members of the credit union.

A credit union is a financial institution whose exclusive activity is the provision of financial services.

Appendix 4

POSITION about the company's security department

1. General provisions

1.1. The regulation on the security unit was developed in accordance with the Economic Code of Ukraine, the Labor Code of Ukraine and other legal acts on the protection of trade secrets in Ukraine.

1.2. The security unit is a structural one, which is responsible for the organization and implementation of measures to ensure the preservation of commercial secrets (protection of advanced ideas, new technologies, entrepreneurial, commercial, economic and management information, etc.), prevention of leakage of information constituting commercial secrets.

1.3. The security unit reports directly to the head of the enterprise and is staffed by competent specialists in the field of trade secret protection.

1.4. Measures to prevent the leakage of information constituting a commercial secret are carried out by the security unit in cooperation with the personnel department, the legal service, and other units.

1.5. The competence of the security unit extends to all structural units that are part of the enterprise in matters of ensuring the preservation of commercial secrets.

2. Main goals and objectives

2.1. The security unit organizes its work based on the following goals of ensuring the economic security of the enterprise:

- protection of the legal rights of the enterprise and its employees in relations with state bodies, foreign and domestic partners and competitors;
- ensuring the preservation of confidential commercial information of the enterprise, as well as samples of products, equipment and information provided for the use of the enterprise on a contractual basis;
- achievement of internal and external organizational stability of the enterprise, reliability of cooperative and partnership relations, exclusion of business contacts with accidental and unscrupulous partners and intermediaries;

- increasing the competitiveness of scientific developments, manufactured goods and services, creating a favorable market situation for their implementation in conditions of competition on the domestic and world markets;

- maintenance of stable and profitable relations within the team and external relations for the company, strengthening of labor discipline and creation of incentives for conscientious work of employees;

- maximally complete information provision of scientific, entrepreneurial, production and other activities of the enterprise for timely and proper response to emerging dangers and threats.

2.2. To achieve the specified goals, the security unit, together with the directorate and other structural units, participates in solving the following main tasks:

- timely detection of threats to the vital interests of the workforce, causes and conditions that contribute to material and moral damage to the enterprise, its normal functioning and development;

- formation of reliable guarantees of support of legality, mutual benefit, conscientious cooperation of the enterprise, organizational stability of its external and internal relations, development of mechanisms for prompt response to threats and negative trends in development;

- effective termination of encroachments on the legitimate interests of the enterprise, using legal, economic and organizational measures of influence;

- maximum full compensation for damages caused by illegal actions of individuals and legal entities.

3. Functions

3.1. It studies all aspects of the scientific and industrial, foreign economic, entrepreneurial and other activities of the enterprise in order to timely identify and close possible channels of leakage of confidential commercial information, accumulates and analyzes data on the interest and awareness of foreign firms, competitors about the commercial activity of the enterprise, carries out this work together with a permanent commission on commercial secrets, with the involvement of the company's leading specialists.

3.2. Develops and implements measures to prevent the leakage of confidential commercial information, monitors the implementation of the instructions and orders of the head of the enterprise on the preservation of commercial secrets.

3.3. Prevents the leakage of commercial secrets during the accounting, storage, handling and physical protection of confidential information in any form and in any form.

3.4. Prevents unjustified admission and access of company employees, representatives of third-party organizations to information that constitutes a commercial secret and is contained in documents, experimental samples of products, goods, etc.

Organizes and protects the economic interests of the workforce, takes measures to prevent material losses to the enterprise, as the owner of competitive information, manufactured products that are in its exclusive possession.

3.5. Prevents the leakage of confidential information in the process of carrying out foreign economic and other relations with partners and competitors, as well as during the preparation of materials by the company's employees for publication in the public press.

3.6. On the initiative or at the direction of the head of the enterprise through the expert commission (department for relations with the mass media):

- evaluates and selects information that has a commercial perspective and is subject to legal and regulatory protection;
- prevents premature publication in the open press, advertising materials of information about advanced ideas, new technologies that may have great economic significance;
- excludes free use (transfer) of intellectual property objects by third-party organizations and individuals.

3.7. Develops internal rules and procedure for qualification of information as a commercial secret of the enterprise, and removal of restrictions from it; prepares a list of officials authorized to classify information as a commercial secret and remove these restrictions on the

recommendation of department heads; submits lists of such persons for approval to the head of the enterprise.

3.8. Develops annual and current work plans to solve the tasks facing the division, to protect confidential commercial information that arises in the process of foreign economic, production and economic activities of the enterprise when accepting partners and competitors, foreign specialists and businessmen, concluding commercial and other contracts and contracts with foreign companies, when conducting business and management activities related to the commercial interests of the enterprise (preparation of reporting documentation on the enterprise's activities, when concluding contracts, agreements, etc.)

3.9. With the participation of heads of structural subdivisions, develops a list of positions of employees subject to access to information that constitutes a commercial secret.

3.10. Takes measures to prevent the leakage of confidential commercial information:
- when carrying out scientific, industrial, foreign economic and economic activities and business relations with foreign companies, partners and other institutions and enterprises of Ukraine, the CIS and far abroad;
- when using computers and other technical means intended for transmission, reception and processing of secret and confidential information, as well as when using unprotected communication channels;
- during meetings, conferences, business meetings, exhibitions, defense of theses, in the process of which important commercial information is used.

3.11. Together with the employees of the enterprise responsible for the reception of foreign partners and business people, develops programs for the reception of such persons, agrees on specific problems and issues to be discussed, the nature and volume of commercial information with which these persons should be familiarized and which will be transferred to them ; ensures accounting and timeliness of reporting on conversations with partners, competitors.

3.12. With company employees going on business trips abroad, conducts conversations on security issues during their stay abroad, and after returning from abroad - about the possible interest of foreigners in confidential

commercial information possessed by the company, keeps records and analyzes materials about this kind of direction and awareness.

3.13. When concluding contracts and agreements with foreign partners, third-party institutions in Ukraine, monitors: the presence of conditions that guarantee compliance with the company's rights to commercial secrets; reliability of measures to protect confidential commercial information, confidentiality requirements for the period of contractual relations; actions against third parties and organizations related to the interests of the parties, at the direction of the manager, apply to the court or commercial court for compensation for the damage caused, etc.

3.14. Organizes and keeps records of documents containing commercial secrets; controls ensuring the order of their use, reproduction, accounting, preservation, availability and transfer (including outside the borders of Ukraine) in the course of everyday work with them.

3.15. Conducts educational and preventive work with company employees who have access to confidential information, aimed at improving the professional ethics of confidentiality; conducts training of employees participating in international foreign economic relations, implementation of commercial operations in the domestic market; organizes the study by employees of new legal norms and rules for the protection of commercial interests in the conditions of market relations.

3.16. Develops new organizational forms of protection of scientific and technical, technological and other information of commercial value, as well as instructional, organizational and methodical documents regarding legal protection of commercial secrets (orders, orders, provisions, recommendations, etc.).

3.17. Together with the personnel department (personnel manager), participates in the drafting of a contractual obligation (employment agreement, agreement, contract) with persons who will have access to information that constitutes a commercial secret.

3.18. Takes measures to prevent the disclosure and leakage of information marked with the secrecy seal during record keeping; studies and analyzes the open official correspondence of the enterprise in order to identify in it information that is not subject to disclosure.

3.19. Ensures the established order of visits to the enterprise by representatives of third-party organizations, as well as foreigners; supervises the implementation of the rules of internal procedure by non-departmental security personnel and employees of the enterprise.

3.20. Maintains business contacts with law enforcement agencies of Ukraine when performing the tasks and functions specified in the current Regulation.

4. Rights

To perform assigned tasks and functions, the security unit has the right to:

4.1. Require all employees of the enterprise to comply with regulatory documents on the preservation of commercial secrets.

4.2. To involve the company's leading specialists in solving problems related to the prevention of leakage of confidential information (consultations, analytical work, development of proposals for information protection, etc.).

4.3. Carry out inspections of the state and organization of work regarding the protection of confidential information in all units of the enterprise.

4.4. Conduct official investigations into the facts of disclosure of information constituting a trade secret, loss of documents or products containing such information, abuse of the right to trade secrets: unqualified handling of it by users of confidential information, violation of contractual obligations on trade secrets, etc.; to require the employees of the enterprise to provide written explanations in connection with the committed violations.

4.5. To give recommendations and mandatory instructions to the heads of the company's divisions on the protection of confidential information.

4.6. Submit a proposal to the head of the enterprise about the suspension of commercial operations in the event of gross violations of the requirements for protection against the disclosure of commercial secrets, as well as about bringing to criminal or disciplinary responsibility persons guilty of violating the procedure for protecting commercial secrets.

4.7. Participate in the conclusion of agreements, contracts, agreements, the subjects of which are information and documentation of a commercial nature, subject to legal protection.

4.8. To represent the interests of the enterprise in law enforcement bodies or the court when these bodies receive complaints and statements from employees about the administration's violation of the employment contract related to the protection of confidential information.

4.9. Submit proposals to the management of the enterprise to encourage employees who actively participate in the development and provision of special measures to protect against the disclosure of commercial secrets.

Appendix 5

Position

about the company's commercial secret and rules for its preservation

Entered into force by order

No._____from_____200__

The transition to market relations presupposes new principles of organization of the enterprise's production and economic activity. The results of this activity can acquire value in the market, and also serve as a subject of trade secrets.

The purpose of this Regulation is to establish, on the basis of the Economic Code of Ukraine, the Law "On Information" and other rights of the enterprise to trade secrets, to create a system of measures to ensure the preservation of confidential commercial information, to protect the interests of each employee and the entire team of the enterprise from the uncontrolled use of the results of production, economic and other activities of the enterprise, to create conditions for increasing the interest of the enterprise in obtaining profit from entrepreneurial activity.

1. **Terms**

1.1. The commercial secret of an enterprise consists of information that is not a state secret, but is related to the scientific, production, economic, financial, managerial and other activities of the enterprise, the disclosure (transfer, leakage) of which may harm its interests, cause economic losses and loss of profit .*

1.2. The regulation defines the basics of protection of scientific, industrial, economic, entrepreneurial and other activities of the enterprise, preservation of commercial secrets, aimed at preventing possible economic damage to both the enterprise itself and its customers and partners.

Clause 1.1 should be formulated based on the characteristics of the enterprise, its activities, as well as the provisions of Art. 162 of the Economic Code of Ukraine.

1.3. The requirements and rules set forth in the Regulation are mandatory for all units of the enterprise and their employees.

1.4. Information that constitutes a commercial secret and that is obtained as a result of production, economic, entrepreneurial and other activities belongs to the enterprise.

This information may belong to several enterprises, institutions (legal entities). The right of ownership, use and responsibility for their disclosure are established in the Charter, founding and management agreement, technical task, etc.

1.5. The right to make a decision on the use of information, which includes commercial secrets, belongs to the head of the enterprise, who can delegate this right in writing to a specific person from among his deputies or to the head of one of the divisions.

1.6. The enterprise annually prepares a "List of information constituting a commercial secret" (hereinafter "the List"), which is reviewed and discussed at a meeting of the permanent commission on commercial secrets, after which the composition, scope and term of restrictions are approved by the head of the enterprise. If necessary, changes and additions may be made to the "List". This

information shall not be made public until the expiration of their limitation period.

1.7. In cases of the enterprise's interest in establishing the priority of the obtained scientific or industrial achievement, the information intended for announcement must contain a minimum of information of a commercial nature, sufficient to achieve the goals of the publication. In advertising materials, the presence of information containing confidential information should be excluded.

1.8. The use for open announcement of information that contains confidential information and that is obtained on a contractual basis, or that is the result of joint scientific (production) activities, is possible only with the permission of the partners.

2. The mechanism for determining information that constitutes a commercial secret

2.1. In the process of scientific research, construction and design, economic, entrepreneurial and other activities, the heads of structural units (the author) carry out a predictive assessment of the possibility of obtaining results that may be news and constitute the subject of a commercial secret in the future. This information in the form of a control card is transferred through the security unit to the permanent commission on commercial secrets.

2.2. The security department keeps a control record of the provided information in the "Preliminary record of information that has a commercial perspective" journal.

2.3. In the course of creating competitive products, goods, services, working out prototypes, the patent-licensing situation is studied on the basis of scientific and technical and patent information, an assessment of their value, possible economic efficiency, availability of analogues, compliance with the world level, competitiveness, possible profitable implementation is carried out on domestic and foreign markets.

2.4. In a positive case, the conclusions based on the results of the evaluation are set out in a conclusion, which reflects the subject of the commercial secret, its validity period, and the circle of persons who have the right to access this information.

This conclusion is signed by the head of the structural unit, after which it is transferred with all the materials to the economic security unit, which keeps a strict record of them, and sends it to the permanent commission.

3. Measures to protect commercial secrets

3.1. The organization and implementation of measures for the protection of commercial secrets are carried out by the economic security unit, whose rights and duties are defined in a separate provision.

3.2. All written sources of information that have commercial secrets must have a restrictive seal ("KT - strictly confidential", "confidential" and others) and must be kept in the economic security unit, which supervises the use of information containing commercial secrets.

3.3. In the texts of documents and their details, the rights to information, the procedure for using it, the terms of restrictions on publication, etc. may be stipulated additionally.

3.4. A thematic file is drawn up for each piece of information that is the subject of a commercial secret.

3.5. Issuance of dossiers and documents marked "confidential" is allowed to the authors of these documents or to other persons upon the written instruction of the owner of the information and his immediate supervisor.

3.6. When unauthorized access to confidential commercial information is detected, the head of the unit (executor) is obliged to immediately notify the unit of economic security.

3.7. When concluding bilateral or multilateral contracts and agreements with Ukrainian enterprises, organizations and foreign firms on the conduct of scientific research, production and economic or other activities, as well as on the transfer of technological solutions of experimental samples, etc., a mandatory condition of the agreement must be confidential.

The content of such a condition can be:

a) obligations of the parties to prevent disclosure of commercial secrets;

b) documents, services and other conditions must be considered by the parties as strictly confidential;'

c) measures to prevent violations of the rules of use of these documents and products;

d) obligations of the parties to prohibit the transfer of information to third parties without prior agreement between the parties;

e) the obligation of the parties to acquaint a strictly limited circle of their employees with the contract.

3.8. The transfer of information that is a commercial secret to third-party organizations is possible only on the basis of an agreement or contract.

3.9. A written commitment to non-disclosure of commercial secrets is taken from persons who are allowed to familiarize themselves with confidential information, and they are familiarized with the extent of responsibility for violating these obligations. Heads of structural divisions submit an application with justification for the need to draw up an obligation to the head of the economic security division.

3.10. Filing of applications for patents and inventions is carried out taking into account requirements for the preservation of commercial secrets. If necessary, these materials indicate restrictions on the open publication of the description of inventions.

3.11. The provision of data containing commercial secrets to representatives of state administration bodies and mass media is regulated by relevant laws and other regulatory legal acts and is carried out with the sanction of the head of the enterprise.

3.12. Restrictions on the distribution of commercial information are established by the head of the enterprise. In terms of time and place of action, they should not exceed a reasonable limit.

3.13. An employee of an enterprise who is aware of a trade secret shall not have the right to use it for personal gain or to disclose it, as well as without the written permission of the administration to engage directly or indirectly in

any activity that, as a competitive action, may cause damage to the enterprise that is the owner of this commercial secret.

3.14. Upon dismissal, the employee of the enterprise during the period of validity of the trade secret has no right to publish, disclose, transfer it to anyone without the permission of the administration of the enterprise. When he is dismissed from the company, he is given an obligation-warning.

4. Responsibility

4.1. The responsibility for the organization of ensuring the preservation of commercial secrets, the timely development and implementation of measures for its preservation are the responsibility of the heads of the enterprise, structural subdivisions of the enterprise and persons directly assigned to these areas of work.

4.2. In the case of intentional or unauthorized disclosure (transfer) of information that constitutes a trade secret, as a result of which the enterprise was caused material or other damage (lost profit), the employee is held liable under labor, administrative, civil or criminal legislation (the employee may be dismissed from works based on bad faith, a fine was collected from him through the judicial authorities to compensate for the material damage caused, etc.).

If an employee is engaged in collecting confidential information of a commercial nature in the interests of competing or other organizations, including foreign ones, or individuals, he is responsible in accordance with current legislation.

Criminal prosecution may take place at the initiative or with the consent of the owner of a trade secret.

The employees of the enterprise are obliged to strictly preserve the commercial secret that became known to them in the process of scientific, industrial, economic, entrepreneurial or other activities, which is established during the annual conclusion of the collective agreement. Every worker is obliged to know that in the conditions of the market, the preservation of trade secrets is an element of marketing and entrepreneurship, a way of maximizing the company's profit, and its disclosure, free exchange of work experience can

be economically dangerous both for the company and for each of its employees.

Security department of the enterprise

3 provisions on the commercial secret of the enterprise and the rules for its preservation are made familiar to all employees of the enterprise, which are related to the information and documents that constitute a commercial secret, in the part that concerns them.

GLOSSARY TO PART I

Absolute land rent -a form of land rent paid to the owner for any piece of land regardless of its fertility and location.

Agrarian policy of the state -the course and system of measures aimed at the development of agricultural production, growth of productive forces of the village, improvement of relations and forms of ownership, rational use of land, etc. in the interests of the welfare of the villagers and all members of society.

Agrarian relations - a special type of economic relations, the basis of which is the ownership, disposal and use of land.

Agrarian crisis – an economic crisis in agriculture, which is manifested in a reduction in production volumes, or overproduction of products and other forms that indicate the decline of the industry.

Agrarian reform -process transformation of economic relations, primarily property relations, in agriculture, which is carried out under the active role of the state.

Agrarian-industrial complex (APK) - a set of economic sectors involved in the production, processing, storage and sale of agricultural products to consumers; within the country - a higher form of agro-industrial integration.

Agrolandscapes –a basic component of life-sustaining complexes in rural areas, they perform various functions, in particular, ensuring the processes of soil degradation, promoting the preservation and reproduction of their fertility; maintenance of ecological balance; environment - reproductive functions, preservation and reproduction of the living environment of people.

Agro-industrial integration - organic combination of agriculture with industry and other sectors of the economy based on the general technological process of reproduction of agricultural and animal husbandry products; a specific form of territorial-production cross-industry combining, a set of organizational and economic ties based on the concentration of production of final agricultural products.

Acceptance - a) consent to payment or guarantee of payment of monetary, settlement, commodity documents or goods; b) consent to conclude a contract on the proposed terms. Acceptance is widely used as a form of settlement for delivered goods and services in the domestic andinternational commodity and monetary turnover; c) the form of settlements for promissory

notes, checks and other papers, as well as commercial documents. It is carried out with the help of credit and banking institutions.

Acceptor - a person who has undertaken to pay according to the presented invoice, promissory note.

Action– a type of security without a set period of circulation, which indicates equity participation in the statutory fund of a joint-stock company. Gives the owner the right to receive part of the profit in the form of a dividend, as well as to participate in the management of the affairs of the joint-stock company. The share contains the following details: the company's company name and its location, the name of the security - "share", its serial number, date of issue, type (ordinary or preferred) and nominal value, name of the owner (for a registered share), the size of the authorized fund company on the day of share issue, the number of shares issued, the term of dividend payment, the signature of the chairman of the board of the joint-stock company.

Excise duty -one of the most common indirect state taxes on products of mass demand (sugar, tobacco, vodka, etc.). Included in the price of the relevant product or service fee.

Joint-stock company - the main form of organization of large and part of medium-sized enterprises, the capital of which is formed from the sale of shares and other securities.

Letter of credit -settlement or monetary document that establishes the right of the person in whose name it is issued to receive the amount specified in it from a credit institution.

Registered share – contains the name of its owner (holder). It gained the greatest development in the early stages of equity financing. Shares of the labor team are issued only in registered form. Citizens have the right to be owners of registered shares only.

Bearer action– the rights arising from the presence of this share belong to its bearer or the holder of this share.

Founder's share - a share that is distributed among the founders of a joint-stock company, and which gives them some preferential rights (additional number of votes, priority right to receive shares in case of their additional issue, etc.).

Ordinary promotion - a share in which the dividend is distributed among the holders of shares in proportion to the amount of funds invested by each shareholder.

The share is privileged - a share that gives its owner a preferential right to receive a dividend (income) from the profit of a joint-stock company. Can be issued with an annual dividend fixed as a percentage of their nominal value. This percentage does not change depending on the results of the activity and the amount of profit of the joint-stock company. Shareholders receive profits in the first place. Ordinary holders receive their share of the remaining amount*shares*Preference shares cannot be issued for an amount that exceeds 10 percent of the founding fund of a joint-stock company.

Share price – the price at which the share is sold in the market. The share price is directly dependent on the dividend received per share, and inversely dependent on the rate of profit acceptable to the buyer, which is defined as the rate of loan interest with a risk premium.

Alternative price -the cost of production or service in monetary form, which measures the missed opportunity to produce another product that requires similar costs, but brings more profit; the price of replacing one good with another.

Analysis of the company's work -is carried out by studying its financial stability, balance sheet, profit and loss account, income and expenditure of funds, etc.

Market analysis -the answer to the following questions: at what price to enter the market, what is the demand for the product, what are the trends of changing the market structure, what are the potential opportunities for selling goods, etc.

Association– voluntary association of individuals and (or) legal entities for the purpose of cooperation while preserving the autonomy and independence of its members. Members of a business association may join other contractual associations of enterprises without the consent of other members.

Auction -organizational form of public auction of property or goods at a specified time and in a specified place. The object of sale goes to the person who offered the highest price for the thing.

National wealth -the totality of various benefits, education level, production experience, skill, creative endowment of the population and other values, including natural resources, created and accumulated in the country by the work of the entire society.

Economic basis -system of historically determined economic relations, basis, foundation of the economic structure of society.

Base price – the initial price level of the product with quality, size, certification and other parameters clearly defined in price lists or directories, which are the basis of price formation and their dynamics.

Balance– a generalized system of indicators that reflects the ratio or balance, the scale and pace of production, as well as the main proportions of the development of the national economy.

Balance of cash income (population, enterprises, etc.) – an element of the national economic balance, which characterizes the formation and use of a part of the national income, which is at the disposal of a certain subject; an important tool of analysis and planning.

Book value - the actual cost of fixed assets, goods, etc., for how they are reflected in accounting.

Bank –a financial institution or institution that accumulates and distributes funds and other accumulations, performs financial and credit, settlement, functions.

Bank rate – an outdated name for the interest payment for loans provided by central banks to other entities of the banking system. The term "minimum loan rate" is also used.

Bank loan - temporary lending of funds to individuals and legal entities.

Bank tickets (banknotes) – banknotes issued by central banks.

Bank deposits - funds deposited in the bank in the form of deposits for which interest is paid.

Banking monopolies -mergers of large banks or individual giant banks that play a decisive role in banking and appropriate monopolistically high profits.

Banking operations –functions performed by banks; distinguish between active (allocation of monetary resources), passive (accumulation of funds, attraction of deposits, etc.) and commission (intermediary) operations.

Banknotes –banknotes issued by central issuing banks of states instead of metal ones as means of circulation and payment. Before the First World War, banknotes were generally freely exchangeable for gold. Currently, such exchange has been stopped and the issue of non-convertible banknotes has begun.

Barter – direct cashless exchange of goods or services under a single contract.

Non-cash payments - non-cash payments, bank transfer of amounts from payers' accounts to recipients' accounts or crediting of mutual claims of legal entities. The vast majority of money circulation is non-cash, as it is much more efficient and profitable, both for society in general and for economic entities in particular.

Enterprise security - the state of protection of its vital interests from mafia-shadow structures, unfair competition and monopolies, incompetent decisions from above, imperfect laws, as well as the ability to resist these threats and realize internal goals.

Unemployment - a negative socio-economic phenomenon, in which a part of the working population wants to work, but cannot find a job, replenishing the reserve army of labor. It first appeared in Great Britain at the beginning of the XIX century.

Business– entrepreneurial, commercial or any other activity that does not contradict the law and is aimed at making a profit. In a broad sense, it is any type of human activity that brings income or provides other benefits.

A business plan - a document that provides a comprehensive rationale for the company's strategy (program) based on its current and future planning.

Exchange -an organized form of the wholesale market of mass goods. There are commodity, stock, labor, currency, futures, etc. exchanges.

Stock speculation - receiving a speculative profit on the stock exchange due to the difference between the exchange rates of securities at the time of conclusion and the time of execution of the agreement.

Stock quote - establishment of wholesale prices for goods sold in the order of stock exchange trading, as well as rates of securities and currencies, which are registered and published by stock exchange quotation commissions.

Exchange rate - the price at which securities and currency are sold on the stock exchange.

Exchange goods - qualitatively homogeneous and quantitatively defined goods that are sold in whole or in part through exchanges. Must meet such a requirement as the possibility of replacing them with another product from the corresponding batch.

Exchange prices - prices of goods, debt obligations, other values, which are sold through exchanges.

Treasure - material and immaterial values that bring people benefit, happiness, joy, etc., necessary for normal life. These are desirable things that satisfy human needs.

Soil reclamation - comparative assessment of the quality of soils according to their fertility, establishes the relative suitability of soils for growing agricultural crops, etc.

Bonus – additional remuneration for work, or some kind of incentive; a discount from the cost, the price of the product, provided to regular customers, or according to the terms of the sales contract.

Debt - a sum of money borrowed for a certain period and under certain conditions. There are internal, external, etc.

Broker – an intermediary in concluding agreements between interested parties (clients) on the purchase and sale of goods, securities, and currencies on stock exchanges. As a rule, he concludes agreements on behalf of and at the expense of clients, receiving remuneration for his services. It specializes in certain types of goods and services, acts as an intermediary in the implementation of exchange transactions with goods and securities, in the chartering of ships and insurance. The role of brokers can be performed by legal entities and individuals, many of which are large companies that have monopolized the markets of individual countries and products. Brokers act on the basis of agreements concluded with clients. They can provide additional services, including market research, advertising, and lending.

Gross -a) gross income without deduction of costs; b) mass of goods with packaging.

Budget - a recognized or accepted table, information on the income and expenses of an economic entity for a certain period of time (mainly for a year), which has official force.

Gross production -a statistical indicator that characterizes in monetary terms the total volume of production by various economic entities for a certain period of time.

Gross production of agriculture - part of the gross social product is created in the industry; the amount of agricultural and animal husbandry products produced during a certain period and expressed in value form.

Gross domestic product (GDP) – one of the most important indicators of economic development, which characterizes the final result of production activity of resident economic units. It is measured by the cost of goods and services produced for final consumption.

Gross income of the agricultural enterprise -monetary expression of the amount of new value (net production) created in the economy (per year). It is equal to the cost of gross production minus the costs of consumed means of production. In practice, it is defined as the difference between revenue from product sales and material costs for its production.

Gross profit - the total amount of profit of enterprises from entrepreneurial activity. It is defined as the difference between the revenue from the sale of commodity products and the cost price of these products.

Converted currency – a national monetary unit capable of being freely (through purchase and sale) exchanged for foreign currencies, performing the functions of world money. Out of more than 300 denominations of national money in the world, only 20 rich countries have their currency fully convertible.

Foreign exchange revenue - the amount of income in foreign currency from the export of goods and services, international loans, performance of works in other countries and within the country for foreign currency.

Currency regulation - state activity regarding the regulation of international settlements and the procedure for carrying out transactions with currency and currency values for the purpose of balancing payment balances, stabilizing the national currency, increasing the efficiency of the economy, stimulating economic activity, fighting inflation.

Currency relations -a set of relations related to the functioning of currency in international cooperation, giving and receiving loans, credits, etc.

Currency markets - economic relations regarding the purchase and sale of foreign currencies and payment documents in officially designated centers.

Cost –an economic category that expresses socially necessary work embodied in goods and services and relations between subjects of economic activity. It is determined by socially necessary time. That is, it is characterized by qualitative (relationship) and quantitative (time) aspects. They distinguish the cost of reproduction, individual and social, marginal, nominal, real, labor, funds, etc.

The cost of the workplace - the totality of expenses in monetary form for labor force, means and objects of work.

The cost of labor - the cost of means of reproduction of the worker's life and work capacity and maintenance of his family. These are socially necessary costs for the reproduction of labor power, which makes it similar to most goods. At the same time, labor is a specific commodity.

The price of the product is the socially necessary work of its producers and the relations between them in the process of creating the product are reified.

The price of the product is individual -the cost, which reflects labor costs in the specific conditions of its production at the micro level.

The cost of the product is public - the cost, which reflects labor costs for its production in the country as a whole (at the macro level).

The value of securities - determined by the amount of income they can bring to their owner.

Voucher – a privatization check (certificate), which certifies the free transfer of a part of state property to every resident of the country, gives the right to exchange it (certificate) for company shares and receive part of the income in the form of a dividend.

Bill of exchange a security (as well as a type of credit money) certifies the unconditional monetary obligation of the debtor (promissory note issuer) to pay a specified amount of money to the owner of the promissory note (promissory note holder) within a specified period and in a certain order. A promissory note can be defined as a debt obligation given by the borrower to the lender. There is a wide variety of bills. A promissory note must have mandatory details: a promissory note label - the name "promissory note" in the text of the document; an unconditional order or obligation to pay a certain amount; the name of the payer and the first retainer; term and place of payment; name of the sender; the date and place of drawing up the document and the signature of the drawer.

Venture operations -related to lending and financing of innovations, research and development, implementation of inventions and discoveries. They are carried out mainly by innovative banks and are accompanied by high risk.

Venture enterprise -"risky" firms engaged in commercial testing of scientific and technical inventions and achievements. In most cases, these are small and medium-sized firms in science-intensive sectors of the economy. There are two organizational forms of venture firms - within a large company and independent venture firms.

Reward – in the theory of motivation - all possible values that are given to a person in the process or after the end of a certain activity.

The production function is an economic-mathematical method of analyzing economic activity at the macro- and micro-level, which makes it possible to forecast the development of the economy, to identify ways of increasing the efficiency of production. The most famous Cobb-Douglas production function is a macroeconomic model that reveals the dependence of production volumes on the employed means of production and labor.

Industrial relations - relationships between people that arise in the process of social production, distribution, exchange and consumption of life's goods. It is a form of development of productive forces.

Production funds - the totality of means and objects of labor necessary for economic activity, expressed in monetary form. One of the most important elements of the productive forces of society.

Production costs -resources consumed in the process of creating the product.

Production costs are individual -the enterprise's costs for the production of products, everything that it costs to produce them. In monetary terms, per unit of product is the cost of production.

Variable costs - attributed directly to the cost of products (works, services) for their direct purpose. Their value depends on the volume of production. These include costs for the purchase of raw materials, labor, fuel, and costs for product sales. This is the difference between the firm's total and fixed costs.

Constant costs - do not directly depend on the volume of production (maintenance of the management apparatus, buildings, rent, land tax, etc.), but in the long term, with an increase in turnover, with the development of the material and technical base, these costs become conditionally constant, because they also grow, albeit more slowly , than the amount of sales of goods.

Actual expenses -all costs of the enterprise, related to its functioning, are accounted for by the accounting department in monetary form and are an important element for a thorough analysis of economic activity.

Money laundering -a set of dishonest transactions with money obtained illegally; which are carried out in such a way as to create the impression of legal sources of their appearance in society: fictitious agreements, investment of non-labor income in foreign banks, underground purchase of securities, resale of real estate, gambling on totalizers, theft, etc. The most hypocritical form is sponsorship, donations, charity, etc. at the expense of part of the "dirty" funds obtained by crime. All this is the reverse side of the shadow economy.

Relative additional cost - additional cost, which is formed as a result of the reduction of the necessary and extension of additional working time within the limits of the unchanged duration of the working day.

Playback – constant development of social production in the organic unity of actual production, distribution, exchange and consumption of life goods (reproduction phase); continuous restoration of the process of social production, on the basis of which reproduction of all elements of the economic system is carried out. Two types of reproduction are distinguished: simple and extended (extensive and intensive), although sometimes it is also narrowed, as happened in Ukraine during the crisis of the 90s of the XX century. The reproduction of the economic mechanism, property, capital, fixed assets, labor force, etc. is analyzed separately.

Alienation -a category that characterizes the process and effectiveness of people's activities on the basis of mainly external, often coercive incentives, rather than deep, internal motives and beliefs.

Free economic zone (FEZ) - a form of accelerated development of a certain part of the country's territory, within which special rules of economic activity regulated by the relevant legislation are established.

Property –a sociological category that contains economic, national, legal, psychological and other relations regarding the allocation of goods, primarily the means of production, through the socio-economic form of the social mode of production. The two most important subsystems of ownership are its economic and legal aspects.

Economic property - a system of industrial relations between people regarding the assignment (appropriation) of property objects in all spheres of social reproduction (direct production, distribution, exchange and

consumption). It has forms - individual, collective and general, which in turn contain different types of assignment.

Property is easy -expresses relations of appropriation of goods without corresponding labor costs for their creation.

Ownership – one of the forms of legal ownership of various objects, which means a person's actual control over the thing, gives the right to use it, transfer it to other persons, sell it, inherit it, etc.

Implementation –spread of innovations, practical application of new ideas, inventions, as a result of which the object develops on a qualitatively new basis.

Secondary securities market - the market in which securities circulate after their initial placement.

Intervention -efforts of the state to directly or indirectly influence the economy. Main forms: planning, regulation, implementation of budget, tax, credit, investment, depreciation, antimonopoly, price and other policies.

The branch of economy - a set of enterprises, institutions and organizations that produce homogeneous products or services and differ in the nature of the functions performed. The result of a partial division of social labor in the national economy.

Social guarantees - an element of social protection of the population by the state, a complex of economic and legal means that ensure the realization of the constitutional rights and freedoms of members of society in the sphere of economy, political, national, cultural, spiritual, etc. relations with people as the main value of the country.

Chefeft – trade transaction, profitable business, profitable deal.

Hyperinflation -one of the functional types of inflation, characterized by very high rates of price growth.

Globalization - an economic process that goes beyond state borders. From the 60s of the XX century. takes on a permanent form of growing intertwining of national economies in the world, which is beneficial primarily to the countries of advanced capitalism. Globalization is the highest phase of the internationalization of economic life, which has a significant impact on the development of NTP. It contributes to the deepening of international trade, increasing competition, and accelerating the movement of capital flows between countries.

Economic mechanism -a system of using economic laws, resolving socio-economic contradictions, implementing property relations, primarily for the means of production, ensuring comprehensive human development, coordinating the economic interests of all subjects of social production.

Economic calculation -management method used in the process of effective use of resources, appropriation and use of the received income. Compliance with the principles of independence, self-sufficiency, profitability, material interest, self-financing and full responsibility of enterprises for their activities up to bankruptcy.

Business associations -formation of legal entities or individuals by association their funds and property for entrepreneurial activity and profit.

State budget income -an important element of the newly created value of enterprises that function on the basis of economic calculation.

The marginal cost of resources isthe amount of increase in resource acquisition costs caused by each additional resource unit. The indicator is used to determine the limit of expediency of involving additional resources in production.

UAH -monetary unit of Kyiv Rus, UNR, Ukraine.

Money -a special product that is the general equivalent (equality) in the exchange of goods, their form of value. They perform the functions of a measure of value, means of circulation and payment, accumulation and world money.

Paper money -banknotes (documents) or symbols of full-fledged money, which are endowed with a forced exchange rate and issued under the guarantee of the state.

Money supply -the volume of bank and treasury notes, metal coins and deposit money (money in current accounts in banks) issued by the state into circulation.

Monetary system -a form of organization of money circulation that has historically developed in the country and is established by national legislation. Constituent elements: the monetary unit of the country, the scale of prices - the weighted content of currency metal (monetary commodity) in a monetary unit, types of currency signs, the procedure for issuing and withdrawing money from circulation, the procedure for exchanging national currency for foreign currency, exchange rate regulation, state regulation of monetary circulation.

Cash capital -functional form of industrial capital, which in the form of money brings additional value.

Cash flow -the continuous movement of money and its performance of its functions, primarily means of circulation and payment.

Cash productor**commodity money** -a commodity that for a certain historical period served as a general equivalent, a measure of value.

Money fetishism -mysticism, perception of money as a supernatural power, endowment of it with properties before which a person is powerless. It leads to a change in the psychology of individuals, loss of their sense of dignity, worship of the "yellow idol" (gold). Accumulating money becomes the main meaning of life, an end in itself, a person is lost as a person.

Monetary aggregates -elements of the money supply structure that differ in the degree of liquidity, that is, the ability to quickly turn into cash. As a rule, 2-4 monetary aggregates are used to determine the money supply (M_1, M_2...).

Cash income of the population -the main type of personal income of people received in the form of wages (the main form of income), pensions, financial assistance, scholarships, etc. As a result of their significant decrease in the 90s of the XX century. up to 90% of Ukrainian citizens were below the officially established poverty line, and 10% were below the limit of physical survival.

Money signs -denominations of presented money, their types in circulation

Agora -exchange coin of the state of Israel, equal to 1/100 of the Israeli pound.

Name - a Lao exchange coin equal to 1/100 of a kip.

Afghani - a monetary unit of Afghanistan equal to 100 pula.

Balboa - a monetary unit of Panama, equal to 100 centesimos.

Bath - Romanian exchange coin equal to 1/100 lei.

Bath – (tikal) is a monetary unit of Thailand equal to 100 satangs.

Bolivar - the monetary unit of Venezuela, equal to 100 centimos.

She - the monetary unit of Korea (both countries), equal to 100 cheon.

Guarani, Guarani - currency of Paraguay, equal to 100 centimos.

Geller – Slovak exchange coin, equal to 1/100 crown.

Gulden -the monetary unit of the Netherlands, equal to 100 cents, is also called the florin.

Kidney - currency unit of Haiti, equal to 100 centimos.

Daim - a US silver coin equal to 1/10 of a dollar, or 10 cents.

Didrachm - a Greek coin worth two drachmas.

Dinar - 1) monetary unit of a number of countries: Algeria, Iraq, Jordan, Tunisia, Kuwait, etc.; 2) an exchange coin of Iran, equal to 1/100 of the Iranian rial.

Dirham, Dirham - 1) currency unit of Morocco, UAE; 2) a coin worth 1/10 of a dinar in Jordan and Kuwait.

Dollar – a currency of the United States, Canada, Australia, Liberia, Ethiopia, and other countries equal to 100 cents or (in Malaysia) 100 sens.

dong – a currency of Vietnam equal to 10 khao or 100 sou.

Drachma –the monetary unit of Greece, equal to 100 leptos.

Zaire – currency of Zaire.

Zloty -monetary unit of Poland, equal to 100 groszy.

Yen- currency of Japan, equal to 100 sen.

Kwacha- the monetary unit of Zambia and Madavi, equal to 100 ngwe.

Kersh, Kurush- the exchange coin of Saudi Arabia, equal to 1/20 riyal.

*Kip*is the currency of Laos. Equal to 100 atoms.

Column- the currency of Costa Rica, equal to 100 centimos and El Salvador, equal to 100 centavos.

Cordoba- the monetary unit of Nicaragua, equal to 100 centavos.

Crown- the monetary unit of a number of countries: the Czech Republic and Slovakia, equal to 100 geler, Sweden, Norway and Denmark, equal to 1 eure, Iceland equal to 100 eure.

*Crore*is a consolidated account unit in rupees. Applicable in some Southeast Asian countries: 1 crore = 10 million rupees.

Cruzeiro- the monetary unit of Brazil, equal to 100 centavos.

Build - piester -exchange coin of Turkey, equal to 1/100 lira or 40 para, and Saudi Arabia (see kersh).

Kyat – a currency of Burma, equal to 100 pya.

A lion - a monetary unit of Bulgaria, equal to 100 stotinkas.

Leigh -the currency of Romania, equal to 100 banyas.

Medicine -a monetary unit of Albania equal to 100 kindarkas.

Lempira - the currency of Honduras, equal to 100 centavos.

Lira – a monetary unit of Italy, equal to 100 centezinos and of Turkey, equal to 100 curus (piastres).

Brand –1) a monetary unit of Germany, equal to 100 pfenning; 2) the monetary unit of Finland equal to 100 pennies.

Milliem -a small exchange coin of Egypt equal to 1/1000 of the Egyptian pound, Sudan, equal to 1/1000 of the Sudanese pound and Tunisia - millim, equal to 1/1000 of the Tunisian dinar.

Mile –exchange coin of Cyprus, equal to 1/1000 of the Cypriot pound.

Paisa, Paisa - exchange coin of India and Pakistan, equal to 1/100 of a rupee, as well as Bangladesh, equal to 1/100 such.

Pair- the exchange coin of Turkey, equal to 1/40 of a kurusha (piastre), and of Yugoslavia, equal to 1/100 of the Yugoslav dinar.

penny -1) the same as win; 2) Finnish exchange coin, equal to 1/100 Finnish markka.

Pence – penny - 1) a changeable coin of Great Britain, equal to 1/100 of a pound sterling; 2) the exchange coin of Ireland, equal to 1/100 of the Irish pound.

Pesetta, Pesetta - monetary unit of Spain, equal to 100 centimos.

Peso - the currency of Argentina, Cuba, Mexico, and some other countries.

Piastre - 1) exchange coin of Egypt, Lebanon, Syria, equal to 1/100 Egyptian, Lebanese, Syrian and Sudanese pounds; 2) the same as Kurush; 3) the Italian name of the Spanish peso coin.

money - a bargaining chip of Afghanistan, equal to 1/100 of the Afghani.

Pfennig - exchange coin of Germany equal to 1/100 mark.

Pya - exchange coin of Burma, equal to 1/100 kyat.

Rial -1) a monetary unit of Iran, equal to 100 dinars and of the Yemen Arab Republic, equal to 40 bukshams; 2) the same as the rial.

Riel - a monetary unit of Kampuchea, equal to 100 sen.

Ruble – a monetary unit of the Russian Federation equal to 100 kopecks.

Rupee – currency of India, Indonesia, Pakistan and some other countries.

Rand –currency of South Africa, equal to 100 cents.

Santang – exchange coin of Thailand, equal to 1/100 baht (tikal).

you are exchange coin of Indonesia, equal to 1/100 rupiah, Japan, equal to 1/100 yen, Kampuchea, equal to 1/100 riel, Malaysia, equal to 1/100 Malaysian dollar.

Sentavo – exchange coin of Angola, equal to 1/100 of the Angolar, Argentina, Cuba, Mexico, equal to 1/100 of the peso.

Sentesimo - exchange coin of Panama, equal to 1/100 of a balboa.

Sorry - exchangeable coin of Venezuela, equal to 1/100 colon.

Scudo –old Italian silver and gold coin; the name scudo was preserved to denote a coin of 5 lira.

salt - the monetary unit of Peru, equal to 100 centavos.

Sterling – the legal assay of English silver and gold coins; pound sterling is a monetary unit of Great Britain equal to 100 pence.

A penny – a Bulgarian exchange coin equal to 1/100 leva.

Suk re – the monetary unit of Ecuador, equal to 100 centavos.

Tugrik - a monetary unit of the Mongolian People's Republic, equal to 100 mungu.

Forint - Hungarian currency equal to 100 fillers.

Fin - a small exchange coin of the PRC, equal to 1/100 yuan and 1/10 jiao.

Hao - exchange coin of Vietnam, equal to 1/10 dong.

cent - exchange coin of the USA, Canada, the Netherlands and a number of other countries.

Jiao – a Chinese exchange coin equal to 1/10 yuan or 100 fin.

jeong john- the exchange coin of Korea (both countries), equal to 1/100 Won.

Shilling- the monetary unit of Austria, equal to 100 groschen, as well as in a number of other African countries (Kenya, Tanzania, etc.), equal to 100 cents.

Eire- Icelandic exchange coin, equal to 1/100 of a krona

Yuan- a monetary unit of the PRC, equal to 10 Jiao or 100 Fin.

Goodwill –1) conditional value of the firm's business relations, the "price" of the firm's accumulated intangible assets (prestige of trademarks, experience of business relations, stable clientele); 2) friendliness, attractiveness of clientele; 3) monetary assessment of the expected future excess of the profitability of this firm compared to the average profitability of similar firms; 4) invisible fixed capital, invisible assets (the difference between the price of the enterprise as a whole and the price of its real fixed capital).

Devaluation -legislative reduction of the exchange rate of its own currency against the currency of other countries carried out by the state. One of the variants of monetary reform with the aim of improving monetary circulation and stabilizing the national currency.

Demographics –population science. Covers processes and phenomena characterizing quantitative and qualitative changes in the human environment. In Ukraine at the turn of the 20th - 21st centuries. a tense demographic situation has developed, which is manifested in a significant reduction in the number of the population, an excess of mortality over birth rates, a decrease in the life span, etc. (depopulation).

Democratization of capital -the gradually increasing distribution of shares of large companies among employees, as a result of which some of them become co-owners of collective capitalist property to a certain extent, the so-called middle class is formed, which is characteristic of developed countries.

Dumping -artificial lowering of prices for goods (works, services) on the market, especially the foreign one, in order to conquer it. One of the forms of economic discrimination.

State -the organization of political, economic, legal and ideological power, with the help of which the integrity and security of the country is supported, the performance of general human and class socio-economic functions is carried out. Originated from the appearance of inequality in society.

State treasury - monetary resources of the state budget.

State theory of money -one of the varieties of the nominalist concept of money, according to which the state monopolizes the value of a monetary unit.

Government order -the mechanism of formation of the composition of products necessary for the country, placement of relevant agreements among enterprises of all forms of ownership, financing and control over their implementation, sale of products on the market. It is used in countries with a social market economy.

State planning -a set of measures influencing the development of the national economy, ensuring its proportionality and balance, purposeful intervention of the government in the work of the market mechanism. One of the most effective tools of state regulation of the economy.

State regulation of Economy -complex, systemic influence of the state on the development of social production with the aim of its stabilization and adaptation to constantly changing conditions. The necessity is caused by the inability of the market self-regulation mechanism to solve the cardinal problems of the development of the economic system, related to R&D,

ecology, the growing role of the personal factor in the economy, the strengthening of monopolistic tendencies, and the aggravation of the contradictions of capitalism in general. Entrepreneurship, the labor market, prices, distribution of population income, foreign economic relations, etc. are separately regulated.

State debt -the amount of the state's debt to creditors, obligations regarding internal and external loans. It arises due to a lack of funds for the state to perform its functions. Associated with the budget deficit.

State treasury ticket -a type of government securities that are placed among the population. Their owners receive income under a state guarantee for a certain period of time.

State contract -the form of direct state regulation of economic relations between the customer - the state and the executor - the enterprise, the way of realization of public needs, effective use of resources, cooperation of the state with business structures in solving particularly important tasks. As a result of the deep economic crisis in Ukraine in the recent period, the volumes of state contracts have decreased. This had the most negative impact on agriculture.

State revenues - property relations expressed in monetary form between the state and other economic entities in the process of extracting a part of the product from them to finance the implementation of state functions. This is the monetary form of state budget revenues received through taxes, duties, payments, foreign economic operations, foreign loans, etc.

Government Procurement -part of the goods and services purchased with the funds of the state budget to ensure the guaranteed production of goods necessary for the country and the formation of reserves. It is widely used in developed countries to improve population consumption, especially by supporting agriculture in this way.

State subsidies -funds, financial assistance from the state budget to local authorities, enterprises and the population for clearly defined purposes, for example, to pay for part of communal services, etc.

State Treasury (treasury) obligations– a type of public securities placed among the population, certifying the deposit of funds by their holders into the budget and giving them the right to receive a fixed income during the period of ownership of these securities. There are the following treasury obligations:

Long-term liabilities state treasury – are issued by the state for a period of 5 to 25 years for the bearer. They have coupons, according to which income is paid annually.

*Medium-term obligations*state treasury – are issued for a period of 1 to 5 years. They do not have coupons. Income is paid by accruing interest to the face value without annual payments upon their redemption, depending on the period that has passed from the issuance of the obligation to its repayment.

*Short-term liabilities*state treasury– are issued for a period of 3, 6 and 12 months to the bearer. They do not have coupons. Repaid by their redemption, including the payment of interest accrued on them.

Deflator -coefficient of conversion of economic indicators, calculated in current prices, into basic (unchanged) prices.

Deflation – reduction of the money supply, withdrawal from circulation of part of the money issued during the period of inflation. The state's deflationary policy curbs inflation and improves the balance of payments.

Default -termination of payment of dividends (interest) on securities as a result of liquidation of the company.

Diversification –simultaneous development of several or many technologically unrelated types of production; expansion of the range of products produced by individual companies; going beyond the boundaries of the main business, penetrating into new spheres and branches of the economy, or combining various types of economic activity.

Dividend -the income received by the owner of the share; part of the profit of a joint-stock company, which is distributed annually to its shareholders, depending on the number of purchased shares.

Discount -a discount in the price of goods, services, financial instruments due to the time factor or deviation of the parameters of the execution of the agreement from those provided for in the contract. The discount policy covers a system of economic, organizational and legal measures for the use of the accounting interest (discount) to regulate credit flows, investments, currency relations, impact on inflation rates, the state of the balance of payments, regulation of demand and supply for loan capital, etc.

Disparity –violation of value ratios, and accordingly, prices contrary to the parity policy. In particular, this is often the case in agriculture, when the

price indices for industrial goods and services for the countryside increase ahead of the price index for agricultural products. To overcome the disparity in developed countries, the state provides direct subsidies to agricultural producers (targeted aid), subsidies, preferential loans, etc.

Disproportion -violation of the necessary ratios in the development of enterprises, industries, complexes, economy at the national and world levels.

Differential land rent -additional net income of landowners associated with the use of average and better in terms of fertility and location in relation to the land market. It exists in the form of differential rent I and II.

Differentiation of incomes -the difference in the level of monetary and other incomes of different classes, strata and groups of the population is caused by the unequal relationship to the means of production, the created product, as well as the presence of social injustice, the imperfection of economic and political power, etc. There is also another: product, social, price, country, etc.

Additional product -a part of the social product created by workers in various fields of the economy in excess of the necessary product. In the 90s of the XX century. in Ukraine, more than 80% of the additional product (to the state budget) was withdrawn through the taxation mechanism, which slowed down the process of modernization of production. At the same time, a significant part of the income remained in the shadow economy, illegally exported abroad.

Dollarization -penetration of the US dollar and other currencies of developed countries into the internal monetary circulation of countries with weak non-convertible currencies, as a result of which the monetary system is disrupted, preference is given to non-national money. The dollarization of Ukraine's economy contributes to its shadowing and inhibits the formation of market relations.

Households -farms run by one or more persons who share housing. According to the UN recommendation, they should be based on a household arrangement, within which the needs of labor force reproduction and personality development are met. A household is a person or a group of persons united for the purpose of providing everything necessary for life, that is, united by joint management of the economy.

Households income – these are incomes from resources that households supply to social production, or incomes from factors of production (paying family members; pensions, scholarships, assistance, subsidies, subsidies for trips to sanatoriums and resorts for adults and children, for the maintenance of children in preschool institutions; income from personal farm; income from other sources). The total income of a household is the total amount of income it receives in cash or in kind from any sources.

Household functions:suppliers of resources in the form of human labor; the homeowner puts an economic resource, such as capital, at the service of the interests of society; in addition to labor and capital, households can also supply monetary resources that are necessary for the organization of social production.

Perfect competition - healthy functioning of the market mechanism in the presence of a large number of sellers, high quality goods, no restrictions for new business (production), with good information of consumers and producers about the market, free movement of capital, etc. Perfect competition– this is a fairly clear reaction of the market mechanism to a change in the general economic situation.

Grant -allocation from the state budget, additional payment, material assistance. In developed countries, thanks to subsidies, farmers cover almost half of the costs of producing agricultural products.

Income -the difference between the revenue from the sale of products and the total costs of their production and sale. Taking into account certain nuances. distinguish the income of enterprises from entrepreneurial activity, family, society, as well as non-realization (not related to the production of goods), primary and derivative (secondary), fiscal (income of the state treasury), etc.

Ekouting –a specific field of business related to the collection, processing, analysis, classification and registration of various types of information in the field of finance.

Ecological and economic system -a relatively independent natural production system, which includes natural, industrial, agrarian and communal objects functioning as a single unit.

Economy -the most important sphere of social life, in which, based on the use of various resources, the production, distribution, exchange and consumption of the products of human activity are carried out, a system of productive forces and economic relations governed by various types of economic laws is formed and constantly develops.

Economics of agriculture -a science that studies the development of productive forces, economic relations, the peculiarities of the action and manifestation of economic laws in agriculture, as well as the mechanism and consequences of the use of resource potential in the agricultural sector. An important task of this science is the analysis of the use of land, material, labor, and financial resources, the search for ways and reserves of increasing the production of agricultural products and solving the food problem. Economic theory serves as the theoretical and methodological basis of agricultural economics.

Economy of the socio-cultural sphere (SKS) –a scientific discipline that studies economic relations regarding the creation of immaterial, including spiritual goods to satisfy the physical, cultural, intellectual and other creative needs of people. It comprehensively contributes to the reproduction of the main wealth of the country - a harmoniously developed, socially active personality.

Economic security of entrepreneurship -independence of business entities from unfair competition of monopolistic enterprises, actions of partners not foreseen by contracts, irrational economic and legal policy of the state and other factors, which makes it possible to appropriate most of the legally obtained profits.

Economic culture -a set of progressive humanistic material and spiritual achievements of people in various spheres of socio-economic activity. The components are technical and technological, informational, scientific, organizational culture of the employee, management, etc.

Economic independence -freedom, primarily of the state, in the formation and development of one's own economic activity.

Economic evaluation of land -determination of productivity (natural and economic fertility) and the overall value of land as a natural resource and the main means of production in agriculture; the final component of the land cadastre.

Economic policy -a complex of economic goals and measures of the state, which ensure the solution of long-term (strategic), medium-term (tactical), short-term (operational) tasks of the development of social production, the economic system as a whole in the interests of expanded reproduction. It is based on the theoretical and methodological foundations of economic theory, primarily political economy.

Economic equilibrium -the state of the economy, the optimal coherence of the economic system, the proportions of social reproduction, in particular, the correspondence between the goal of economic development and the availability of resources, supply and demand, goods and money, accumulation and consumption, etc. In the end - the absence of crises. To a large extent, it coincides with the concept of "economic optimum".

The economic role of the state isfunctions performed by the state to ensure the process of extended reproduction.

Economic freedom -a state of economic behavior, a conscious, unrestricted choice of the application of essential forces, methods of production and income distribution, consumption, etc. The basis is the pluralism of forms of ownership, the presence of political freedom, perfect legislation focused on human rights, and the same conditions for the life of all members of society.

Economic system -the totality of all types of labor activity of people in the process of their interaction and the corresponding regulation according to the goal of society. Main elements: productive forces, technical-economic, organizational-economic and socio-economic relations (or relations of economic property), economic mechanism.

Economic growth -strengthening the economic power of the country, increasing the volume of public production, increasing satisfaction of the population's needs; criterion of economic development. In the political economic aspect, it means quantitative and qualitative improvement of the process of social reproduction in the organic unity of its constituent elements.

Economic thinking -the system of views of an individual, a dialectical combination of knowledge, ideas, theory regarding the understanding of the laws of economic development, its essence.

Economic forecasting -a system of scientific predictions of directions and trends of the future state of social production.

Economic analysis -dissection of economic phenomena and processes into separate constituent parts and elements, their study and evaluation, as well as the method of substantiating regularities based on the facts of economic reality.

Economic dimension -quantitative identification of economic parameters, processes, phenomena, forms, etc.

Economic effect -useful result of economic activity, which is measured as the difference between income and expenses for its implementation.

Economic potential -comprehensive description of the level of economic power, resources and opportunities for social and economic progress of society.

Economical development -the progressive movement of social production from lower to higher forms, the evolution of the economic system over a long period, which takes place under the influence of the dialectic of contradictions, needs and interests.

Economic interests - perceived economic needs of individuals, groups, society; objective motivating motives of labor activity. They are determined by the place of individuals in the economic system.

Economic categories -scientific abstraction, logical concept, theoretical expression, form of actually existing components of economic systems; separate aspects (links) of production relations, which primarily reflect the evolution of property relations. Classification is identical to economic laws. Simple and complex (synthetic) categories are also distinguished.

Economic management methods -a system of forms and ways of influencing the activities of business entities, which creates conditions that encourage work and achievement of the set goal based on taking into account the interests of employees and the requirements of economic laws.

Economic mechanism -the optimal ratio (compromise) and positive dynamics between the economic result and the economic debt.

Economic reforms -important fundamental changes in the economic mechanism, technological method of production, property relations, significant transformations in the organization and management of the economy, social, environmental and other spheres. They are carried out by the state when the economic system is not efficient enough, conflicts are dangerously aggravated,

deep crises arise, the economy does not meet people's needs at the expected level or lags far behind in development. It should not be forgotten that carrying out economic reform with the aim of bringing the economy out of crisis, when the state pursues a policy of liberalization and openness under the conditions of overproduction of goods in developed countries, revival of the economy in this way is practically impossible.

Expansion –expansion of the sphere of influence of individual states, monopolies, and transnational corporations due to the displacement of other subjects from the external space, or significant limitation of the latter's activity on the world market.

Experiment -a method of studying and researching economic phenomena and processes through their reproduction in artificially created or normal conditions; local inspection of innovations for the purpose of confirming the scientific hypothesis in order to reduce the risk in the further application of innovations.

Export -export of goods abroad, their sale to foreign buyers or on the world market.

Extensive path of development -a method of increasing production volumes only at the expense of quantitative growth of all production factors; additional attraction of resources at an unchanged level of the technical basis of production and other factors. In this case, productivity and efficiency remain preliminary. This is the main difference from intensive development, which is achieved due to better quality and efficient use of resources, by introducing achievements of scientific and technical progress, new technologies, improving the level of qualifications of employees, improving conditions, organization and management of production. In their pure form, both methods do not exist separately. In order to move to a predominantly intensive type of growth, it is necessary to qualitatively improve all elements of the economic system, to conduct a rational economic policy.

Extrapolation –the method of scientific knowledge of the regularities of the development of the economy, which is based on the mathematical dynamics of series; dissemination of conclusions (indicators, trends) regarding phenomena and processes based on well-founded laws and their internal contradictions. It is divided into retrospective (referring to the past) and perspective (prediction of the future).

Elasticity -the measure of change of one indicator in relation to the change of another; mutual sensitivity between factors.

Electronic money -non-cash settlements between entities carried out using a computer network.

Elements of the commodity market infrastructure -trade enterprises and organizations, commercial and intermediary organizations, organizations providing services, information organizations, financial organizations, controlling organizations, legal organizations, personnel support organizations, transport system, communication system, warehouse and container management, fuel and energy complex.

Elimination –removal from consideration or analysis of signs or factors that are not related to the object under investigation.

Embargo –a means of economic and political influence of one or more developed countries on other states, which includes a ban on the import of goods, currency, securities, etc., detention of ships, cargo, movement of property belonging to a foreign person. It is used in the form of economic blockade, repression, pressure with the aim of forcing some countries (weak) to submit to the will of others (strong).

Emission -issuance of money and securities (shares, bonds, etc.) into circulation by central banks (banknotes) and state treasuries (treasury bills). In addition, commercial banks are engaged in deposit and check issuance.

Empirical and theoretical in economics -scientific methods of knowledge of phenomena and processes at various stages of economic evolution. The first is characteristic at the beginning of the research (surface connections and forms of identifying the essence, recording observations, facts, their description, conducting experiments, establishing generalizations), which is characteristic of positive economic theory. The second method consists in clarifying the essence of the studied phenomena and processes, revealing their cause-and-effect relationships (normative economic theory). Empirical and theoretical are characterized by relative independence, mutually complementing each other.

Endogeneity –a set of internal environmental factors that significantly affect the evolution of economic phenomena and processes. Similarly, the cumulative effect of external factors is called exogenity.

Ergonomics -a science that studies the behavior of a person, a team depending on changes in the work environment, its microclimate, synthesizing the results of research in sociology, medicine, biology, psychology, etc. The ultimate goal is to create the most favorable conditions at the workplace,

reduce energy consumption, increase productivity and develop the individual's essential strengths.

Effect –the achieved result in various forms of manifestation (economic, social, material, monetary, innovative, promotion, etc.).

Efficiency -the ability to bring effect, effectiveness of the process, work, project, etc. It is defined as the ratio of effect (result) to costs. They distinguish the efficiency of economic, social, social production, investment, innovation, export-import, accumulation, regional economy, market regulation, etc.

Efficiency of agriculture -effectiveness of economic and financial activities on land, achievement of high labor productivity indicators, reduction of expenses and cost price, increase of capital return, growth of yield, profitability, etc.

EURO -the single European currency of the countries of the European Union, the implementation of which began on January 1, 1999. The predecessor was a unit**ECU**.

European Union (EU) –regional Western European formation of countries (until 11.1993 - the European Economic Community), within which the gradual integration (unification) of national economic systems into a single supranational system, the transition to the general reproduction (over 19 countries) of productive forces, the aggregate social product and economic property relations.

Sole proprietorship -the principle of management, according to which the manager makes decisions, taking personal responsibility and control over their implementation and the activities of subordinates.

Product life cycle –the time during which the product is viable on the market and ensures the achievement of the goals of its subjects, primarily the seller.

The law of value is a general economic law that expresses internally necessary, constant and essential connections between socially necessary labor and prices of goods in the relative correspondence of supply and demand. Requires that the exchange in the market takes place on an equivalent basis.

The law of small numbers -a person makes a decision based on a small number of events with greater confidence than when analyzing a large number of them.

The law of marginal utility -the law that determines the nature of the dynamics (changes) over time of marginal utility, that is, the utility of the last unit of a certain product (marginal utility). Most Western economists believe that marginal utility has only one tendency of its quantitative change - to decrease, which is reflected by the law of diminishing utility. Therefore, each additional unit of the product brings less and less satisfaction to the consumer,

The law of saving time -a law that expresses the socially necessary, constant and essential connections between the reduction of the socially necessary working time for the production of a unit of goods and services and the increase of free time of employees. That is, the components of the law are the saving of working, non-working and free time, or the rational use of the aggregate time fund.

Oaken's Law –the law according to which an annual increase in GNP of 2.7% keeps the unemployment rate at a constant level, every next 2% increase in GNP reduces the unemployment rate by 1%.

The law of unevenness of economic development - a specific economic law of the capitalist mode of production, which expresses internally necessary, constant and essential connections between the general progressive development of the economy and its components, countries and regions of the world economy, on the one hand, and their uneven progress, on the other.

The law of average profit -a specific economic law that expresses the objective relations between equal amounts of capital, in the process of competition of which enterprises, companies receive equal amounts of profit.

The law of decreasing soil fertility - every additional investment of labor and capital in the cultivation of the land from a certain moment is accompanied by a decrease in the rate of increase in productivity. It was first formulated by the physiocrat A. Turgot. D. Ricardo also recognized the effect of this law. The English economist Malthus came to the conclusion that the earth cannot feed the population of the planet, which supposedly grows in a geometric progression, and the amount of agricultural products increases in an arithmetic progression, therefore the birth rate of people should be limited, etc. (the law of capitalist population). However, scientific and technical progress in agriculture is not taken into account here. Under modern conditions, the aforementioned law in its traditional interpretation ceases to apply. At the same time, the trend persists on a qualitatively new basis.

The law - the tendency of the rate of profit to decrease -significant connections between the methods of production of relative additional value and the growth of the organic capital structure(S: Y),as a result of which the rate of return decreases. But the mass (size) of the latter generally increases due to innovations, improvement of management, rational use of resources.

Purchase price -the price at which the state purchases agricultural products. It is periodically revised, but its stimulating role in Ukraine has recently weakened.

Savings - it is the part of the household income that is not paid in the form of tax and is not spent on the purchase of goods for personal consumption. Savings of the population – contributions (deposits) of citizens, for example, in a savings bank for the purpose of storing and accumulating money and receiving income in the form of interest.

Salary -the monetary expression of the value and price of the commodity "labour force" and partially the effectiveness of its functioning.

Means of production -a set of objects and means of labor, which are used in the creation of life's goods.

Means of labor - things with which a person acts on the objects of work in order to transform them into goods to satisfy needs. The decisive role belongs to tools of labor (machines, equipment, computers, etc.).

Land rent -the income that landowners receive by realizing their ownership of land. It is based on non-labour private ownership of land as the main means of agricultural production, not related to entrepreneurial activity.

State land cadastre -a system of documentary information about the natural, economic and legal state of lands. It ends with an economic evaluation of the land. Its most common method is the calculation of net income from the sale of agricultural products. Lands with the highest income are evaluated at 100 points, and the income of other lands is compared with them.

Land Code -the main state law that regulates land relations in Ukraine. Adopted in March 1992 with the following changes, clarifications and additions.

Land ownership -full actual ownership of the land in accordance with current legislation.

Land use -use of land for its purpose, which has developed in the country under the influence of objective factors or introduced by the state.

Land management -determination of land use directions for certain purposes under the influence of the state and at the will of the owners of this land.

Land management -laws, norms and rules of land use, as well as their purchase and sale, inheritance, etc.

Earth as an object economic relations -land as an object and means of labor and relations that arise in the process of its use and appropriation of production results.

Gold security -a stock of gold in a country's central bank to cover banknote issuance, and in some countries to secure current accounts and other obligations that are payable on demand. In some countries, there is a mandatory requirement that the gold reserve should be at least 1/3 - 1/4 of the issuance of all banknotes.

Mixed (limited) partnership -a type of business partnership, which includes, in addition to one or more members who are responsible for the obligations of the partnership with all their property, other members whose liability is limited to their contribution to the partnership's property.

Depreciation of the main production assets - their loss of their consumer value in the process of operation. There is physical and moral.

Free enterprise zone -part of the country's territory, on which, thanks to the creation of favorable conditions by the state, joint business activities are carried out. Derivatives are the zone of free trade, joint entrepreneurship. A broader concept is a free economic zone. Everything is regulated by the current legislation.

Activity impulses -these are motives of activity, social, demographic or economic phenomena and processes in society, which can lead to changes in the way (style) of people's lives and the general level of production and consumer standards.

Investments -1) long-term investments of capital in various areas of the economy within the country and abroad with the aim of obtaining profit. Autonomous, alternative, budgetary, gross and net, direct and indirect, portfolio, non-financial, nominal and real, foreign, etc. investments are distinguished; 2) all types of property and intellectual values that are invested in objects of business and other types of activity, as a result of which profit is generated or a social effect is achieved. Such values include: cash, targeted bank deposits, shares, shares, other securities, movable and immovable

property, property rights, "know-how", experience and other intellectual values, rights to use land, other natural resources, etc.

Investment climate -a set of objective and subjective conditions that promote (inhibit) investment in the country's economy at all levels.

Investor -a legal entity or individual that makes investments, the source of which are own, borrowed or attracted resources in the form of cash, property, intellectual property, etc.

Innovation - a new approach, application of R&D achievements, etc., which provides advantages over competitors. Various innovations (product, technological, market, organizational, informational, etc.) are the basis of strategies in entrepreneurship, open up new opportunities for making deep breakthroughs in development.

Institutionalism -one of the directions of modern economic thought, the objects of which are certain institutions (the state, corporations, finance, customs, culture, traditions, etc.) that act as driving forces of the development of society.

Intellectual Property - ownership of the products of creative work: inventions, works of science, literature, art, rationalizing proposals, "know-how", etc. The concept was first introduced by the convention of 1967, accordingly, the World Intellectual Property Organization was founded.

Intensification of agriculture -growth of agricultural production due to more productive use of land and other resources, improvement of all factors of production. In contrast to extensive development, when production increases due to the expansion of cultivated areas, an increase in livestock, etc., with intensive development, the volume of produced products is ensured on the basis of increasing the fertility of the land, animal productivity, and quality improvement of management in general.

Infrastructure -a complex of industries that serve the main production, in particular, industry and agriculture. Industrial infrastructure deals with the construction of roads, ports, canals, bridges, includes transport, communication, energy supply, etc.; social - housing and communal services, household services, trade, education, medicine, etc. Infrastructure is a functioning mechanism of entrepreneurship.

Market infrastructure -a complete system that combines separate subsystems: organizational - stock exchanges, wholesale, brokerage, dealer and other intermediary organizations, own commercial structures of large concerns, retail enterprises; material - warehouse and container management, transport systems; information - information systems for consumers, producers, prices, banking services; credit and settlement - banking and insurance institutions, financial investment companies, which are designed to serve commodity producers, ensuring the market exchange process, to carry out the movement of goods to the consumer through the purchase and sale of agricultural products and food with the participation of buyers and sellers, and to generate market prices as supply and demand prices .

Thus, the market infrastructure is:

a) a complex of economic sectors that serve production and provide conditions for the life of society;

b) a set of general market development conditions aimed at creating a favorable climate for private capital;

c) organizational and legal forms that mediate the movement of goods and services, acts of sale or a set of institutions, systems, services, enterprises that serve the market;

d) an institute for the implementation of strategic decisions of the state in the development of the market.

Mortgage -a long-term loan secured by real estate, mainly land and buildings, for the purpose of obtaining a mortgage loan.

Cost calculation -calculation in monetary form of costs by gender for the production and sale of products, works, services. Allocate planned and actual (reported) cost.

Capital -the set of relations of the capitalist mode of production, which are embodied in things (means of production, other goods, money) and give them a specific social character, is a tool of exploitation, that is, the appropriation of a part of someone else's unpaid labor. Functionally, it is a value that brings additional value. Capital is distinguished as constant and variable, basic, circulating, state-monopolistic, individual, industrial, stock, shadow, etc.

Capital investments -expenditure of monetary resources on new construction, reconstruction, modernization and technical re-equipment of existing enterprises in all sectors of the economy. It is a form of accumulation for the purpose of extended reproduction.

Cartel -the union of several enterprises of the same industry, the participants of which retain ownership of the means of production and the manufactured product, production and commercial independence, but agree on production quotas, prices, and sales markets. Originated on the basis of the concentration of production and capital in the 60s of the XIX century, they became the stable and simplest form of monopolies at the beginning of the XX century.

Qualification –the degree and type of professional training of the employee, the availability of knowledge and skills necessary for the performance of certain work.

The coefficient isa relative indicator expressing the result of comparing homogeneous (one-order, comparable) or heterogeneous, but closely related phenomena. The coefficients of liquidity, use of equipment, disposal of fixed assets, income differentiation, volatility, profitability, risk, elasticity, solvency, etc. are calculated.

The team -a group of people who work at the same enterprise or organization and are united by common economic interests and goals.

merchant -a person who independently carries out trade and other business activities and concludes market agreements.

Commerce -socially necessary activity on the market, thanks to which market coordination and realization of the economic interests of all economic participants of reproduction are achieved.

Company -type of legal entities to which the enterprise belongs: an association of entrepreneurs, a corporation, a partnership, a group of persons with common economic interests, often a firm, if it has only one owner.

Convertibility –free exchange of currencies, as well as securities at the current exchange rate on the relevant market.

Conglomerates –one of the forms of monopolistic associations of enterprises of various branches of the economy under the single financial control of mainly a large bank.

Competitiveness -this is a property of an object that has a certain share of the relevant market, which characterizes the degree of compliance of the technical-functional, economic, organizational and other characteristics of the

object with the requirements of consumers, determines the market share belonging to this object, and prevents the redistribution of this market on the benefit of other objects.

Competitiveness of the enterprise - a comprehensive comparative characteristic of an enterprise that reflects the advantages of a set of indicators of its activity and ensures success in a certain segment of the market for a certain period of time in relation to the set of indicators of competing enterprises.

Product competitiveness – this is a comparative characteristic that determines the difference of this product from the competitor's products and contains a comprehensive assessment of the totality of its properties (some of which may not have a quantitative expression) in relation to the identified market requirements or properties of another product. Product competitiveness (K_{etc}) is generally directly proportional to the quality and inversely proportional to the price and depends on the market situation, i.e. K_{etc}= Y/C (where Y– product quality; Ts– product price).

Competition – a set of actions carried out by business entities in relation to other business entities and aimed at ensuring relatively better conditions of access to limited goods.

Consensus –reaching agreement, making decisions on complex issues by participants of meetings, conferences, etc. through discussion and mutual concessions.

Bill of lading -a document containing the terms of the contract for the carriage of cargo by water transport.

Consulting –a type of activity that consists in consulting manufacturers, sellers, buyers on a wide range of issues of economy, finance, foreign economic relations, in particular regarding the creation of enterprises, market research and forecasting, innovations, etc.

Consortium -a form of merging of several industrial companies or banking monopolies, as well as individual states, banking and industrial capital of one or many countries for the joint implementation of a large-scale and capital-intensive project, large financial operations.

Contracting - concluding a contract between product manufacturers and organizations that carry out their procurement and sales. Hence, a contract is a contract, an agreement (usually written) with mutual obligations for the parties to the contract.

Controlling shareholding –a share of securities that gives their owners the opportunity to establish real control over a joint-stock company. In developed countries, it is 5–10%, in Ukraine it is 51% of the total number of shares.

Confiscation –compulsory and gratuitous confiscation of part or all property, money in a court of law, measure of punishment for offences, including economic crimes.

Conflict -the phase of the development of contradiction (including economic), in which the parties become antagonistic or polar, deny each other and, after solving the incompatibility, move to a qualitatively new form of the previous state of relations.

Conceptual principles of sustainable development of agricultural production and rural areas(according to O.L. Popova) - consist of the following:

- implementation of the multifunctionality of agriculture, which ensures its uniqueness as a tool promoting development, namely as a type of economic activity, a source of income and a provider of environmental services;
- the ecological and social imperative in the model of sustainable development of agriculture in view of its special importance, first of all, for meeting human needs in nutrition and shaping the conditions of life of the rural population;
- the development of agriculture not only as a sector of the economy, but also an important way of life for a large part of Ukrainians;
- the ecological nature of development, which is genetically inherent and important for the industry itself, since it deals with natural resources and actually functions in a "quasi-nature" environment, rational formation of agricultural landscapes and long-term preservation of their productivity;
- maximum use of internal resources of agrosystems, while saving external resources;
- balanced sectoral and territorial development;
- equalization of territorial asymmetry of agrarian and rural development;

- optimal combination of large and small forms of agriculture;
- the importance of preventive security measures;
- more innovative and complex application of existing knowledge, achievements of science and technology, including "official" science, traditional and communal knowledge, as well as new approaches of integrated management of agricultural and natural resources.

Concept– a system of stable, logically interconnected theoretical views on certain objective phenomena, as well as positions, conclusions and categories arising from these views, with the help of which these phenomena are described in scientific research, development, presentations and publications. This is a single, justified idea, the leading thought of any scientific work, work, view, etc.

Concern -association of enterprises of various branches of the economy, the participants of which lose the independence of ownership of means of production and manufactured products, and the main firm exercises general financial control.

Concession –the agreement on the transfer by the state to exploitation of subsoil, plots of land, etc. or enterprises for temporary use by foreign entities; remuneration received by banks for organizing the sale of newly issued securities. Concessionaire – a person or organization that received a concession.

Conjuncture -the most important signs, traits, indicators of a dynamic state, changes, movement, fluctuations in phenomena and processes.

Market conditions –the situation on it, characterized by the levels of supply and demand, price dynamics, etc.

Cooperation -voluntary association of property and labor to achieve common goals in the economic process. There is labor, production, consumer, credit, etc. cooperation. The cooperative form of entrepreneurship is widely practiced in agriculture.

Coordination -one of the most important functions of management, a constituent element of management based on coordination of actions of various parts of the managed system. Hence, a coordinator is a person who coordinates something.

Benefit -a negative understanding of usefulness, for example, the desire of the subject of economic activity to profit as a result of criminal actions.

Use – it is the use of a business object by its owner or a trusted person to extract various useful properties from it.

Corporation – the main form of organization of entrepreneurial activity in modern highly developed countries. This is an enterprise that is owned by private individuals or other corporations.

Corruption -a negative socio-economic phenomenon, which primarily means abuse of position and power for one's own benefit to the detriment of society. It is closely related to fraud, lobbying, mafia, nepotism, bribery, theft of state or collective property, careerism, etc., which is the basis for shadow (criminal) entrepreneurial activity and business.

Quotation –setting the rate of securities, foreign currencies, commodity prices on stock exchanges in accordance with officially established order.

Credit –a loan in cash or goods with repayment after a certain period and payment of interest and compliance with other terms of the contract. Principles of crediting: repayment, term, payment, target nature and collateral (guarantee). The main functions include emission and redistribution. Separately, there are many types of credit (state, interbank, communal, consumer, leasing, mortgage, international, by terms of debt repayment, etc.).

Creditor –the one who provides the loan. The other side of the credit relationship is the borrower (debtor).

Economic crisis -a decline in production, a deep disruption of the economic system, a way to temporarily resolve its contradictions. Environmental, food, energy, financial, stock market, etc. crises can be characterized separately, as well as by economic sectors, countries, on a global scale, and by other criteria.

Criterion -the main feature, based on which some kind of generalized assessment (indicator) of the state of an economic phenomenon or process, labor activity of people, development of social production, etc. is formed. A sign taken as the basis of classification.

Capital turnover -the movement of capital in the sphere of production and circulation, during which it successively acquires monetary, productive and commodity forms and returns to its starting point: Г – Т...В...Т – П (formula of monetary capital).

Course –the exchange price of a monetary unit of other countries or a security, expressed in national monetary units; the price at which currency and securities are bought and sold.

Artisanal production -a form of small-scale production based on the economic separation of families and the specialization of individual villages in the creation of certain products. Preserved mainly in some areas of Western Ukraine.

Leasing -long-term lease of the main means of production (equipment, premises, etc.), which provides for the possibility of their subsequent purchase by the lessee.

Liquidity -the possibility of converting company assets and values into cash; timely solvency of the borrower; the market's ability to sell securities without significant price changes.

Limit -limit quantity or limit, established quantitative restrictions on economic activities (use of natural resources, volumes of contracts, investments, export-import of goods, etc.).

License –permission issued by state bodies to individuals and legal entities to carry out a certain type of activity or operations.

Logistics -branch of economic science that studies the theory of optimal management of material, financial and information flows in economic adapted systems with synergistic connections.

Human capital -skills, abilities, competence and qualifications, as well as the state of health of the rural population.

Human potential -the measure of natural abilities embodied in people, talent, level of education, health, qualifications and their capabilities and ability to create good.

Human factor -a set of properties and traits of people who are directly involved in the process of social production.

Manufactory –a method of production (and type of enterprise) based on a single division of labor and its cooperation with a predominance of manual operations. Characteristic from the middle of the 16th to the last third of the 18th century, after which machine production began.

Margin isthe difference between interest rates (in banking practice), securities rates (on stock exchanges), rates of insurance premiums and reimbursements (in insurance business), commodity prices (in trade).

Marketing –the science and practice of organization and management of the company's activities for the development of new types of goods, their production and sale based on a comprehensive study of the market and consumer needs in order to obtain profit.

Marketing management -management of all functions and structural divisions on the basis of marketing.

Price scale -a weighted amount of metal legally established in the country as a monetary unit, which is a means of measuring the prices of all goods during metal circulation.

Material production -direct production of material goods (values) and provision of material services. This includes industry, agriculture, construction, freight transport, material and technical supply, procurement and personal support, as well as partially - trade and public catering, communication.

Material stimulation -a system of remuneration and other forms of distribution, which encourages the achievement of higher results of the employee's labor activity.

Material and technical base of production -a set of material elements of productive forces, the production potential of which is used in the creation of products. The main component is the main productive assets in material (buildings, structures, machines, equipment, vehicles, etc.; in agriculture - perennial plantations, working and productive livestock) and value forms.

Mafia -organized crime, including economic, in which interconnected criminal groups receive the support of corrupt state officials (lobbying), acting for their own benefit. This undermines public trust in the authorities, "corrodes" society, because it leads to the formation of a shadow economy and business.

Manager -a professional manager, whose activity requires serious natural (charismatic) and acquired qualities, in particular, leadership, inclination to entrepreneurship, knowledge in the field of management, marketing, market, credit and money circulation, currency operations, tax legislation, etc. Economic theory serves as the methodological basis of these disciplines.

Management -human activity related to the management of people in all spheres of their lives; the components of which are empirical knowledge acquired by mankind during historical development, scientific theories on management issues and art as a creative search for making optimal decisions. Based on the division of managerial labor, there are different types of management: administrative, operational, innovative, corporate, personnel, strategic, environmental, financial, foreign economic activity, international, etc.

Microeconomics -a branch of economic science that studies economic processes within a separate link of production or a separate enterprise, economy.

The goal isthe final result expected from the activity of the management entity; the desired, possible and necessary state of the object (situation, environment, etc.), which must be achieved.

Method –way, research, way of knowing. Way knowledge of reality and its reproduction in thinking. A method, technique or system of techniques to achieve some goal, to perform a certain operation.

Methodology -generalization of experience, methods, methods of performing any task.

Methodology -teaching about methods of knowledge and transformation of the world. A set of research methods that are used in any science according to the specifics of the object of its knowledge.

International Economic Relations -an important sphere of the system of international relations, a direct result of the gradual internationalization and transnationalization of production, the formation of a single economic basis of world civilization. The subjects are states and their legal entities, international joint business formations and organizations, global economic ties between which are manifested through various forms of foreign economic cooperation.

International monopolies -large national (developed countries) or supranational companies, which extend their monopoly position abroad, hold a significant part of the productive forces, production and circulation, appropriating the lion's share of the profits that are generated in the world economy. TNCs serve as a prototype - international in nature and scale of activity and national in terms of control over them.

Microeconomics -a section of economic theory that studies the behavior of small economic units (enterprises, firms, households) and their interaction on the market.

Militarization of the economy -the transfer of a significant part of the national economy of many countries of the world to the production of weapons, goods and services for military purposes for the purpose of preparing and conducting war.

Minimum wage -is established by national legislation and must ensure the minimum needs of workers and their families, certain social protection, the necessary (simple) reproduction of an individual's labor force, his living wage.

The company's mission isthe main purpose of its creation and purpose from the point of view of the production of life goods.

Workplace -the set of conditions and means of production necessary for the realization of an individual's labor force; the place of work and the presence of everything necessary for the performance of labor functions by the employee.

Production models -mathematical models that formally reflect the main relationships of economic phenomena and processes, make it possible to analyze and forecast them; serve as the main means of solving farm management tasks.

Model –a material or imaginary object, which is a prototype of the original, replaces the real object during research, gives new knowledge about it.

Modernization -the process of partial renewal, replacement of outdated equipment (machines, equipment, mechanisms, devices, etc.), production technologies, innovative and technical re-equipment of industrial and agricultural enterprises. One of the most effective ways of dynamic economic development, which Ukraine lacks today.

Modification -progressive transformations of production, creation of a better version, a new product model, modified products, market novelty goods. It takes place on the basis of the modernization of the enterprise.

A coin- a metal ingot of a certain shape and weight, which is a legalized means of circulation and payment. The term comes from one of the epithets of the goddess Anona (lat.*Iipo Mopeda* - Juno Moneta - mentor, guide), at whose

temple in the Capitol in the III century. B.C. the first mint in Rome was founded.

Monetarism -modern economic theory, in which money and the monetary system are considered a decisive factor in the economic structure of society and the main cause of inflation, and monetary policy is the most important tool for stabilizing the internal mechanism of reproduction, the implementation of the regulatory function of the state. The ideas, theoretical and methodological origins of monetarism belong to the representatives of the early stage of mercantilism, who declared money (in the 15th-16th centuries – gold and silver) to be the only form of wealth, and state regulation was reduced to measures regarding the entry of money into the country and the prevention of its export outside the state .

Monitoring –constant observation of some process in order to identify its compliance with the desired result or previous assumption. Observation, assessment and forecast of the state of the environment in connection with human economic activity.

Monometallism -a monetary system in which one metal (gold or silver) is the general equivalent and the basis of monetary circulation.

Monopolies and competition -the process of dialectical interaction of two driving (and braking) forces ("opposite poles of one magnet") of the capitalist mode of production, which is a manifestation of the mutual influence and mutual negation of the laws of monopolization and concentration and centralization, which is accompanied by the strengthening or weakening of each of these forces. For the first time, the dialectic of such interaction was substantiated by K. Marx.

Monopoly -a negative and dangerous phenomenon caused by the exceptional position of certain economic subjects and links, which leads to the conquest of economic power in the market by limiting and eliminating competition. The monopoly position allows you to have a priority influence on the price formation process, sometimes to dictate them indefinitely and to appropriate huge excess profits. The monopolization of the economy is progressing rapidly in Ukraine, which significantly inhibits the socio-economic development of society, deepens the crisis and restrains the integration of the national economy in the European and world economic space, and stimulates the shadowing of entrepreneurial activity.

Monopoly -individual most powerful enterprises or their associations (conspiracies, conspiracies), which seized the main market segments of

production and sales of products, and therefore significantly influence the pricing process and appropriate extremely high (monopoly) profits. Natural, domestic and international monopoly, oligopoly (currently prevailing in the world), etc. are distinguished.

Monopoly rent -a form of rent that is formed in agriculture and forestry, as well as in construction, mining industries. The condition for its emergence and obtaining is commodity-money relations and monopoly ownership and use of profitable and naturally limited land plots on which special products are produced (citrus, grapes, tea, coffee, tobacco, valuable wood species; construction of facilities in megacities; mines of rare metals, minerals and precious stones, etc.). The owners of such products sell them at monopoly prices, because the demand for them significantly exceeds the supply. The source is the income of wealthy buyers who agree to pay a price that exceeds the value of the product. In conditions of monopolization of the economy, monopoly rent has a pronounced general tendency to increase.

The monopoly price isa qualitatively new form of market price, which is set by monopolies in the process of buying and selling goods and services and which provides them with monopoly profits (surplus profits). There are monopolistically high prices at which monopolies sell their products, and monopolistically low prices for products that are mainly purchased from small producers. "Price scissors" is also one of the uncivilized ways of misappropriating income. In Ukraine, due to significant monopolization of the economy and irrational government policy (the state mainly regulates the prices of non-monopolised enterprises, and liberalizes the prices of goods and services of oligarchic firms), monopoly prices dominate the domestic market.

Depreciation of fixed assets -occurs in two main forms: a) a decrease in their value, regardless of the degree of loss of consumer value under the influence of scientific and technical progress and increased labor productivity in engineering and production; b) as a result of the appearance of new or more advanced and productive machines and technologies due to the scientific and technical revolution.

Motive -what prompts, conditions a person to activity (activity) and for the sake of which this activity is carried out. Work motivation is provided through constant influence on the needs (main element), interests, goals, emotions, values and ideals of people (employees and owners). Motives are distinguished, and hence motivation, moral, material, social, etc.

Multiplier -the coefficient that characterizes the relationship between the aggregate value and its structural part, the degree of positive feedback– influence of one value (input) on another (output) in the controlled system. The numerical value of the multiplier cannot be less than one. It was first introduced by J. Keynes to characterize the relationship between the final product (national income) and the capital investments included in it. Multipliers of public spending, investment, foreign trade, etc. are now being calculated.

Skills – the employee's ability to quickly and competently perform his work as a result of conscious and repeated repetition of the same operations. And then experience is acquired through skills.

Accumulation – conversion of part of the profit into capital; the share of national income that goes to advanced reproduction.

Natural production -type of economy in which products are produced only for domestic consumption, meeting the needs of the producers themselves. Characteristic of the pre-capitalist period. In Ukraine, during the deep economic crisis, the scale of subsistence farming increased significantly. It helps the "survival" of the majority of the impoverished population, especially in the countryside.

S**cience** -an integral designation of human activity regarding the knowledge of the world for the use of the obtained results in practice. Among the large number of definitions, three more important aspects of science can be singled out: a special form of social consciousness, a system of accumulated socially significant knowledge, and an institution of deepening knowledge about real reality. Economic theory classifies science as a direct productive force of society.

Scientific and technical revolution (STR) –revolutionary changes in the interaction of man and nature, as well as in the system of productive forces and technical and economic relations (technological method of production).

Scientific and technical potential -a comprehensive description of the level and possibilities of the development of the system of productive forces, primarily science, engineering and technology. The category "economic potential" is broader, which additionally includes other elements of the

economic system of society (socio-economic relations based on property, property itself and the economic mechanism).

Scientific and technical progress (STP) -progressive, evolutionary organically interconnected process of development of science and technology, on the basis of which positive changes in the economy and society take place.

Nationalization -the transfer of private property (land, enterprises, banks, etc.) to the property of society (national or state).

National income -monetary expression of the aggregate product newly created in the country by the work of all members of society.

Non-productive funds -part of the gross social product: residential buildings, property of the population, utilities, health care, education, culture, art, scientific institutions and administrative bodies, other objects and things of non-production purpose.

Unevenness of economic development -concerns both individual enterprises, industries and spheres of the national economy, as well as countries in the world economy. Under capitalism, all this acquires the features of an economic law.

New economic policy (NEP) – policy in the former USSR (1921–1929), which allowed relatively wide use of market mechanisms and incentives.

Denomination -the value indicated on coins, banknotes, securities.

Rate of return -the ratio of added value to all advanced fixed and variable capital, expressed as a percentage.

Rate of return -a general indicator of the company's efficiency, which is calculated by two methods: the ratio of profit to the cost of production, or to all advaned (working) capital.

Bond –one of the most common types of bearer securities, which is a debt obligation of the borrower (issuer) to return the borrowed amount to the creditor (buyer of bonds) within the stipulated time and to pay a certain income in the form of winnings from special circulations or through the payment of coupons or nominal value under repayment time Active, target (interest-free), safe, winning, callable, interest, guarantee, government, ordinary, registered, long-term, convertible, etc. bonds are issued.

Restrictions on entrepreneurship -the list of types of activities established by the current legislation and government decision, which can be carried out only by state enterprises and organizations, as well as non-state enterprises under licenses, and the procedure for obtaining licenses.

Accordingly, entrepreneurship related to the circulation of narcotic substances, weapons, protection of particularly important state-owned objects, etc. is prohibited in Ukraine.

Capital turnover -its circulation as a constantly renewing process; movement as the sum of time during which (more than one or many cycles) all advaned capital is returned to its owner in monetary form.

Current assets -funds of enterprises, firms, companies advanced to objects used within one reproduction cycle or in a short-term period (up to one year). Such objects are: raw materials, materials, fuel, production inventory, funds in unfinished payments and construction or production, packaging, as well as monetary resources (receivables, financial investments, cash, etc.), remaining finished products in warehouses, shipped products, production stocks, funds in bank accounts, various funds - insurance, special purpose, statutory. Current assets are also called current assets, working capital, etc.

Volume -a quantitative economic indicator that reflects the amount of resource costs, individual factors of production, created or consumed product, demand and supply, etc., and is measured in value (monetary) or natural (physical) units.

Municipality -various forms of community (rural, religious, etc.), the initial form of social organization of people. The early family united hunters and fruit gatherers, the late family - herders and farmers. Collective appropriation prevailed in the Asian community, and private ownership prevailed in the German community. In the Russian Empire in the XVII - XVIII centuries. the commune was the main form of land use, with the implementation of the reform in 1861 - the lower level of administrative management in the village.

The sign is characteristic feature, property of the whole or its parts. The main features are also called criteria.

Signs of business – these are ways of manifesting business principles intrinsic to business relations, its characteristic features directly in the process of interaction of business subjects, in other words, directly in the process of conducting transactions.

Salary -the amount of wages for a certain period of work, usually per month. The official salary is set according to the salary scheme for specialist employees, the personal salary additionally includes some kind of allowance.

Oligarchy -political and economic domination of a small group of noble and very rich people (often dynastic families). In a short period of time, multi-billionaires (financial oligarchy) appeared in modern Ukraine, mainly at the expense of criminal economic activity, because in the conditions of a deep crisis, it is impossible to get rich individually in such a positive way.

Oligopoly -the economic model of the market, characterized by the dominance of a small number of subjects in the production and exchange of goods. It prevails in capitalist countries. Oligopolists are very sensitive to changes in prices, cost structure, etc. This is also one of the types of competition.

Operation –a universal term used to denote various types of activities (functions): production, commercial, banking, exchange, currency, commission, settlement, accounting, information, insurance and other procedures.

Payment -depositing a certain amount of money (payment) for something; money paid for work, services, goods.

Pay -partial compensation by the owner of the means of production in cash or in kind for labor and time spent by employees; material reward for work spent in the production process. At state-owned and private capitalist enterprises, it is usually paid in the form of wages.

Opposition -opposition, opposition to a specific line of action or social group. In the economy, for example, disagreement with certain measures (policies) and efforts to propose and implement an alternative development path contrary to the official one.

Opponent –a person who denies or refutes the opinions of the speaker or evaluates the work of a dissertation student during the defense of a dissertation for obtaining an academic degree. Opponent in a discussion, dispute.

Optimality -the most rational and effective way of economic activity, behavior of business entities, use of resources, resolution of conflicts, etc. Maximizing the implementation of the requirements of economic laws objectively contributes to the optimization of work and production by choosing the best course of action, the most advanced management, organization, motivation, achieving goals with the lowest costs, etc. This is significantly helped by economic theory as a science.

Option –a type of security, a term agreement, the subject of which is the right, not the obligation of the person who purchased it, to buy or sell basic values - goods, other securities, currency at a predetermined price and in a predetermined period. The buyer of the option pays his partner (seller) the price of the option - a premium that depends on the value of the underlying values and the demand and supply for the option. Such agreements are highly standardized.

Organizational form of enterprises -forms of association of people for their joint activities within a certain structure: sole proprietorship, partnership and corporation.

Organizational and legal form of entrepreneurship – it is a type of entrepreneurial business entity that has essential economic, legal, organizational and functional features that distinguish it from other types of entrepreneurial business entities.

Organizational and economic relations -relations between people regarding the organization of production (including distribution, exchange and consumption) of life's goods. An intermediate link between socio-economic (economic property relations) and technical-economic relations, the organizational form of the development of productive forces. Main elements: management, marketing, exchange of production experience, organization of various salary systems, banking activities, various stock exchanges, budget system, management structures (apparatus), etc. Within each of them, links of decision-making, their implementation and analysis of the effectiveness of achieving a goal or result are distinguished. Therefore, the sphere of organizational and economic relations is the relationship between people regarding the creation of their organization, the formation of its structure, management system, etc.

Organization -a set of processes or actions that contribute to unification- elements, parts into a whole, formation of a viable stable system; internal orderliness, interaction of relatively independent parts of the whole, determined by its structure.

Organization of production -a set of principles, forms and methods that ensure the most expedient combination of means and objects of work and work itself with the aim of obtaining a certain final result: production of products, performance of work, provision of services.

Labor organization -measures aimed at streamlining labor activities and interaction of people in the process of joint work, creating a corresponding coordinated and rational system to achieve the set goal.

Rent -rental of property with the right to use it temporarily for a certain fee.

Education -a set of systematized knowledge, abilities and skills acquired by a person in the process of learning independently and with the help of special institutions (school, college, university, etc.) and institutions that represent a separate branch of the national economy.

Fixed capital -a part of the productive capital that fully participates in the production of the goods of life, but transfers its value to the newly created product in parts, depending on the degree of wear and tear.

Offer –a written or oral offer of one person (the offeror) to another person (the acceptor) to conclude a contract with him. It is free and firm.

Offshore –financial centers that attract foreign capital by providing special tax and other benefits to foreign companies registered in the country where the center is located.

Offshore business -the business of companies in joint venture centers outside the country in which it is registered, but not subject to national legislation, receives preferential treatment for financial and credit transactions with foreign residents in foreign currency.

Waiting –a situation in which the behavior of market economic system subjects (decision-makers) depends not only on events that have occurred or are occurring, but also on those that may occur in the future. The concept was proposed in 1964 by the American researcher of the theory of motivation V. Vroom, who defined expectation as "the certainty that a specific result will occur with a high probability of a specific behavior." The most popular today is the theory of "rational expectations", the object of which is the entrepreneur's prediction and expectation of a favorable situation on the market.

Savings certificate -a paper issued by the bank, as a written certificate, on the deposit of funds, which certifies the owner's right to receive the amount of the deposit and the corresponding interest after the expiration of the established term.

Savings institutions - financial and credit institutions (such as banking institutions) that mobilize temporarily free funds, form loan capital from them,

and lend to those who need additional financial resources. The main thing in their activity is the attraction of small savings and income, which could not function as public capital without mediation. In economic theories, savings are equated with investments. Their source is personal savings of the population, accumulation of corporations and labor income. Mutual savings banks of the cooperative type are the leading form in the social market economy. In the developed countries of the world, the highest requirements for bank reliability indicators are put forward precisely for savings banks.

Public relations -one of the functions of management, a special science that contributes to the establishment and maintenance of rational communication, mutual understanding and cooperation between the organization and the public, all market subjects.

Pai -the amount of a monetary contribution or a share in the capital of an enterprise, firm, company, cooperative, which belongs to one person (individual or legal entity) and gives the right to receive a certain income or property in the event of their liquidation.

Paradigm -a system of ideas characteristic for determining the stage of development of science, culture, and social life.

Price parity -the ratio of prices for agricultural products and industrial goods purchased by agricultural producers. Prices will be parity if both parties (industries) exchange the same amount of products at cost. In Ukraine in the 90s of the XX century. there was no such price parity, which became one of the most important reasons for the deep agrarian crisis.

Pauper -a person who lives in poverty is deprived of the means for a normal existence.

Ground soldering -distribution of collective land into plots (shares) among peasants - members of agricultural enterprises in the process of agrarian reform in Ukraine. It started in 1992 and was actually completed in 2000.

Pension -regular cash payments that citizens receive from the state (and enterprises) after reaching a certain age, in case of disability, loss of a breadwinner, etc. A significant number of people unable to work in Ukraine receive pensions below the subsistence minimum, while certain categories of high-ranking officials have issued pensions that are ten times higher.

Stump -monetary penalty, penalty for overdue obligations and non-payment of agreements. Violators of financial and payment discipline are usually subject to the payment of a penalty for each day of overdue payments.

Initial accumulation of capital -the process of separating the mass of small commodity producers from the means of production and turning them into legally free but economically dependent wage workers and the concentration of wealth in the hands of a small minority of people. This concept is used for the first time**in**works of A. Smith. In Ukraine in the 90s of the XX century. the initial accumulation of capital occurred as a result of the criminal privatization of the majority of national property by a bunch of clan-mafia nomenclature, devaluation of labor savings of the population, massive theft of state property, total corruption, hyperinflation and other factors characteristic of wild capitalism. As a result, the alienation of employees from the means of production increased significantly. Processes in the countryside develop similarly, since for survival, education, etc. a large part of the land owners are forced to sell it, and at clearly lower prices.

Primitive communal social method of production -the first in the history of mankind, which is characterized by public (communal) ownership of the means of production and the manufactured product, communal regulation of consumption on the basis of equality. It arose more than 3 million years ago and lasted until 4-3 thousand years BC.

Permanent - an ongoing process that goes on and on.

Economic rise - one of the phases of the industrial cycle and the state of the country's economy, characterized by the growth of business activity and production, increasing its efficiency, reducing unemployment and improving life.

Entrepreneur -the main business entity of the market.

Entrepreneurship -independent organizational and economic innovation, the use of various opportunities for the production of competitive products, obtaining advantages in the market in order to best satisfy the needs of the consumer, obtaining profit and self-realization of one's own goals. The concept was introduced into scientific circulation by the English scientist R. Cantillon. He considered it as a special economic function, an important feature of which is risk. In the future, the understanding of entrepreneurship is constantly enriched.

Private entrepreneur – sole owner of his business, sole user and manager of the property of his business entity.

Entrepreneurial firm – it is an independent business entity that operates within the limits of the law. Its independence is manifested in the spheres of production and consumption of resources, intermediary activities, disposal of products and earned profit, which remains after paying taxes and other mandatory payments.

Enterprise -the main link of the national economy, which ensures the production of the majority of goods, carries out research, commercial and other activities for the purpose of obtaining income (profit). Is a legal entity. There are many types of businesses that are distinguished by many criteria, starting with ownership.

Auxiliary economy -auxiliary agricultural production, which is mainly engaged in by the villagers.

Benefits -provision of additional benefits to individuals for specific working conditions, its content and results, in case of insufficient protection of individual citizens, families, as well as for special merits and outstanding achievements, etc., which is established by legislation. An alternative and negative concept is privileges. Benefits may also be granted to some regions, free economic zones.

Plagiarism –appropriation of a text from someone else's literary or other work without the author's permission and without indicating the source.

Plan –the highest and most complex form (model) of the future, which involves the allocation of resources and a system of measures aimed at achieving goals and set tasks; the result of scientific prediction of the development and consequences of the functioning of social reproduction; conscious use of objective economic laws, economic policy of the state in specific economic activity. There are a large number of different plans.

Regularity -socio-economic form of development of the national economy, according to which, through state regulation of macroeconomic processes, a balanced, proportional development of the economy is carried out, and the set goals of society are achieved.

Planning – a specific form of activity, the content of which is the development and implementation of plans.

Solvency demand -a form of expression of needs, secured by money, that their buyers can and are willing to pay for the goods and services they need.

Labor turnover -the process of moving workers and employees from one enterprise (institution, etc.) to another in order to find better working conditions.

Absorption –a form of forced or voluntary merger, which involves the liquidation of the firm, the transfer of its property, obligations and debts to others. Occurs in the process of monopolization of the capitalist economy.

Taxes -fixed, legally established mandatory payments of individuals and legal entities to the budgets of all levels, depending on income, to ensure the performance of their functions by the state and local self-government bodies. The most important are taxes on turnover, value added, wages, corporation profits, export-import, etc.**.**

Non-economic coercion -a form of coercion to work based on the personal dependence of workers, on relations of domination, subjugation and oppression. Prevailed before capitalism.

Indicator – a quantitative characteristic of a certain property of socio-economic processes and objects, which is the result of measurement or calculations. A scientifically based indicator is a qualitatively determined certain value.

Economic indicators -economic information systematized according to specific characteristics, grouped according to certain principles.

Buyer -the customer (payer) of manufactured goods and services and their recipient; a consumer who buys any products or seeks to purchase them.

Political Economy -the science of production relations and economic laws that objectively regulate the process of social reproduction. In a broader sense, it is the science of the general patterns of economic development in conditions of limited resources, increasing the efficiency of the economy and ensuring people's well-being. Different schools of economic thought allow differences in the formulation of the subject. Political economy - it is a basic, fundamental science for the rest of economic disciplines.

Supply and demand -economic categories of commodity production, which are in a dialectical interaction, in the process of which demand is a solvent need for goods and services presented on the market, and supply is a

set of goods that producers are ready to sell at certain prices on the same market.

Intermediary -a legal entity or an individual that establishes connections between producers and consumers in order to accelerate and facilitate the movement of products, currency, information, etc. Intermediaries in the market are commercial agents, brokers, dealers, brokers, commission agents and consignors.

The service isspecial consumer value of the labor process, expressed in a useful effect that satisfies the needs of a person, team and society. Compared to an ordinary product, a service is useful not as a thing, but as an activity.

Supplier – a legal entity or individual that provides the enterprise with the resources necessary for the production of specific goods.

Permanent capital -expenses of the capitalist for the acquisition of the means of production. K. Marx marked them with the letter "c" (lat. – *constant).*

Post-industrial society -a new (modern) stage of social development, which, according to Western scientists, replaces the industrial society. The concept characterizes only one side of the economic system (productive forces and partly the social division of labor, and in their unity - the technological method of production).

The potential isthe economic entity's available resources, their optimal structure and ability (opportunities, conditions) to rationally use them to achieve the set goal. They distinguish labor potential, natural potential, intellectual potential, informational potential, cultural potential, etc.

Subjects of work -part of the means of production, which once participates in the production process and completely transfers its value to the newly created product (raw materials, fuel, energy).

Price list -a systematized collection, a directory of prices and tariffs for various goods and services.

Award –in a broad sense, any reward in any form for achieving success, merit in a certain field of activity.

Preference -providing individual countries, organizations, and individuals with advantages and benefits.

Profit -transformed, derived form of surplus value, which is quantitatively the difference between the selling price of a product and the capital costs for its production. Profit– it's a reward, which the owner of the firm receives if he produces a product that is valued by consumers above the value of the resources necessary for its production (damages are a punishment for those firms that reduce the value of resources by their activities). Losses and bankruptcy are the market's way of putting an end to such waste.

Profits, on the one hand, and losses, on the other hand, direct entrepreneurs' investments into projects that contribute to economic development and protect against wastage of scarce resources. This is a vital function of the market. Firms that fail to use it effectively are almost guaranteed to find themselves in economic stagnation.

Private property creates an incentive system that promotes economic progress. Four main proofs can be given to prove this.

First, private property encourages prudent property management.

Second, private property encourages people to increase their wealth and use it efficiently. Under the conditions of private ownership, people seek to improve their qualifications, work more and better, because it is profitable for them.

Third, private owners seek to use their resources in a way that benefits others. The right to manage one's own labor potential is a strong incentive to invest in one's own education and training, and enables people to provide services that are highly valued by others.

Fourth, private property promotes the wise use of resources and their preservation for the future.

Privatization of land -the transfer of land that was in national (state) and collective ownership to the private ownership of individual citizens.

Private entrepreneur – sole owner of his business, sole user and manager of the property of his business entity.

Principles -the basic, initial provisions of the theory, the main rules of activity; established and generally accepted, widespread rules of economic

actions and properties of economic processes. There are different ones: equivalence, comparability, unity, historicism (in economic research), materialism, pricing, entrepreneurship, lending and financing, etc.

Nature –everything, the world in its multiplicity and unity of forms. The ecological crisis inflicts the heaviest blow on the surrounding natural environment, the greatest threat to the health of people, who are the substance of nature itself.

Natural resources -natural bodies and substances, types of energy that are used or can be used to meet the needs of society.

Forecast -a scientifically based hypothesis about the probable state of something, expected results or events. It is widely used in economic forecasting, it can be budgetary, price, market, monetary, demographic, scientific and technical, supply and demand, social, environmental, world market, global.

Program –a plan of intended activity, drawn up and specifically detailed. Programming is one of the main forms of state regulation of the economy.

Progress - the development of the economic system, its separate subsystems and elements from lower quality to higher, more developed, which is expressed in the process of transition from one stage, degree, stage to the next or in the transformation of a less perfect system into a more perfect one. It is possible to analyze the achievements of society separately, considering economic, social, scientific and technical, technological progress, etc.

Productive forces -factors that ensure the transformation of the substance of nature in accordance with the needs of people, create benefits and determine the growth of social labor productivity; all the forces involved in the transformation of objects of labor into a product.

Productivity -the effectiveness (efficiency) of people's work in the process of creating life's benefits. It is measured by the number of products produced by an employee per unit of working time (day, week, month, year), or by the number of working hours spent on creating a unit of product or providing a service. In the production of any product, living and past (reified) labor is used. Therefore, the growth of labor productivity in society means saving both of its types.

Products -a set of material goods obtained or created as a result of production activity.

Producer -producer of products, goods; a country that produces a certain product.

Cost of living -the officially recognized and substantiated quantity and quality of benefits, the minimum means necessary to ensure the viability of the employee and his family members for the restoration of labor force spent in the process of work and procreation.

Professional -a person who has made some occupation the subject of his permanent activity.

Professionalism -high skill, deep mastery of the profession, high-quality performance by the employee of his functions and duties.

Profession -an officially recognized and relatively independent type of labor activity based on the social division of labor; a set of theoretical knowledge, skills and work skills united by a general name, acquired in the process of training in special educational institutions and during practical work.

Process –the development of a certain phenomenon, the successive change of stages, stages, degrees, qualitatively new forms, etc.

Product implementation -sale of goods to consumers. The moment of realization is the receipt of funds from the customer or buyer for the products received by him to the current account of the supplier company. Movement of products through buying and selling in the market. Realized products are an important planning and reporting indicator of the activity of manufacturing enterprises.

Region -the territory of the country with specific conditions and a characteristic direction of development, as a result of which regional economic relations are formed; a community of national economic and local tasks, problems that have distinct features, as a result of which a regional type of reproduction of the social system is formed.

Regulation -an organizational method of management used to establish the limits of activity, the order of work, a set of rules, etc., which determines the regulation of the functioning of the system or its elements.

Regression –the antithesis of progress, the process of degradation, deterioration of something, reduction of activity results, etc.

Reserve –stock of something in case of need (goods, money, etc. resources).

Production reserves -internal opportunities to improve the results of economic activity, including rationalization, economy mode, etc.; unused opportunities to increase production without attracting additional funds from external sources.

Rating -method of assessment, assignment to a certain class, grade or category based on specified indicators.

Racket –illegal extortion of money by criminal elements, etc. from entrepreneurs with threats, blackmail, etc.

Racketeering -a criminal who resorts to intimidation in order to appropriate someone else's income.

Advertising –an open message of the company, addressed to its potential partners or buyers, consumers of goods and services, about their quality, advantages with the aim of achieving loyalty, improving the image, prestige, which is then accumulated in increasing the company's income.

Reconstruction -reconstruction (transformation, improvement) of fixed assets, equipment and technology at the enterprise with the aim of increasing the level of production, quality of products, mastering the production of new products.

Renovation -the economic process of renewal of the main productive assets, which are eliminated due to their physical and moral wear and tear.

Rent isa special type of stable income received from capital, land, property, securities, etc., not related to entrepreneurial activity. It exists in various forms.

Profitability -an economic category that characterizes the efficiency of production, economic activity of the enterprise according to the criteria of its profitability. It is measured in absolute and relative terms.

Reforms –in economics mean the process of transformation of the existing system and its more important elements, which can be carried out by evolutionary (gradual) or revolutionary (fast) methods - a radical economic reform.

Reformism in the economy -the direction of Western theory and practice, according to which reform methods can eliminate the antagonistic contradictions of capitalism, transform it into a society of social justice, or ensure the evolutionary growth into socialism. The founder is the English economist and philosopher J.-S. Mill. Mill's ideas, in particular, are embodied in Sweden, which is called a capitalist country in the field of production and a

socialist country in the field of distribution and ensuring the welfare of the entire population.

Risk -an attribute of any activity and decision-making in a situation of uncertainty in the market. Economic risk, investment risk, entrepreneurial risk, management risk, etc. are distinguished.

Club of Rome –an international public organization of scientists, economists, entrepreneurs, activists of various socio-political movements. It was created in 1968 in Rome on the initiative of the famous Italian manager, industrial organizer and public figure A. Peccei. The goal is to deepen the understanding of the peculiarities of the development of mankind in the age of scientific and technological development, the strategic direction of activity is the study of global problems of our time, the justification of ways to solve them and the optimization of the development of life as a whole.

Market equilibrium -approximate equality of demand and supply at the macro level, as well as for a specific product at a certain time and in a certain market.

Market price -the form of manifestation of the market value, in which (the form) is expressed the ratio of supply and demand on the market at the time of purchase and sale of goods and socially necessary labor costs for its production.

Market relations – direct execution of transactions between business entities, during which the results of the activity of each of them are exchanged. The general basis of market relations is the commodity-money form of business relations in society.

Standard of living -achieved state (degree) of satisfaction of material, spiritual, social, environmental and other needs of people. In order to significantly improve it in Ukraine, it is necessary to restructure and modernize the economy, create conditions for sustainable economic growth, direct socio-economic policy to effectively ensure favorable opportunities for the life of a person (family) in accordance with its nature, the affirmation of the dignity of the individual and its comprehensive harmonious development for all members of society.

Rarity of resources -the limitation of some of their types, the inconsistency of the necessary quantity and quality to meet the growing needs of social production.

The solution isthe chosen alternative that corresponds to achieving the goal with maximum efficiency; the main product of managerial activity, the work of a manager.

Workforce - the concept of Marxist political economy, which means the ability of a person to work, the totality of his abilities (physical, intellectual, organizational, skills, experience, etc.) used in the production of life goods.

Development -it is an irreversible, purposeful, natural change of the system, which implies a certain orderliness.

Retail -the final link in the movement of goods from manufacturing business entities to end consumers.

Distribution -an economic process that connects production with consumption and establishes the shares of the product for its subsequent exchange and use, or determines the ownership of parts of the results of joint labor to individual subjects. Therefore, the nature of distribution relations is determined by property relations. Distribution is one of the phases of social reproduction.

Advanced Playback –the constantly renewed process of the economic system on a growing scale, the material basis of which is accumulation.

Self-regulation -the presence in the economic system of elements, features, and properties that make it possible to automatically establish and support its functioning and development.

Market self-regulation -the result of the spontaneous action of the laws of the market, its objective mechanism, capable of ensuring a certain interaction of business entities without the active regulatory role of the state, coordination of interests for the purpose of obtaining profit.

Sanitation -measures of the state, financial and credit institutions to prevent the bankruptcy of enterprises, firms, companies, improve their economic condition through reorganization, lending, updating the assortment, etc.

Sanctions -measures of coercive influence on the system of entities that allow violations of the rules of proper order of economic, financial and other activities.

The world economy -the totality of national economies, international economic organizations in their interaction and interdependence, which is

carried out through the system of international economic relations. It was formed as a whole at the end of the 19th century.

Freedom of entrepreneurship - the ability of a person to engage in entrepreneurial activity in accordance with his interests and capabilities, taking into account collective and public interests, requirements of current legislation.

Market segmentation -division of the market into separate parts (segments) - groups of enterprises, goods, consumers that have common characteristics; spheres (sectors) of influence of subjects, their use of certain parts of the market space.

Seasonality of production -unevenness and irregularity of production caused by seasons, natural phenomena, etc. It is especially characteristic of agriculture. Generates seasonality of labor, prices, employment, etc.

The peasantry -the oldest social stratum of the population (the class living in the village), engaged in the production of agricultural products, working on the land. Peasants of Ukraine suffered the most from the ill-conceived agrarian reform, which undermined the rural economy at the turn of the 20th and 21st centuries, from price disparity, "captivization", deprivation of necessary resources for production and payment of labor, weakening of state support for the industry.

The average rate of return isthe same share of profit for equal amounts of capital operating in the entire economy or in certain spheres and sectors. A specific form of manifestation of additional value. The average rate of profit is formed only in a long period under the influence of a similar law.

Certification –establishment and documentary confirmation of the quality of products and goods. Hence the certificate - it is a document that certifies one or another fact: quality, weight, origin and other properties of the product.

Synergy –the emergence of a new productive force or qualitatively new sources of development, increasing the efficiency of activity as a result of the combination of individual parts, elements, factors into a single system. Hence, synergism is the phenomenon of strengthening the action of one factor by adding another.

Raw material -objects of work, for the extraction and production of which labor has been spent, but they have not been brought to a finished

product for final consumption. These are, for example, products of the mining industry and agriculture used for processing.

System –a complex of elements and their properties, the interaction between which leads to the appearance of a qualitatively new integrity. A set of principles based on a certain teaching.

The system of industrial relations -their totality, which is formed in the process of production, distribution, exchange and consumption, as a result of which integrity is formed with its characteristic laws, with new qualities and properties and a synergistic effect.

Rural area -it is an element of the internal environment of agriculture – the spatial base of production: land, water, and atmospheric resources are directly involved in production; employees who are residents of this rural area; production infrastructure, as well as an element of the external environment, which is not related to production, but which affects the formation of the general atmosphere of production, in particular, location relative to cities, product sales markets; population, social infrastructure. The industry aspect prevails in terms *agricultural sector, agricultural sphere,*and territorial - in terms*rural sector,* rural sphere.

Family property -property owned jointly by family members. It is a type of individual form of ownership.

Family farm, farm -an agricultural enterprise in which only the owner and members of his family work (without hired labor).

Family -consciously organized on the basis of marriage and family relations, an association of a small number of people, the members of which are connected by a community of residence, household management, property and goals. It is a complex, dynamic and largely autonomous system, which is most characterized by the qualities of self-reproduction and perfection. The family is one of the most significant social inventions of mankind, in which the important achievements of the civilization of society are concentrated and reflected in miniature.

Difficult work -the activity of an employee that requires appropriate training, acquisition of knowledge, skills and experience to perform certain labor functions - skilled work.

Cost of production -value expression of production factors (resources) consumed in the process of creating a product. A distinction is made between production and full cost (including costs for storage and sale of products) and

other types. One of the most important indicators of production efficiency at the micro level.

Social assets –interpersonal trust and connections, mutual understanding and common values, which are especially characteristic of rural communities as territorial, rather distinctive micro-communities, form the peculiarities of work ethics and mutual relations in the countryside.

Economic recession (crisis) -long-term steady decline in production volumes, business activity, accompanied by a decrease in real incomes of the population, inflation, unemployment, deterioration of living conditions.

Specialization –one of the forms of organization of production based on the deepening of the social division of labor, as a result of which there is a separation of different types of labor activity, the concentration of producers on the creation of different types of products separately.

Joint venture -the organizational and legal form of establishing a company in the country that receives capital from both local and foreign investors, is jointly managed, etc.

Household consumption - this is the purchase of goods for personal use, that is, the purchase of food, clothing, shoes, furniture, cultural and household items, cars, spending on social, cultural and household services.

Consumer -an individual or legal entity that consumes goods produced by other entities, as well as products of its own production.

Consumer price -the usefulness of a thing, its ability to satisfy various specific needs of people.

Sponsor –a person or organization that finances an economic project. Other names are benefactor, philanthropist.

Currency stabilization -regulation of monetary circulation and currency relations in order to maintain a reliable exchange rate of the monetary unit.

Stability -constancy, immutability, long-term preservation of a certain constant state or level.

Stagnation -stagnation in production and other sectors of the economy, in the social sphere.

Stagflation –the state of the economy and the social sphere, which is characterized by a simultaneous decline in production, rising prices and rising unemployment; combination of economic crisis and inflation.

Stage –period, phase, degree of the production process or evolution of the economic system.

Sustainability -balanced, balanced growth of both economic and social and ecological parameters at constant proportional rates, ensuring the general progress of society in all its spheres.

The main principles of sustainable development:

- intergenerational justice – the moral obligation of the current generation to ensure at least the same quality of life for future generations;

- balanced development taking into account economic, social and environmental aspects;

- long duration of social development;

- the process of permanent social integration: goals, territories and time.

Standard –an official state or regulatory-technological document of the industry, enterprise, firm, company, which establishes the quality characteristics and requirements that must be met by the product; standard (sample) with which other similar objects are compared.

Standardization -establishing on a national scale, as well as within international organizations, uniform standards and requirements for raw materials, semi-finished products, materials, food, production processes, finished products, devices, etc.

Status –a document whose provisions determine the structure, rights and obligations and other regulatory data of state bodies, public organizations, institutions, and enterprises.

Scholarship - monetary assistance, which is regularly paid to students, graduate students and persons undergoing a special course of study with a break from production.

Stolypin agrarian reform -a reform aimed at the destruction of the agricultural community and the transfer of land to peasants in private ownership. It is named after the head of the Russian government, P. Stolypin, the initiator and organizer of the agricultural reform at the beginning of the 20th century.

Strategy –the art of management planning based on correct visionary forecasts.

Economic entity – a person, natural or legal, who carries out economic activity.

Sublease –transfer by the lessee of the leased property or its part for temporary use to another person (sub-lessee) for a certain fee stipulated in the relevant contract.

Subsidy - state assistance in monetary or in-kind form to legal entities and individuals, local budgets, and other states. There are direct and indirect subsidies.

Economic tactics -medium-term (sometimes short-term) economic behavior (as a rule, from one to five years), the line of action in this period, taking into account the current (operational) situation.

Tender –announcement by the buyer (customer) of a competition for sellers (suppliers) for goods with predetermined characteristics.

The theory islogical generalization of people's practical experience. Probability system scientific knowledge about something that describes, explains and predicts the phenomena of a certain subject area.

Theories of state regulation of the economy -a set of concepts, ideas, views developed by representatives of political economy during the 16th–19th centuries, and the main directions of economic theory at the end of the 19th–beginning of the 21st centuries. about the reasons for state regulation of the economy, its essence, forms, means and consequences in historical and logical aspects.

The theory of land rent -a set of ideas, views of numerous authors at various stages of the development of capitalism regarding the essence of land rent, sources of its formation, principles of distribution, etc. Rent is a part of income from capital, property or land received by their owner and which does not require him to carry out entrepreneurial activities.

Technology -a set of methods of impact of work tools on various properties of objects of work, as a result of which there is an active interaction of man with nature. The processing technology of any item of work is expressed in the technological process (physical, chemical, mechanical impact of tools on the items of work). In general, technology should be understood as methods, techniques, modes of operation, sequence of operations and procedures. Technology is closely related to the used means, materials, equipment, tools. A set of technological operations is a technological process.

Technopark -a modern organizational form of interaction of science, education, technology and production, resulting in the emergence of scientific

and innovative complexes for the development of the latest technologies, the rapid implementation of scientific and technical developments and the production of the latest products in advanced and science-intensive sectors of the economy.

Technopolises -the highest form of integration of productive forces (people, science, technology, information), venture capital, financial and credit institutions and the state in the production process with the aim of accelerating the development of backward regions, deepening R&D and creating an information society. In the narrow sense, technopolises are centers of the latest technology.

Product -a product made for exchange that has two main characteristics: use value and value. Goods satisfy the needs not of their producers, but of other consumers. The product acquires the social form of the product during its sale on the market. In principle, a commodity can be anything that is bought and sold.

Commodity products –part of the products manufactured by the enterprise and intended for sale to consumers.

Merchandise circulation - a form of exchange of goods using money. The act of exchange includes two components: the sale of goods for money (T - G) and the purchase of new goods for money (G - T). Hence, commodity circulation differs from direct exchange not only formally, but also in essence.

Commodity dealers – these are legal entities that work in the market on their own behalf and carry out activities related to the purchase of goods from manufacturers or suppliers and the resale of these goods at higher prices to other firms or end buyers. Commodity dealers represent only their interests. Dealers (from the English word "deal" - business, agreement) must have their own warehouse and vehicles.

Trade House -a multidisciplinary foreign economic organization that, maintaining close ties with manufacturers, banks, intermediaries, etc., promotes international cooperation in production and, promptly responding to changes in the global commodity markets, carries out export-import, commodity exchange, on its own behalf and mostly at its own expense, other foreign economic operations from a wide range of goods and services.

The break-even point isthe level of production or other economic activity capacity, for which the amount of revenue from the sale of manufactured goods, services provided is equal to the costs of production and circulation of this product. If the revenue is greater, then the economic activity is profitable, if it is less, then it is unprofitable.

Traditions - elements of socio-economic, cultural and national heritage that are passed down through generations and preserved by certain strata of the population, groups, classes, society. Such elements are norms of behavior, moral and spiritual values, experience and life wisdom, customs, etc.

Transaction costs -expenses in the field of exchange (on the market), related to acts of sale, transfer of property rights. These costs are not directly related to production, but arise from business management: costs of searching for information (sellers and buyers, intermediaries), conducting negotiations, making decisions, concluding agreements, legal registration, measurement (control over the quality and quantity of products, their standardization), protection of property rights, fight against counterparties, etc. Transaction costs were discovered and studied by the American economist, winner of the Nobel Prize (1991) R. Coase. The problem has acquired modern development and has become a separate scientific concept.

Transaction costs -expenses in the social sphere for upbringing, education and maintenance of children, other resources, among which the free time of parents is of particular value, as a special type of human capital.

Transnational corporations (TNCs) – the most powerful monopolies operating on an international scale appropriate the highest (transnational) profits. TNCs are global in nature and national in terms of control and are formed on the basis of transnationalization (advancement abroad) of their business activities.

Transfer (transfer) –transfers of foreign currency between countries, transfer of ownership of securities, transfer of payment under the agreement to accounts between different entities, etc.

Transformation -a peaceful process of transformation of one economic system into another, as a rule, at the initiative of power structures. In Ukraine, this is happening quite controversially and painfully, accompanied by a deep general crisis, including transformational

Trust -- a legal document or an act of transfer of property management to another person by proxy. Trust companies perform fiduciary functions in property management on behalf of its owners.

Trust –the association of enterprises, the participants of which lose ownership of the means of production and the manufactured product, production and commercial independence, that is, they combine property, sales, finance, management, and for the amount of invested capital they receive shares that give the right to participate in management and appropriate corresponding share of profit. They are created (merger, takeover, establishment of control, etc.) with the aim of eliminating competition and obtaining monopoly profits.

Labor potential -human capabilities, labor resources, the most complete and comprehensive description of the working population as the main productive force of society. It is quantitatively determined by the number of the working population, the legally established duration of working hours under normal labor intensity and coincides with the amount of labor resources. It is qualitatively characterized by the physical condition and health of employees, the socio-demographic composition of the population, its professional and intellectual-cultural level, and the personal characteristics of people.

Workforce -available mass of living labor, integration labor opportunities of the able-bodied population, real ability to create benefits of the collective worker of society. As an economic category, they express the relations of extended reproduction of physical and mental abilities, knowledge, skills and other qualities of people, necessary for them to work in the national economy, all-round development of the worker in the process of social production. Labor resources consist of functioning (economically active population) and potential workers.

Facsimile -exact reproduction of any manuscript, drawing, etc. Cliché-stamp for reproducing one's own signature.

Fact – reality, reality, event, phenomenon.

Factor –a significant objective causal phenomenon in production, under the influence of which the level of its efficiency changes. Factors are dynamic in time and space, closely interacting.

Factoring –the type of financial services that commercial banks and their subsidiaries provide to small and medium-sized enterprises (clients) that

transfer their right to receive debt to factor firms. This accelerates the receipt of debts by customers who pay a certain percentage for the service.

FAO –food and agricultural organization of the United Nations, which aims to develop the industry in the countries of the "third world" by providing them with technical and food assistance. FAO also makes forecasts and collects statistical data on the development of world agriculture.

Individual – any citizen, regardless of gender, age, nationality, place of residence, etc. The term "natural person" is used for the legal identification of people. Every person can be a subject of wage-labour business, he is necessarily a subject of consumer business. The concept of "natural person" differs from the concept of "person" in that the former is able to engage in entrepreneurial business.

Physical capital -the result of human activity: buildings, equipment, networks (roads, industrial and social infrastructure, favorable agricultural landscapes, etc.), often act as elements of production and improvement of rural areas.

Fictitious capital -capital embodied in securities, which makes it possible to appropriate parts of profits in the form of dividends or interest.

Finance -a set of monetary relations associated with the formation, mobilization and placement of financial resources and with the exchange, distribution and redistribution of the value of GDP (GNP) created on the basis of their use, and under certain conditions - national wealth. Finance performs a distribution and control function.

Financial capital -merger of banking monopolies with industrial, trade, transport and other monopolies, in the process of which the control of the most powerful banks over non-financial industries and spheres of production is strengthened. Financial and industrial groups (FIG) serve as an organizational form of financial capital.

Financial market – this is the sphere of business relations, where the demand and supply for financial resources are formed, the movement of these resources is carried out to ensure the full performance of any business opertions.

Financial and industrial groups -unification of manufacturing and trading enterprises with credit and banking institutions with the subsequent transformation into large multi-branch economic systems with a common economic strategy and internal trade. The economies of Western countries have succeeded thanks to the FPG.

Company -generalized name of the enterprise, company, commercial institution. If the company consists of one enterprise, then these two concepts coincide. A company may include several firms. Each firm has an official name under which it participates in economic activity.

Fiscal policy -a set of financial measures of the state to regulate budget revenues and expenses with the aim of achieving certain socio-economic goals of society, performing the most important functions of the state. Special attention is paid to the tax system.

Fund – it is a non-profit organization founded on the basis of voluntary property contributions of the founder (or founders), which as a result of their transfer becomes the property of the foundation itself.

Replacement fund -a part of the public product directed to the restoration of means of production worn out in the process of creating national income.

Salary fund -the amount of money that is accrued and paid to the working population for the work performed by him and the creation of material goods and the provision of services. The source is newly created value (national income). The salary fund is the main part of the wage fund, which also includes wages in kind.

Accumulation fund -part of the national income, which is used for extended reproduction, creation of social reserves and insurance reserves. The main source of accumulation is a secondary product.

Fund return -an economic category that expresses relations regarding the efficiency of the use of productive assets. Quantitative expression - the ratio of the volume of gross output (or other effective value in the form of value) to the volume of used production assets.

Fund capacity -the cost of the main production funds (fixed capital) per unit of production. It is determined by dividing the average annual book value of the main production assets by the value of the products produced on them during the year.

Basic empowerment of labor -the amount of the cost of fixed assets per employee (production personnel).

Franchise -a form of combining the advantages of large and small business, the content of which is a system of contractual relationships between the franchisor (parent company) and franchisees (small businesses or individual businessmen).

Futures -a specific fixed-term agreement on the delivery of a batch of goods or other valuables in a certain period at a certain price.

Futures operations –forward agreements on exchanges regarding the purchase and sale of various goods (raw materials, gold, currency), financial and credit resources at a price fixed at the time of the agreement and the execution of operations after a certain period (sometimes up to 2–3 years).

Hedger- a market participant who uses futures and options to reduce the risk of price fluctuations.

Hedging –price risk insurance transactions using futures contracts.

Holding company –a business entity that owns a controlling stake in other (one or more) such entities and manages and controls their activities.

Centralization of capital -an increase in the amount of capital as a result of voluntary unification or forced merger (absorption) by monopolies of several independently existing capitals.

The price ismonetary expression of the value (for simple commodity production and matching of supply and demand) of the product.

Net income (profit) –profit, excluding taxes and other expenses on obligations, received by the enterprise for a certain period.

Penalty –form of material liability of subjects for violation of established rules and obligations. Penal sanctions are coercive measures to collect payments and in other forms for non-compliance with contractual discipline.

Show business – pop shows as a commercial enterprise, a source of income for their organizers.

Qualityproducts**(goods, services)** –a set of properties of products that determine their ability to satisfy needs at a certain level; a set of characteristics (technical, economic, economic, social, ecological, ergonomic, aesthetic, etc.) that determine the usefulness (primarily for consumers) of the results of production and work performed.

Trade fairs - periodic or regular auctions organized at the appropriate place. Their various forms have become traditional in the world, including and in Ukraine (Sorochyn fair, etc.). Although it was popular in the olden days, it is often called a "bazaar" even now, especially in rural areas.

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PART II

POTENTIAL OF THE ENTERPRISE (FIRM)

TOPIC XVIII. ESSENTIAL CHARACTERISTICS OF THE POTENTIAL OF THE ENTERPRISE

1. The substantive evolution of the term "potential"

The term "potential" in its etymological meaning comes from the Latin word "potentia" and means "power, strength, hidden possibilities."

Thus, the terms "potential" and "potential" mean the presence of someone (whether an individual person, primary work team, society as a whole) has hidden capabilities that have not yet been revealed, or the ability to act in the relevant fields.

In the development of modern ideas about the potential can be distinguished**three directions**.

Representatives***the first resource*** claim that the potential is a collection of various types of resources necessary for the functioning or development of the system.

The second group authors consider potential as a system of material and labor***factors*** (conditions, components) that ensure the achievement of the production goal.

Scientists***the third direction*** consider the potential as***ability*** complex of resources of the economic system to perform the tasks set before it. Potential, in their opinion, is a holistic idea of the unity of the object's structure and function, manifestations of their interrelationship.

2. General characteristics of the company's potential

The main content of the concept "**potential of the enterprise**" consists in an integral reflection (assessment) of the current and future opportunities of the economic system to transform input resources with the help of the

entrepreneurial abilities inherent in its personnel into economic benefits, thus satisfying corporate and public interests as much as possible.

The potential of the enterprise is characterized**four main features**.

1 rice. The potential of the enterprise is determined by its real opportunities in one or another sphere of socio-economic activity, and not only realized, but also unrealized for any reason.

2 traits. The capabilities of any enterprise mostly depend on the availability of resources and reserves (economic, social) that are not involved in production. Therefore, the potential of the enterprise is also characterized by a certain amount of resources, both involved in production and not, but prepared for use.

3 feature. The potential of the enterprise is determined not only and not so much by the available opportunities, but also by the skills of different categories of personnel to use it for the purpose of producing goods, providing services (works), obtaining maximum income (profit) and ensuring the effective functioning and sustainable development of the production and commercial system.

4 traits. The level and results of realizing the company's potential (the volume of produced products or the received income (profit)) are also determined by the form of entrepreneurship and its adequate organizational structure.

3. The structure of the company's potential

Under**structure** systems, which is the potential of the enterprise, understand the network of the most essential, stable (invariant) connections between elements.

Object components related to the material and personal form of the enterprise's potential. They are consumed and reproduced in one form or another in the process of functioning.

These include: innovation potential, production potential, financial potential and reproduction potential.

Innovative potential – overall capabilities of the enterprise regarding the generation, perception and implementation of new (radical and modified) ideas for its systemic technical, organizational and managerial renewal.

Production potential - existing and hidden capabilities of the enterprise regarding the attraction and use of production factors for the production of the maximum possible volume of products (services). It should also be interpreted as a set of functioning resources capable of producing a certain volume of products. Therefore, production potential is a polystructural system. It includes:

- *land potential and natural climatic conditions* - possibilities of the enterprise regarding the use of aggregate natural resources in economic activity;
- *the potential of fixed assets* – available and hidden capabilities of fixed assets that form the technical and technological basis of the enterprise's production capacity;
- *the potential of working capital* - this is part of the production capital of the enterprise in the form of a certain set of labor items that are in production stocks, work in progress, semi-finished products of own production and costs of future periods;
- *the potential of intangible assets* - the set of possibilities of the enterprise to use the rights to new or existing products of intellectual labor in the economic process in order to realize corporate interests based on the satisfaction of public needs;
- *the potential of technological personnel* - the ability of workers to produce various products, provide services or perform work.

Financial potential is the volume of the company's own, loaned and borrowed financial resources, which is at its disposal for current and prospective expenses.

Investment potential - the main component of the financial potential - the existing and hidden capabilities of the enterprise in terms of simple and extended reproduction.

Replay potential - a set of material and technical, intangible, financial and other capital resources. Those at the enterprise's disposal can be additionally involved and used for simple and extended reproduction of production factors and other components of the enterprise's potential.

Subject components related to the social form of their manifestation. They are not consumed, but act as a prerequisite, as a general economic, general economic social factor for the rational use of object components.

Subject components of the company's potential include:

Scientific and technical potential - a general description of the level of scientific support for production: science, engineering, technology, engineering, production experience, opportunities and resources available to the enterprise to solve scientific and technical problems.

Management potential - these are the skills and abilities of managers at all levels of management regarding the formation, organization, creation of appropriate conditions for the functioning and development of the socio-economic system of the enterprise. In its most general form, it is an integration of functional-structural and immaterial elements.

The potential of the organizational structure of management - a general corporate management (formal and informal) mechanism of the functioning of the enterprise, which embodies the level of organization of the functional elements of the system and the nature of the relationships between them.

Marketing potential is the maximum opportunity for the enterprise to systematically and systematically direct all its functions (identification of needs and demand, organization of production, sales and after-sales service) to meet the needs of consumers and use potential sales markets. in the structure of marketing potential are separately allocated

Logistic potential - maximum productivity (functional capacity) of systemically integrated units, which cover all types of activities related to movement in space and movement in time: personnel - transportation of employees, their placement in office premises, movement according to the time schedule of work; materials and finished products - transportation, storage, preservation, sorting and redistribution; energy and information flows - transmission, processing, preservation and transformation.

A separate place in the potential structure is occupied by labor, infrastructural and informational potential, they cannot be unambiguously assigned**neither to the subject nor to the object constituents.**

Labor potential – it is a personified labor force, which is considered in the totality of its qualitative characteristics. This concept allows, firstly, to assess the degree of use of the potential capabilities of both an individual employee and their aggregate, which is necessary for the activation of the human factor, and secondly, to ensure a qualitative (structural) balance in the development of personal and tangible factors of production.

Infrastructure potential - balanced with production requirements, the capabilities of workshops, farms and services, which provide the necessary

conditions for the operation of the main divisions of the enterprise and the satisfaction of the social needs of its personnel.

Information potential is a unity of organizational, technical and information capabilities that ensure the preparation and adoption of management decisions and influence the nature (specificity) of production through the collection, storage (accumulation), processing and distribution of information resources. As part of the information potential, it is possible to single out

Information and computing potential – a complex of technical, software-mathematical, organizational and economic means and the availability of special personnel, designed to automate the process of solving enterprise management tasks in various fields of human activity.

4. Graph-analytical model of the company's potential

In 1998, in the scientific works of I.M. Repina, for the first time, a graphoanalytical method of diagnosing the entrepreneurial potential of an enterprise was proposed, which the author named "potential square".

Such a method ***enables*** to systematically establish quantitative and qualitative connections between individual elements of the potential, the level of its development and competitiveness, and on the basis of this, justify and timely implement management decisions to improve the efficiency of the enterprise's functioning.

The method has several theoretical aspects that must be taken into account when justifying management decisions.

In its most general form, the graphic model of potential, intended for diagnosing the company's capabilities, has the shape of a sphere. Such a form represents all directions of the company's activity and thereby reveals the dialectic of its potential. But in practice, it is difficult to use the spherical form to assess the potential of the enterprise. Therefore, for the purpose of analysis, it is suggested to simplify the graphic model to the shape of a circle or to another figure, depending on the choice of the number of directions for the diagnosis of potential opportunities.

Summarizing the available experience in the practice of diagnostics, they believe that it is advisable to carry out the diagnostics of the company's potential by the method of comparative comprehensive rating assessment using a system of indicators according to the following **functional blocks:**

1 block - "Production, distribution and sales of products" - it is necessary to analyze: the volume, structure and pace of production, production funds, the available fleet of equipment and the level of its use, the location of production and the availability of infrastructure, the ecology of production, the state of sales.

Unit 2 – "Organizational structure and management"– considered: organization and management system, quantitative and qualitative composition of workers, level of management, company culture.

3 block - "Marketing" - research: the market, goods and sales channels, innovations, communication links, information and advertising, marketing plans and programs.

Block 4 – "Finance" - requires an analysis of the financial state of the enterprise using coefficients: profitability, efficiency, business activity, market stability, liquidity, etc.

The calculation of the final rating assessment is based on the comparison of the enterprises according to each indicator from the four named functional blocks with a conditional reference enterprise or with a real enterprise that has the best results on the market. Thus, the basis for rating assessment of the state and level of use of entrepreneurial potential is not the subjective opinions of experts inherent in most other assessment methods, but the highest results achieved in real competition.

Algorithm of the graph-analytical method of assessing the potential of the "Potential Square" enterprise:

1. The output data is presented in the form of a matrix (a_{ij}), i.e. tables where the numbers of indicators (i=1,2,3,...,n) are written in the rows, and the names of the enterprises whose potential is analyzed in the columns (j = 1,2,3,...m).

2. For each indicator, find its best value, taking into account the sensitivity coefficient, and rank enterprises with the determination of the appropriate place.

3. For each enterprise, find the sum of places (P_j), obtained in the process of ranking according to the formula:

4. We transform the sum of places obtained during the ranking (P_j) in the length of the vector that creates the square of the company's potential. The square of the enterprise's potential has four zones according to the sections (k), which are applied in the considered indicator system, and four vectors (B) that create it.

So, we find the length of the vector that creates the square of the company's potential (Bk, where k = 1,2,3,4) using the formula:

5. Having determined the length of all vectors, we draw the square of the company's potential and draw appropriate conclusions.

The graphoanalytic method of analysis has several special features ***theoretical aspects***, which must be taken into account when using it:

1. The shape of the potential square can be of two types. The first type is a regular square (that is, the vectors creating it are the same or close to it). Such an enterprise will have a balanced potential, which is a guarantee of the success of its activities. The second type has a distorted square shape for the following reasons: either one vector is developed more than the others ("diseased" vector), or all vectors are developed differently (vector disharmony). If the square of the potential approaches the second type, then the entrepreneurial potential needs immediate transformations in the direction of improving the balance of its elements.

2. Enterprise potentials can be classified by size as large (the length of vectors is within 70-100), medium (within 30-70), small (up to 30 conventional units).

3. The outer contour of the square outlines the company's capabilities to achieve optimal potential parameters.

4. The second and third vectors of the potential square ("Organizational structure and management", "Marketing") indicate the presence of prerequisites for the further development of the company's potential.

5. The fourth vector ("Finances") is effective and characterizes the successful operation of the enterprise.

There is a connection between the shape and size of the enterprise's potential square and its life cycle. At the first stage - the stage of development - there are enterprises with the form of potential of the second type and the possibility of its transformation from small to medium during the stage. At the second stage - the stage of success - there are enterprises whose potential form belongs to the first type and there is a possibility of transforming it from medium to large. The stage of decline indicates the negative phenomena that occur with the potential of the enterprise, that is, the transition to the second form of potential and the reduction of its size from large to medium, and then to small.

TOPIC XIX

FORMATION OF THE POTENTIAL OF THE ENTERPRISE

1. Theoretical foundations of potential formation as an integrated economic system

Formation of the potential of the enterprise is the process of identifying and creating a spectrum of entrepreneurial opportunities, structuring it and building certain organizational forms for stable development and effective reproduction.

Postulate the formation of the company's potential.

1. the potential of an enterprise is a complex system of its average characteristic s*elements*, and the latter can replace each other to one degree or another, i.e*they are alternative*

2. the potential of the enterprise cannot be formed on the basis of the mechanical addition of constituent elements, since this *-dynamic structure*

3. in forming the company's potential*the law of synergy applies* its elements

The graphoanalytic method of analysis has several special features ***theoretical aspects***, which must be taken into account when using it:

1. The shape of the potential square can be of two types. The first type is a regular square (that is, the vectors creating it are the same or close to it). Such an enterprise will have a balanced potential, which is the key to the success of its activities. The second type has a distorted square shape for the following reasons: either one vector is developed more than the others ("diseased" vector), or all vectors are developed differently (vector disharmony). If the square of the potential approaches the second type, then the entrepreneurial potential needs immediate transformations in the direction of improving the balance of its elements.

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Synergy effect and optimization of the company's potential structure

The law of synergy states that for any system (enterprise, organization, firm) there is such a set of elements in which its potential will always be either significantly greater than the simple sum of the potentials of the elements included in it, or significantly less.

Synergy can have two benefits: direct and indirect.

Direct benefit - an increase in net cash flows from the most complete use of the enterprise's potential. It takes place with operational, managerial and financial synergy.

Operational synergy - savings on operating expenses due to the interaction of marketing, financial and logistics potential.

Management synergy - savings due to optimal formation of the potential of the organizational management system.

Financial synergy - savings due to changes in approaches to the formation of the company's financial potential.

Indirect benefit - increase in the value of the company's potential or change in the price/profit multiplier.

The process of optimizing the structure of the company's potential should be carried out according to the following*stages:*

1. formation of a system of enterprise goals (strategic, tactical, current; for the entire enterprise, its divisions, as well as individual types of activities);

2. determination of the set of strategic resources necessary for each goal.

3. evaluation of alternative options of sets of resources.

4. rational distribution of limited resources.

5. evaluate the obtained result.

Modern trends and features of enterprise potential formation depending on the specifics of entrepreneurial activity

Today, in periodicals and scientific works, two points of view on the assessment of the modern stage of social development dominate: industrial and social. The first of them defines the technical and technological base of production as the key factor of development, and the second - the social and labor factor. Accordingly, modern trends in the formation of enterprise potential are also built on these two concepts.

- The basis of the formation of the potential of modern enterprises is personnel.

- The gradual penetration of progressive theoretical concepts into practice affected the deformation of the structure of the potential of enterprises. Today, most enterprises, realizing the value of their own personnel, try to retain qualified employees under any conditions.

- An important feature of the potential of modern enterprises is its informatization. Which is also closely related to the social and labor component. Communication is implemented through the processes of accumulation and processing of commercial information by the company's personnel in the course of business.

- Increasing the pace of scientific and technological progress determines the growth of the share of fixed assets in the elemental structure of the potential of modern enterprises. Although at domestic enterprises, this trend is due to the reduction of all other elements.

The basis of the analysis of the industry features of the formation of the potential of enterprises is the specificity of technological processes, the peculiarities of the organization of production, differences in the characteristics of the final product and resources for its production, differences in sales markets, etc.

TOPIC XX

COMPETITIVENESS OF THE POTENTIAL OF THE ENTERPRISE

1. Competitiveness of the company's potential and its levels

Competitiveness of the company's potential - a comprehensive comparative characteristic that reflects the degree of superiority of the set of indicators for assessing the company's capabilities, which determine its success in a certain market for a certain period of time in relation to the set of similar indicators of competing enterprises.

Levels of competitiveness of the company's potential

Depending on the globalization of research goals:

1. world leadership
2. world standard
3. national leadership
4. national standard
5. industry leadership
6. industry standard
7. threshold level (if the enterprise is below the threshold level, then its potential is considered uncompetitive)

Depending on the focus on management functions:

1 level. It is typical for enterprises to consider the organization of the management apparatus as an internally neutral element of potential. The role of the manager is reduced to the production of products, not caring about the problems of competitiveness and meeting the needs of the consumer.

2nd level. Enterprises try to make the production element of the potential "externally neutral". This means that the company's potential must fully meet the standards set by its main competitors.

3rd level. Company managers understand their advantages in the market competition in a slightly different way than their main rivals, and try not to adhere to the general production standards that have been established in the industry. At these enterprises, the production component of the potential is subject to strong influence from the management element, which contributes to its development and improvement.

4th level. Success in competition becomes not so much a function of production as a function of management and depends on the quality, efficiency of management, and organization of production. These companies have secured a leading position on the market for a long time.

2. Methods of assessing the competitiveness of an enterprise's potential

The classification of competitiveness assessment methods is aimed at their four main classification features:

1. by the direction of formation of the information base

- criterion (K) - absolute (natural or value) values of key indicators are taken as the information base. With proper information support, these methods are the most accurate.

- expert (E) are easy to use, do not require the collection of complete information about competitors, as they are based on the opinion of experienced specialists. However, the advantage of such methods is at the same time their disadvantage, because sometimes the subjectivity of experts can distort the evaluation results.

2. according to the method of displaying the final resultshighlight:

- graphic (G) – ensure the highest level of perception of the final evaluation results, interpreted in graphic objects (drawings, graphs, diagrams).

- mathematical (M) - are based on factor assessment models, which consist in the calculation of one (integral) indicator or several digital values of indicators, which form the final assessment. These methods are considered the most accurate, although sometimes they require burdensome mathematical calculations, that is, special training of employees.

- logistic (L) are algorithmic assessment methods based on logical assumptions.

3. on the possibility of developing management solutions

- single moment (O) are static volume methods. That assesses only the actual state of affairs, without providing the possibility of developing measures for the future.

- strategic (C) - make it possible not only to assess the state of competitiveness of the company's potential on a specific date, but also to develop strategic measures to improve this potential.

4. by the method of evaluation.

- indicator (I) - are based on the use of a system of indicators, which is used to assess the competitiveness of the potential of the enterprise and the national economy as a whole. The indicator is understood as a set of characteristics that make it possible to describe in a formalized form the state of the parameters of one or another object under investigation, and on this basis to formulate recommendations for increasing the effectiveness of the object's functioning. Each indicator, in turn, is divided into a number of indicators that reflect the state of individual elements of the object under study. Therefore, there is a difficult task of selecting the most important indicators for evaluating each of the mentioned factors.

- matrix (table) (T) – these methods are based on the idea of considering the processes of competition in their interdependence and dynamics. Using matrix methods, managers are able to assess the level of competitiveness of the potential of not only their enterprise, but also the closest competitors, which will help develop a strategy of market behavior.

In the table 20.1 presents a list of existing methods of assessing competitiveness with an indication of the classification feature and the group to which they belong.

Table 20.1

Classification of competitiveness assessment methods

Competitiveness assessment method	**Classification sign**			
	1	**2**	**3**	**4**
1. M. Porter's theory of competitive	TO	D	S	M

advantages				
2. Analysis of competitiveness of Z-Z firms. Lambena	TO	D	S	M
3. SWOT - analysis	Well	D	S	M
4. The McKinsey 7 S analysis model	TO	D	S	M
5. The method of studying the profile of the object	Well	D	S	M
6. Method of selection of competitive elements	TO	D	S	I
7. Zavyalov's graphic technique	Well	D	ABOUT	I
8. Analysis of competitiveness according to the 111-555 system	Well	M	ABOUT	I
9. Ivanov's formalized method	TO	M	S	I
10. Ansof's methodology for CSF	TO	M	ABOUT	I
11. Gradov's method regarding determinants "nation. rhombus"	TO	M	ABOUT	I

12. Method of the American Management Association	Well	M	ABOUT	I
13. Method of comparisons	Well	M	ABOUT	I
14. Method of ranks	Well	M	S	I
15. The integral criterion method	TO	M	ABOUT	I
16. Method of taxonomic index	TO	M	ABOUT	I
17. STEP - analysis	Well	L	S	M
18. SPACE- analysis	TO	L	S	M
19. GAP - analysis	TO	L	S	I
20. LOTS - analysis	TO	L	S	I
21. PIMS - analysis	TO	L	S	I

1. M. Porter's theory of competitive advantages.

The competitive advantages that an enterprise can possess are divided into 2 main types: lower prices due to low costs and product differentiation.

Depending on competitive advantages and the field of competition, M. Porter distinguishes the following types of company strategy:

1) "a leader in cost savings" manufactures products of low, but satisfactory quality, but the cost of its products is lower than that of an enterprise that specializes in product differentiation.

2) "concentration on expenses" implies that the company offers simple and standard goods with low costs and low prices.

3) „product differentiation" – the company offers a wide selection of high-quality products.

4) "Focusing differentiation" – the company's offering of goods to the market. The emphasis was on high quality.

2. Analysis of the competitiveness of Z-Z firms. Lambena

F-F Lamben distinguishes for the first time external and internal competitive advantages.

External competitive advantages - these are the excellent qualities of the product that create value for the buyer. The company has external competitive advantages when it can force the market to accept its price for the product, which is higher than the prices of competitors producing similar products, but without the corresponding distinguishing characteristic. In fact, this is an advantage in a higher level of prices based on quality characteristics (according to M. Porter - an advantage in product differentiation)

Internal competitive advantages are based on the firm's cost leadership. Such a situation can be achieved by reducing production costs by: introducing the company's organizational and production know-how, access to cheaper sources of raw materials and materials, the company's own search for a method of reducing costs for production and sale of goods. This is an advantage in the lower cost of production compared to competitors.

3. SWOT - analysis

It aims to examine the relationship between the following groups of factors: strengths, weaknesses, opportunities, threats. The matrix built on the basis of the conducted research makes it possible to analyze paired combinations of strengths and weaknesses with opportunities and threats, as

well as to identify priority areas of business activity and form managerial accents (Fig. 20.2).

	Strengths (advantages)	**Weak sides**
Opportunities	1 **"Maxi-Maxi" strategy** P > S M > Z	2 **"Mini-Maxi" strategy** C > P M > Z
Threats	3 **"Maxi-Mini" strategy** P > S Z > M	4 **"Mini-Mini" strategy** C > P Z > M

Fig. 20.2 **Strategic recommendations *SWOT* – analysis**

After checking the mutual influence of factors using a matrix***SWOT –*** analysis, it is possible to identify four types of corporate strategy of the firm:

1. „**Maxi-Maxi"** - a strategy that uses the firm's strengths to realize external opportunities.

In this situation, the company must take active actions to strengthen its position in the market by increasing its share, diversifying products, and bringing new products to the market. A favorable financial situation makes it possible to allocate additional funds for research and development, increase the financial portfolio, absorb small competitors, etc.

2. "Mini-Maxi" - a strategy aimed at minimizing the firm's weaknesses based on the use of external opportunities.

The company should strive to strengthen its competitive position in those industries, where possible, with the simultaneous liquidation (sale) of weak

business divisions. It is appropriate to focus attention on reducing the level of costs and increasing the competitiveness of products.

3. „**Maxi-Mini**" - a strategy that uses the firm's strengths to neutralize external threats.

Firms found themselves in a rather bad situation. They must use their prevailing strengths to neutralize external threats, not to grow, i.e. to move into positional defense. These firms can selectively carry out "counter-attacks" - to conquer separate market niches, but most of the efforts should be directed at deterring the onslaught of competitors and preparing for active actions in the future, when opportunities will outweigh threats.

4. „**Mini-Mini**" - the strategy is aimed at minimizing the firm's weaknesses and avoiding external threats.

The most difficult situation. The company is forced to gradually wind down its activities, refocus, reinvest funds in other industries, etc. Only in certain cases can a firm risk staying, for example, by merging with another firm.

4. The McKinsey 7 S analysis model

The name of the model comes from the name of the company and seven factors that influence the development of the company, seven words that begin in the English language with the letter "S" (strategy, skills, generally accepted values, structure, systems (rules, processes), personnel (structure, experience), behavior style). This model was developed by the McKinsey consulting firm from the USA.

The method is based on the following basic evaluation indicators: strategic state of the firm, market attractiveness.

Strategic state of the company it is recommended to evaluate according to the following indicators: relative strength of the firm, market share, comparative profitability, net income, technological status, management and personnel...

Attractiveness of the market it is recommended to evaluate according to the following indicators: absolute market capacity, market growth rates, pricing, competition structure, industry rate of profit...

Disadvantages of the method: when evaluating all the above factors on a 5-point scale, the subjectivity of the evaluation is of great importance; recommendations for the implementation of the strategy presented in the matrix are of a superficial nature. In recent years, these recommendations have been

subjected to severe criticism due to the negative consequences of their implementation.

5. The method of studying the profile of the object

It involves creating a profile of the object being analyzed. The profile is understood as the sum of the characteristics of a given object, thanks to which it is known to the target group of consumers. Thus, the corporate profile is the image of the company or its products that the target group imagines. The characteristics attributed to any object are quantified from 0 to 100 points. "Profile" is a means or tool for visual analysis of an object. A consumer or any organization can use this method to analyze and evaluate any company in any field of activity.

The main advantage of the method is the possibility of identifying a significant number of competitive advantages and their quantitative measurement. Its disadvantage is the subjectivity of the assessment of characteristics, which can affect the accuracy of the assessment.

6. Analysis of competitiveness according to the 111-555 system

Expert Institute of the Russian Chamber of Commerce and Industry in 1996. Proposed a system based on expert assessment of the following factors:

- competitiveness of products
- product quality
- the price of products.

The rating scale was chosen from 0 to 5 points, with one point indicating a low level of the factor in the opinion of the expert, and five points indicating a high level. It is clear that for the price of the products, one point is the best score, and for the competitiveness and quality of the products, it is the worst.

According to the results of research, the following classical combinations were obtained:

551 – traditional (high competitiveness, high quality, low price). This is the best combination from the point of view of ensuring and maintaining competitiveness, characteristic of many products of Japanese and American firms, and some European firms.

555 – European (all high)

511 - East Asian (high competitiveness with low quality and low price).

7. Ansof's method of CSF

I. Ansoff considers the firm's competitive strength, its competitive status as a unique indicator of the firm's position on the market. The quantitative

assessment of the competitive strength indicator (CS) is determined by the formula:

where I_f - the level of strategic capital investments of the firm

I_k - the critical level of the volume of capital investments, from which the receipt of income begins

I_O - the optimal level of capital investments, which ensures maximum income

S_f - assessment of the company's current strategy; S_O - evaluation of the company's optimal strategy

C_F – assessment of available opportunities; C_O - assessment of optimal opportunities

If - a weak position

- average position

- a strong position

The difficulty lies in the vagueness of the concept of "optimal strategy", "optimal company capabilities", which, like any other expert assessments, may be far from reality. In addition, for each element of strategic potential, the parameters of resources that can ensure the achievement of the company's goals at the appropriate stage of the life cycle of competitive advantage should be determined.

8. Gradov's methodology regarding the determinants of the "national rhombus"

M. Porter, based on the analysis of statistical materials of the industries of eight industrially developed countries, identified the most important reasons for success and failure in the competitive struggle of firms in these countries. They were offered an original concept of the country's competitive advantage. The basis of this concept is the idea of the so-called "national rhombus", which reveals four properties (determinants) of the country that form the competitive environment in which the companies of this country operate. "National rhombus" characterizes the system of determinantscompetitive advantages, the components of which interact, create the effect of integrity, that is, strengthen or weaken the potential level of competitive advantages of firms in a given country.

The determinants include:

a. factor parameters - material and non-material conditions necessary for the formation of a competitive advantage in the company's production process itself, as well as in the country of its base.

b. company strategy, their structure and rivalry

c. demand parameters (customer requirements for product quality, price elasticity of demand, income level, national traditions, etc.)

d. related and supporting industries.

Porter also includes in the general system

- "random events" (inventions, major technological breakthroughs, sharp changes in resource prices, significant changes in global financial markets or exchange rates, surges in global or local demand, political decisions of local and foreign governments, wars and other force majeure circumstances)

- "government actions"

A.P. Gradov additionally introduces another determinant "the role of enterprise privatization" for the period of formation of market relations (emergence of private enterprises - investments)

9. Method of comparisons

It consists in the direct determination of advantages and disadvantages of competing enterprises according to individual indicators - indicators of competitiveness, which should be determined at the stage of identification of key indicators of competitiveness.

The application of this method involves comparing the evaluated company with only one competing company. For each key indicator of competitiveness, not only the position of the evaluated enterprise is determined, but also the quantitative gap in the achieved values.

10. Method of ranks

It provides a comparison of the object of evaluation with a group of competing enterprises and allows to determine its place in the competition, anticipatory factors of success, as well as those whose results are worse than those of competitors. The total sum of ranks for all key indicators allows to determine the company of the leader and outsiders. This method is simple and does not require a special mathematical apparatus. At the same time, the rank method averages the degree of influence of each of the key indicators on the level of competitiveness, and does not allow assessing the degree of lagging behind the enterprise from its main competitor.

11. STEP - analysis

The method is known, but is used extremely rarely. Name according to the initial letters of English words: society, technology, economy, politics. This method is a means of researching the external environment of the enterprise, the main task of this analysis is to minimize the impact of negative factors and

the possibility of using others. The analysis is carried out according to the "factor-enterprise" scheme. The results of the analysis are presented in the form of a matrix, on the horizontal axis of which the factors of the macro environment are determined, on the vertical axis - the strength of their influence in points, ranks or other units of measurement

12. SPACE analysis

A logical continuation ***SWOT - analysis*** However, its main ideas are not sufficiently used not only in the practice of enterprises, but also at the level of methodical developments and recommendations. The basis of the analysis is the idea that the strategic competitive position of the enterprise is a function of the financial stability (strength) of the enterprise and the competitiveness of products.

It can be used to assess the strengths and weaknesses of small enterprises according to the following groups of criteria:

1) financial strength of the enterprise (FS);

2) competitiveness of the enterprise (KP);

3) industry attractiveness (PG);

4) industry stability (SG).

To assess the financial strength of the enterprise, indicators of return on investment, profit dynamics and the level of financial stability (dependence on external obligations) are used;

To assess the competitiveness of the enterprise - indicators of the enterprise's share in the market, the profitability of the sale of products and the competitiveness of products;

Attractiveness of the industry determined by the level of its profitability, stage of the life cycle, dependence on market conditions;

Stability of the industry - stability of profit, level of development of innovative activity and marketing and advertising opportunities.

Each indicator characterizing the key criteria is evaluated on a ten-point scale based on a comparison of the actual values of financial ratios with their normal level for the enterprise and on the basis of studying statistical information on the economic situation of the industry.

After receiving the weighted evaluations of the key criteria, a vector of the recommended strategy is constructed in the coordinate system *SPACE*. The beginning of the vector is at the point of origin of coordinates, the end of the vector is at point A with coordinates:

$X = PG – KP, Y = FS - SG$

The position of the vector determines the type of recommended strategy (conservative, defensive, competitive, aggressive) to strengthen competitive positions.

13. GAP - analysis

Analysis stages:

1. Preliminary formation of goals for one year, three years, five years.
2. Forecast of the dynamics of the profit rate in connection with the established goals for existing enterprises.
3. Establishing discrepancies between goals and forecasts.
4. Determination of investment alternatives for each enterprise.
5. Determination of general alternative competitive positions for each enterprise and forecast of results.
6. Consideration of investments and price strategy alternatives for each enterprise.
7. Reconciliation of the goals of the strategy of each enterprise with the prospects of the portfolio as a whole.
8. Establishing discrepancies between the previous activity goals and the forecast for each enterprise.
9. Clarification of the profile of the possible acquisition of new enterprises.
10. Determination of the set of resources required for such acquisitions and the nature of their possible impact.
11. Review of goals and strategies of existing enterprises with the aim of creating these resources.

This analysis can be used both for a group of enterprises and for one enterprise. It can also be called an organizational attack on the elimination of discrepancies between desired and projected competitiveness.

14. LOTS - analysis

The method was developed in 1980 in Sweden. *LOTS* translated from Swedish, it means "pilot". This method includes a detailed, consistent discussion of a number of business problems at different levels and varying degrees of complexity: from the corporate mission of the company as a whole to an individual project in the middle of the enterprise.

The discussion includes nine stages and concerns: the existing state; strategies; long-term goals; short-term goals; methods and objects of analysis; personnel potential; development plans; management organizations; reporting.

When discussing these problems, different models of business strategy and ways of solving problems can be used. The ultimate goal is to develop a position that will allow a company, division, or individual to properly build its relationships with the external environment, thereby increasing its competitiveness.

15. PIMS - analysis

This is a method of analyzing the impact of a market strategy on profit. It was developed in the mid-60s at the General Electric company. It is an attempt to bring together all the variables that affect the long-term profitability of the company. This model, which uses approximately thirty variables, allows you to identify about 67% of the company's success factors.

The model consists of a database of about 3,000 enterprises, mainly North American and European companies. With the help of the model, it is possible to compare the data characterizing the activity of enterprises operating in the relevant industry with the data of the empirical material of the model. The use of empirical material is a great advantage of the model, because it allows to reduce the differences between the abstract (theoretical) and concrete (practical).

The decisive factors of profitability for any industry are divided into three groups:

1. competitive situation (market share, relative market share, relative product quality)

2. production situation (capital/sales amount – capital/added value – degree of utilization of production facilities, labor productivity)

3. market situation (growth +, capital intensity -, marketing costs, amount of sales - amount of purchases -)

The strongest influence on the rate of profit (in ascending order) is exerted by: labor productivity, the relative share of the company in the market, the relative quality of the product, capital intensity.

A significant advantage of the model lies in the attempt to measure the relative quality of the product, since the decisive condition for success in business is the satisfaction of consumer needs. In this model, it is assumed to assess the conformity of the structure of production with the structure of needs.

The model database is being developed at the Boston Institute for Strategic Planning.

According to another source, variable indicators were grouped into five classes:

1. Attractiveness of market conditions (growth rate of the industry in the long term (4-10 years), growth rate of the industry in the short term (up to 3 years), stage of the product life cycle)

2. Strength of competitive positions (market share, relative market share, relative product quality)

3. Efficiency of investment use (investment intensity (total investment related to sales volume and total investment related to added value), fixed capital intensity (fixed capital ratio to sales volume), percentage of production capacity utilization.

4. Use of the budget in the following directions (marketing expenses in relation to sales volume, scientific research costs in relation to sales volume, costs for new products in relation to sales volume).

5. Current changes in the market position (change in market share)

3. Applied models for assessing the competitiveness of the enterprise's potential

Applied models combine several classification features, three of them are considered:

Indicative method of assessing the competitiveness of the enterprise's potential according to economic and social standards was proposed by Russian researchers in the textbook "Market Economy" in 1992. Edition. It makes it possible to comprehensively evaluate the competitiveness of the enterprise's potential from the economic and social side.

The method of expert evaluations is used for insufficient information support. Experts evaluate the competitiveness of the enterprise's potential from the standpoint of enterprise management, production, marketing, personnel, product, and finance.

Method of selection of competitive elements provides a step-by-step study of the competitiveness of the company's potential, starting with a comparative assessment of the most important components: competitiveness of products, competitiveness of the management system, competitiveness of the technical and technological base, etc.

Indicative method of assessing the competitiveness of the enterprise's potential according to economic and social standards

Different ratios of income and resources (capital, labor, time) in comparison with similar standards, which are determined by a criteria-expert method, make it possible to assess the competitiveness of the enterprise's potential. Such an assessment is formed on the basis of the use of a number of indicators and standards (normatives, benchmarks), the achievement of which makes the enterprise competitive. There are many methods of developing these standards. Among them, expert (score) evaluation methods prevail.

The standards of competitiveness of the company's potential are divided into two groups: economic and social.

The evaluation of the competitiveness of the enterprise's potential according to economic standards is carried out according to at least the minimum number - 5 economic standards, namely: according to the efficiency of the use of material and informational resources, economic space, time, technology, according to the level of income. Indicators and their corresponding indicators can be taken:

1) **resource utilization indicator (CR)** enterprise income ratio (R&D) - (Net profit of the enterprise / deduction to the budget and social funds)and the coefficient of enterprise resources (Krp) – (Resources advanced by the enterprise / Resources applied at the enterprise)

KR=Kdp / Krp max

2) **labor utilization indicator** is a ratio

of the net profit of the enterprise (CPP) and the value of the workplaces of the enterprise (VRMp).

The cost of company jobs is the average annual cost of the company's jobs, which is determined by comparing the average annual cost of fixed assets and the average annual number of jobs.

КРr= ЧПп / ВРМп max

3) **market capacity indicator (CM)** is a ratio

the balance sheet profit of the enterprise (BPP) and the profitable market capacity of the given product (PMRt).

The profit capacity of the market is determined by the total cash flow of consumers for the product after deducting the conditional part of the demand, which is directed to the reimbursement of costs for the production and sale of the product.

KM=BPp / PMRt max

4) **yield indicator (KD)** is a ratio

the gross income of the enterprise per employee, including the owners of the enterprise (VDPr),

and similar income received in the commercial sphere (industry) of activity in the country's economy as a whole (ComVDPr):

KCh = Tvd / T2vd

The indicated indicators are compared with similar normative or actual indicators of competitors, which makes it possible to assess the individual level of competitiveness of the enterprise's potential by economic standards.

Relative to the established level of competitiveness of the enterprise's potential, depending on the globalization of the research goals, a matrix of the competitiveness of the enterprise's potential is built, which displays the relative values of the selected standards (indicators) and their percentage-point expression.

In the matrix of competitiveness, the higher level of the indicator, obtained by expert means, is taken as 100% and, accordingly, for 100 points. On the basis of this matrix, it is possible to give a point calculation of the level of competitiveness both for individual indicators and as a whole, for their entire complex. At the same time, the very formula for calculating the overall actual level of competitiveness of the enterprise's potential according to economic standards (ZKPPe) at the chosen of seven possible levels looks as follows:

where 8 is the enterprise level, p is the chosen level for assessing competitiveness (1 – global leadership, 2 – global standard, 3 – national leadership, 4 – national standard, 5 – industry leadership, 6 – industry standard, 7 – threshold level)

Based on the proposed matrix of the competitiveness of the enterprise's potential, it is necessary to compile a table of reserves (P) and losses (B) of the enterprise's potential and conduct its analysis.

Reserves for the enterprise are the difference between the higher indicators of one or another standard (indicator) and the real value of the indicators of the enterprise itself.

Losses are the difference between the value of the threshold level of the standard and the value of this standard for the enterprise.

In addition to accurate data on reserves and losses, specialists should know the amount of investment (I), time (T), economic effect (Ee), which may take place during decision-making on measures to increase the level of a particular indicator (standard). For final conclusions, you need to calculate two indicators:

- coefficient of investment efficiency Kei = Ee / I;

- the integral coefficient of the efficiency of the use of investments and time Kint = Kei / T, where t is the time interval between capital investment and obtaining the effect.

This analysis must be supplemented with a study of the dynamics of reserves, losses, and the integral efficiency ratio.

The coefficient of success in the field of increasing the competitiveness of the enterprise's potential is calculated as follows:

U = (TzKínt – TzV) / TzR.

According to the data in the table, the coefficient of success in the field of increasing the competitiveness of the enterprise's potential is calculated by periods and the "arrows" of competitive success are graphically depicted.

The most acceptable case is when the dynamics of losses rapidly decreases to zero, and the line of the rate of change of the integral coefficient of efficiency is higher than the line of the rate of change of reserves when they are quite close to each other. The maximum success is achieved when TzB = 0, and TzKint > TzR. This means that the company rapidly improves the competitiveness of its potential.

In developed countries, social standards play an important role in assessing the competitiveness of an enterprise's potential. These indicators are standards that characterize the social competitiveness of the enterprise's potential or the social quality of the enterprise. This assessment is based on the results of four ratings, namely: consumer rating (Pc), business rating (Рд), prestige rating (Рп), international rating (Рм). comparing the total scores of our own and competitors' ratings, we get an indicator that reflects the level of competitiveness of the company's potential according to social standards.

2. <u>The method of expert evaluations.</u>

This technique is designed for small enterprises that produce one type of product.

The experts can be selected: enterprise specialists (director, deputy directors for production, deputy directors for economics, commercial directors, marketers). Retail chain specialists, main wholesale customers. The total number of experts is 12 people.

All experts are offered a questionnaire with questions about the competitiveness of the potential of enterprises according to the following blocks of questions:

1. enterprise management (goals and strategy, motivation system, general values),

2. production (state and level of utilization of production facilities, flexibility of production lines, quality of production organization, state of R&D),

3. marketing (planning, organization and control of sales, degree of coverage, terms of payment, direct advertising of products, mention in the mass media, participation in exhibitions),

4. personnel (age structure, level of education, qualifications),

5. product (quality, price, technical parameters, reliability and warranty period, complete technical service, provision of spare parts, service life, uniqueness, patent, trademark, packaging),

6. finances (equity share, financial balance, the possibility of obtaining a loan).

At the same time, the average indicator is found, multiplied by the specific gravity and added up by group.

In a similar way, expert evaluations of competing enterprises are processed and the processing results are summarized in a table, with the help of which the obtained results are compared.

The overall indicator of the competitiveness of the company's potential will be equal to the statistical average of the weighted numerical indicators for each of the groups.

3. Method of selection of competitive elements.

This is a synthesized method of determining the competitiveness of the company's potential, built on the premise that the competitiveness of the company's products is its main component (Table 20.3).

Table 20.3

p	Weight indicator	IN_1	IN_2	IN_3	...	IN_m	R_i	KS_{this}
	Indicator	I_1	I_2	I_3	...	I_m		

	Enterprise	abs. mea ning	rank, R_{ij}	abs. mea ning	rank, R_{ij}	abs. mea ning	rank, R_{ij}	..	..	abs. mea ning	rank, R_{ij}		
	Object evaluations												

Method algorithm:

1. a list of indicators is formed (I_j, where j = 1,..., m), which serve as a basis for assessing the competitiveness of a specific type of product being evaluated.

2. its weight is determined by an expert for each indicator (V_j, where j = 1,..., m) in the overall estimate, provided that $\sum B_j = 1$

3. the marketing service of the enterprise - the object of assessment offers n - a selection of enterprises with similar products, which are the closest competitors.

4. based on the received information, a matrix is built to determine the competitiveness of the unit of production of the enterprise, which serves as the object of assessment.

5. with the help of the absolute values of the selected indicators, the ranks of the production unit are determined (R_{ij}).

6. weighted relative to the indicator, the overall rank of the production unit of each enterprise participating in the evaluation array is found according to the formula:

$$R_i = \sum P_{ij} * IN_j$$

7. after establishing the general ranks, there is a leader company (L) and an outsider company (A) for a given unit of production, as well as the distance range of the outsider from the leader (Дв) according to the formula:

The distance range of the outsider from the leader gives an idea of the differentiation of enterprises in a competitive environment, namely:

$$Dv = R_A - R_L$$

a. does the company belong to the circle of leaders or outsiders?

b. Does his position in the waiting zone of the attack benefit him?

c. Does the company use its capabilities correctly?

The radius of the circle of leaders (outsiders) is equal to a quarter of the distance range of the outsider from the leader (Dv), namely:

0 - ¼ Dv - circle of leaders;

¼ Dv - ½ Dv - attack waiting area;

½ Dv - ¾ Dv - zone of unused opportunities;

¾ Dv - Dv - circle of outsiders.

8. competitiveness of a unit of production (KS_{ia}), thus, is determined by the formula:

$$KS_{ia} = (R_A - R_i) / Dv$$

9. in order to determine the competitive status of the enterprise according to the entire range of products manufactured by it, it is necessary to carry out similar calculations for all types of products, and then summarize the obtained results in a summary table, which should also contain information about the structure of production of products according to the design capacity and actual sales volumes .

The competitiveness of products is undoubtedly the main component of the competitiveness of an enterprise's potential, but one should not forget that it includes equally important elements: production, financial, management potential, etc., the competitiveness of which should be taken into account when determining the final level of competitiveness of the potential.

TOPIC XXI

THEORETICAL BASICS OF EVALUATING THE POTENTIAL OF THE ENTERPRISE

1. Assessment of enterprise potential: main goals and areas of application

The starting premise of the valuation is that the enterprise, as an object characterized by a certain level of potential, can be a source of income and the object of a market transaction, that is, the owner of the enterprise has the right to sell it, mortgage it, insure it, etc.

So, *the enterprise acts as a product with all its characteristic properties: utility for the buyer, creation costs (formation*).

However,*the enterprise as an object of market transactions is also characterized by a number of specific features, among which the following can be distinguished:*

- *this is an investment product*, i.e., a product invested in with the goal of future returns.
- *the enterprise is a system, but both the system as a whole and its separate subsystems and elements can be sold*;
- *the need for this product depends on the processes taking place both inside it and in the external environment*.

Assessment of the value of the potential of the enterprise is an orderly, purposeful process of determining the value of an object in monetary terms, taking into account potential and real income, which takes place in a certain period of time in the conditions of a specific market.

In Ukraine, market agreements with this kind of goods became possible thanks to the intensification of evaluation activities in 1991-1992, which was connected with the transition of the country's economy to market conditions. A significant impetus for its development was the adoption in March 1992 of the Laws of Ukraine "On the Privatization of Property of State Enterprises" and "On the Privatization of Small State Enterprises (Small Privatization)", as well as other legislative and regulatory documents, which required the assessment of buildings, premises, integral property complexes , objects of unfinished construction, etc.

In February 1995, Ukrainian appraisers, following the example of appraisers from other countries, united in a public professional organization - *Ukrainian Society of Appraisers (UTO).*

Creditors, investors, the state, shareholders, managers, suppliers, insurance companies are interested in assessing the company's potential. They want to realize their economic interests and determine the goals of the assessment.

Despite the fact that the mechanism of the assessment process has a universal character, the goals for which such an assessment is carried out can vary significantly.

Thus, the Law "On Property Appraisal, Property Rights and Professional Appraisal Activity in Ukraine" regulates ***Mandatory cases of valuation:***

1) creation of enterprises on the basis of state property or property that is in communal ownership;

2) reorganization, bankruptcy, liquidation of state, communal enterprises and enterprises with a state share of property (a share of communal property);

3) allocation or determination of a share of property in common property, in which there is a state share (a share of communal property);

4) determination of the value of the contributions of the participants and founders of a business partnership, if the property of business partnerships with a state share (a share of communal property) is contributed to the said partnership, as well as in the case of the exit (exclusion) of a participant or founder from the membership of such a partnership;

5) privatization and other alienation in cases established by the law of lease, exchange, insurance of state property, property in communal ownership, as well as return of this property based on a court decision;

6) revaluation of fixed assets for accounting purposes;

7) taxation of property and determining the amount of state duty in accordance with the law;

8) transfer of property as collateral;

9) determination of damages or the amount of compensation in cases established by law;

10) in other cases by a court decision or in connection with the need to protect public interests.

In addition to these mandatory cases, ***assessment can also be carried out with a goal***:

- formation of the statutory fund of the business association (without state participation);
- development of the enterprise development plan;
- assessment of management efficiency;
- choosing the property disposal option;
- justification of the purchase price of the enterprise or its share;
- verification of the borrower's financial capacity;
- determining the size of the insurance premium and insurance payments;
- verification of the reasonableness of securities adjustments;
- checking the feasibility of investment investments, etc.

2. The concept of value and its modification

Cost – it is the monetary equivalent of the object's value, which the buyer is willing to exchange for ownership of the object.

Since the perception of the value of the object depends on the specific interests of the buyer, the appraiser has to determine different types of value.

Value is divided into two broad categories: value in exchange value in use.

Value in exchange is the price that prevails in a free, open competitive market. It is determined on the basis of the balance between real economic factors, therefore it is called objective cost.

The most common form of objective value*is the market value* - the highest monetary amount (price) for which the property (property title) is transferred as a result of a commercial agreement between a voluntary buyer and seller on the valid valuation date*subject to the following conditions:*

- the openness and competitiveness of the market, in which a sufficient number of counterparties related to the sale and purchase of similar property interact freely;
- the buyer and seller of the appraised property are accurately informed about the main characteristics of the real estate and the state of the market, act prudently, with knowledge of the matter and without coercion;
- the exposure period of the property on the market should be sufficient to attract the required number of potential buyers who make up this market segment.

According to National Standard 1:

"Market value - the value for which the appraised object can be sold on the market of similar property on the date of the appraisal according to the agreement concluded between the buyer and the seller, after carrying out appropriate marketing, provided that each of the parties acted with knowledge of the matter, prudently and without coercion ".

Market value as an ideal standard may not always be achievable, so the actual market price of a transaction often differs significantly from the market value.

In some cases, the market value can be a negative value. For example, this may be the case in the case of the evaluation of outdated real estate objects, the amount of expenses and wear and tear of which exceeds the value of the land plot, or in the case of the evaluation of environmentally unfavorable objects.

A special case of application as the basis of assessment is the market value of the object under the condition of existing use, i.e. assuming that the object will be used in the same way as on the date of assessment (consumer value)

Special value is the sum of the market value and the premium to it, which is formed in the presence of atypical motivation or special interest of the potential buyer (user) in the object of evaluation.

Taking into account the measure of the object's market value, non-market value and non-market normative-calculated value are distinguished, which are formed on the basis of methods and standards approved by the relevant state institutions (for example, for the calculation of taxes, insurance contributions, duties, etc.).

According to National Standard No. 1, in the case when at least one of the conditions for determining the market value is not met, the basis of assessment is non-market types of value: replacement value, reproduction, residual value of replacement (reproduction), consumer value, liquidation value

Liquidation value is the amount of money that can actually be obtained from the sale of the appraised property, when there is not enough time to conduct adequate marketing and determine its market value.

Collateral value is an assessment based on the market value of property (property rights) transferred as a guarantee for securing debt or other obligations.

Insurance value – is based on the cost of replacement (reproduction) of the evaluation object as a whole or its individual elements, which are most susceptible to destruction (destruction). Insurance sums, insurance payments and interest are determined on the basis of the insurance value.

Rental cost - the estimated value of the value of the object of assessment, which is used to determine the rent standard. The basis of the rental value is mainly the market value of the real estate subject to its continued use in the same way as on the valuation date.

Cost in use is a measure of the property value of an individual user or a group of users, which is a component of an operating enterprise without taking into account its most effective use and the value of the monetary equivalent from a possible sale. Since the value of property in use satisfies the needs of a specific user, it is often called subjective value.

The most common manifestation of value in use is*investment value* - the value of the real estate object, determined under specific conditions, the purpose and effectiveness of the investment.

Book value - the initial value of assets reflected in the accounting statements, indexed on the date of the last revaluation and reduced by the amount of depreciation deductions.

Tax value - the value calculated in accordance with the procedure defined by the legislation on property taxation.

Replacement cost - the totality of costs at current market prices for the creation of a new functional analog that has equivalent utility to the evaluated object.

The cost of reproduction - the totality of costs for creating an exact copy of the object of assessment, taking into account the existing market prices on the date of assessment.

Residual replacement cost - the total value of the market value of the land plot for its continued use and the cost of replacing the buildings and structures located on the plot, taking into account all types of wear and tear (depreciation). This type of replacement cost is used as a basis for evaluating special purpose real estate that does not have a market demand.

Disposal value - the monetary equivalent, which is expected to be received from the sale of discarded material assets or their components for alternative use. This value is also called*final liquidation value*.

Scrap value - the secondary value of the set of materials, which can be obtained in the event of disassembly (liquidation) of the object of assessment.

Customs value - the equivalent of the value of imported objects, used for the calculation of customs duties, fees and other customs and related payments.

The concept of fair value in domestic practice appeared in 2000 in connection with the entry into force of the Law of Ukraine "On Accounting and

Reporting in Ukraine" dated 16.07.99 No. 996 and the introduction of National Accounting Regulations (Standards) BU),

According to P(S)BU,*fair value* is the amount for which an asset can be exchanged or a liability paid as a result of transactions between knowledgeable, interested and independent parties.

Currently, in accordance with the requirements of financial reporting standards, it is necessary to determine the fair value of fixed assets, intangible assets and stocks in order to obtain reliable and objective information in the process of their evaluation and revaluation.

The fair value, depending on the objects of its definition, can, as a rule, be equal to the market value (if it meets the requirements for the definition of the market value and can be determined in the manner established by the National Standards), the residual value of replacement (reproduction) (if it is a question of the evaluation of a specialized property, property of special purpose or special construction)

Each of the listed types of value, either in exchange or in use, has a certain field of application and limitations. The choice of one or another cost modification depends on the features of the object, the set goal and the evaluation procedure.

3. Principles and main stages of assessing the company's potential

The theoretical and methodological basis for assessing the market value of an enterprise's potential is a set of interrelated principles, the basis of which is the long-term experience of foreign expert appraisers and the domestic practice of assessing property complexes of industrial enterprises.

The commonly used classification of assessment principles distinguishes the following groups:

1. *principles that are based on user perceptions*:

The principle of utility is based on the postulate that any enterprise has value if it is useful to a potential owner for the implementation of a certain economic function during a certain period.

The principle of substitution assumes that the maximum market value of an enterprise is determined by the lowest value of another enterprise with equivalent utility. In other words, the buyer will not pay for the enterprise (real

estate) an amount greater than the minimum price of another object with adequate utility.

The principle of waiting is based on the fact that the value of the enterprise being evaluated is determined by the size of the net income that the buyer expects from ownership (commercial use) of it, taking into account the possible net income from its resale.

2. *principles related to land, buildings and structures*:

Residual performance. According to economic theory, land has value, or any value at all, only when there is a residual net income after compensation for all other factors of production. This mechanism of income distribution is due to the fact that land is physically immovable, and in order to start any economic activity, labor, capital and entrepreneurial management must be attached to it. It is these income-generating factors that are compensated first, and the rest of the income is paid to the owner of the land as rent.

Contribution. The essence of this principle is that additional capital investments in any component of the enterprise's potential are effective only when they increase its market value. The amount of the contribution is defined as the difference between the changed value and the costs that caused this change. A contribution that does not increase the value of the company's potential is an unnecessary "improvement".

Efficiency. This principle means that as resources are added to the main components of the enterprise's potential, the net profit tends to increase, but only up to a certain point (a certain limit). After that, the growth rate of profitability begins to slow down until the increase in productivity becomes less than the increase in costs for additional resources.

Balance (proportionality). According to this principle, all elements of resource-production and management potential of the enterprise must have a balanced internal and general structure. Constant maintenance of the necessary proportionality between the development of potential components ensures the maximum profitability of the operation of the enterprise and its highest value.

*The optimal size (size).*The requirements of this principle apply to each factor of production - land, buildings and structures, technical equipment, personnel, which together make it possible to create an economically justified (optimal) size of the enterprise's potential and obtain the maximum profit from it in accordance with the market situation in the given area.

Division and combination of property rights. The property rights system of Ukraine, provided for by the Civil Code, allows property rights to be divided

and sold separately. the latter, according to the theory of a package (bundle) of rights, are considered as components that together embody all property rights recognized by law. The essence of the principle of economic separation is that property rights should be divided and combined in such a way as to increase the total value of the property. Based on experience, it is possible to distinguish characteristic features, and for each of them - types of division of property rights.

Division of property rights according to the following signs of division:

- physical division – the right to use airspace, land, subsoil;
- term ownership - various types of lease, trust ownership, future property rights
- rights of use – limited right to use property, licenses, restrictions on the use of property;
- property rights - joint tenancy, partnership, trust, corporation, option, contract with agreed terms of sale;
- creditor's rights to take possession - mortgages, pledges, participation in capital and others.

3. principles related to the market environment:

*Dependence***.** The value of the enterprise's potential is formed under the influence of many different factors, among which its location plays a special role. The quality of the latter is determined, first of all, by the compliance of the physical parameters of the enterprise's land plot with the regional land use system and its distance from the market infrastructure. Together, these two important characteristics constitute Stus, or the economic location of the enterprise. Changes in the land use system or in the economic environment of the enterprise according to the principle of dependence can have both a positive and a negative impact on its value. In turn, the value of an enterprise or other real estate object itself affects the value of real estate objects and enterprises located in a given region.

Conformity. All other conditions being equal, the potential of the enterprise, which corresponds to the highest degree to urban planning, ecological, market and other standard norms and general trends of land use, has the highest value.

Supply and demand. The value of the company's potential is greatly influenced by the ratio between supply and demand. When the latter are balanced, and the potential of the enterprise is used in the best and most efficient way, the market price of the enterprise, as a rule, reflects the cost

(costs) of its creation. If there is an excess of supply or insufficient demand on the market, then the level of prices for enterprises decreases. A higher level of market prices against the cost of construction stimulates the commissioning of new production facilities until the price equilibrium is reached.

Competition. The essence of this principle is that the prices of the objects of evaluation are formed under the influence of constant competition between market subjects who seek to obtain maximum profits. This equalizes the return on investment in different segments of the competitive market and makes it possible to objectively determine the market value of enterprises. The principle of competition also warns against taking into account excess profits for the valuation of monopolistic enterprises, because this creates their market value.

Change. This principle provides that when assessing the value of the potential of the enterprise and its components, possible changes in their functioning due to the transformation of economic, social and legal conditions, as well as the influence of regional and local factors are taken into account. The dynamism of the external environment and internal production changes requires an accurate determination of the date of each assessment of the enterprise's potential value. The fixed valuation date reflects the macroeconomic situation, the peculiarities of the local real estate market, as well as the state of the valuation object, which have developed at the moment and determined its market value.

4. ***principles of the best and most effective use.***

This principle is a synthesizing principle of assessing the value of the enterprise's potential. As a system-forming element, it integrates the general influence of all the previously mentioned principles and means that from the possible options for using the enterprise's potential, the one will be chosen that most fully realizes the functional capabilities of all components of the potential and ensures their maximum effectiveness. The best and most effective use provides an initial conceptual model for the analysis of various factors that affect the value of the object of evaluation and ensure that the use is not prohibited by law, physically implemented, financially justified and that realizes the greatest value (yield) of the object of evaluation.

Mechanism of the evaluation process, in accordance with the Law of Ukraine "On Property Appraisal, Property Rights and Professional Appraisal Activities in Ukraine" dated July 12, 2001, is regulated by National Standard No. 1 "General Principles of Property and Property Appraisal", approved by the

Cabinet of Ministers of Ukraine dated September 10, 2003 No. 1440 and includes ***following procedures***:

1. Preparatory stage (preliminary familiarization with the object of evaluation, the characteristic terms of the agreement for the conclusion of which the evaluation is carried out, determination of the basis of evaluation, providing the customer with proposals regarding the essential terms of the contract for conducting the evaluation).

2. Conclusion of the contract for the evaluation.

3. Familiarization with the object of evaluation, collection and processing of raw data and other information necessary for conducting the evaluation.

4. Identification of the subject of the assessment and related rights, analysis of possible restrictions and reservations that may accompany the assessment procedure and the use of its results.

5. Selection of the necessary methodical approaches, methods and evaluation procedures that most fully correspond to the purpose of the evaluation and the selected base defined in the evaluation contract, and their application.

6. Reconciliation of assessment results obtained using different methodological approaches.

7. Compilation of a property valuation report and a conclusion on the value of the valuation object as of the valuation date.

8. Finalization (updating) of the report and conclusion on the value of the object of assessment for a new date (if necessary).

TOPIC XXII

METHODOLOGICAL APPROACHES TO THE ASSESSMENT OF THE POTENTIAL OF THE ENTERPRISE

1. Methodology for determining the value of the company's potential

Any value can be considered from the standpoint of past, present and future results, taking into account the fact that extended reproduction is possible only when the monetary results obtained cover the costs incurred to achieve them.

Briefly, the economic essence of the three indicated approaches to the valuation of the company's property, given the need to take into account the possibilities of its effective use, can be explained as follows:

- ***expendable (property***) - determines the value of the object based on the sum of costs for its creation and use

- ***comparative (market)*** - determines the value on the basis of comparison with analogues that were already the objects of market transactions

- ***effective (profitable)*** - evaluates the value of the object based on the value of the net flow of positive results from its use.

The general classification of possible methods of valuation of the enterprise's land-property complex and its individual components, which can be used to assess the enterprise's respective capabilities, is shown in Fig. 22.1.

It should be noted that each of the specified approaches is implemented using specific methods that depend on the object of assessment.

Table 22.1

Expenditure methods	**Comparative methods**	**Resulting methods**
Method of comparative unit	Method of paired sales	Income capitalization method

<table>
<tr><td>Method of division according to components</td><td>Statistical method adjustments</td><td>Discounting method cash flows</td></tr>
<tr><td>Quantitative method diagnostics</td><td>Expert methods comparison</td><td rowspan="4">Residual income method</td></tr>
<tr><td>Cost accounting method for infrastructure</td><td rowspan="3">Methods of comparison multipliers</td></tr>
<tr><td>Substitution method</td></tr>
<tr><td>Data indexing method design and estimate documentation</td></tr>
<tr><td colspan="3">The value of the enterprise and the potential embodied in it</td></tr>
</table>

Fig. 22.1. **General classification of methods for assessing the enterprise and its potential**

2. The cost concept of assessing the potential of the enterprise

The cost approach is based on the premise that the potential owner-user will not agree to spend more than the value of the expected financial and property result on the formation and implementation of their own internal or external capabilities. Thus, the methods of this group provide for the resource assessment of all components of an integral land- property and social-

organizational complex of the enterprise based on the accounting of all costs necessary for its reproduction (replacement) on a specific date in working condition.

In the most general form *logic of cost approach methods* like that:

Costs to create an object

- expenses for the construction (purchase) of real estate objects
- expenses for the purchase of machines and equipment
- personnel costs
- expenses for the creation (purchase) of intangible assets
- expenses for the organization of business processes.

+ Seller's profit (minimum required profit; normative profit; extraordinary profit; deduction from profit)

- Amount of accumulated wear and tear (physical wear and tear; functional obsolescence; external (economic) obsolescence; technological obsolescence)

The most specific element of cost-effective potential assessment methods is *a variety of stock drawings,* which are made for the purpose of determining the total costs for one or another component of the land-property and social-organizational system of the enterprise. The basis for drawing up estimates is project documentation, established cost standards, working drawings, contracts for the purchase or performance of works, etc.

Traditionally allocated ***three levels of estimates***:

1. *local estimates* - documents that record the full costs (regardless of whether they are included in the cost price or not) for the performance of individual works, the execution of individual commercial agreements, the purchase and installation of certain objects.

2. *object estimates* – consolidated documents that accumulate information on local estimates in terms of complete objects.

3. *consolidated estimates* - these are general reports on the amount of total costs for creation (use), which include data from object estimates and make it possible to estimate the amount of costs as a whole for the enterprise.

The following are used for drawing up estimates of all levels ***cost determination methods:***

1. *resource method* - calculation of individual elements of the estimate, which are necessary for the implementation of a management decision, through the accounting of costs in current or forecast prices and tariffs.

2. *resource-index method* – a combination of the resource method with the system of cost indices used by the manufacturer or builder of the object. Value indices are the ratio of the current (forecast) value characteristics of the object to the basic resource analogues.

3. *base-index method* - recalculation of costs incurred by the owner in different time frames of project implementation, from the basic to the current level using adjustment factors

4. *base-compensation method* -accounting of individual elements of the estimate and determination of additional costs to compensate for their changes under the influence of price (tariff) factors.

5. *method of analog objects* requires the presence of a significant database of implemented projects and their estimates, and also requires the determination of the reasons and size of deviations from the planned values from the actual values over a comparable period of time.

Having determined, on the basis of estimates, the amount of costs for the creation of the object of assessment, the amount of accumulated wear and tear of various types, each of which can either be eliminated or not, should be estimated. the following are traditionally distinguished *types of wear*:

- *physical* - the level of physical destruction of the object (loss of its primary technical and operational characteristics), caused by the destruction of working parts, main structures and materials in the process of economic use under the influence of natural and anthropogenic factors. To estimate the amount of depreciation of the value of the object due to physical wear and tear, the normative method, the cost method, and the economic life method are used.
- *functional aging* - inconsistency of dimensions, functional purpose, technical level of the object with modern requirements according to its real or predicted way of use. The level of functional obsolescence of the object is determined by the method of capitalization of excess operating costs or the method of capitalization of losses in rent.
- *technological aging* - a consequence of scientific and technical progress in various fields, which ensures the creation of new, more progressive, cheaper and economical similar objects, which is manifested in the devaluation of the technology associated with them.
- *external (economic) aging (depreciation*) caused by external negative market factors: changes in supply and demand, favorable financing conditions for similar projects, etc. The method of capitalization of losses in rent, the

method of paired sales, and the method of economic life are used to assess external wear and tear.

Finally, it is worth noting that at the current stage of the underdevelopment of national markets and the unavailability of information about them, the insufficient level of theoretical training of analysts, the instability of the economic system of Ukraine as a whole, the cost approach was and remains the most common (or the only possible) in domestic valuation practice.

A comparative approach to assessing the potential of an enterprise

The comparative approach is based on information about recent market transactions with similar objects and its use as a basis for determining the object of evaluation. The methods of this group are based on the assumption that the subjects of market relations conclude agreements by analogy with established traditions or past experience.

Unfortunately, absolute analogues of individual potential elements do not exist, so different mechanisms for adjusting the value of the analogue should be used. The general logic of calculations can be shown by the formula:

The value of the potential of the enterprise = the value of the potential of the analogue + the absolute amount of corrections for all the defined parameters

An objective prerequisite for the use of the methods of this group is the presence of a developed market for the object of evaluation and the existence of similar objects on it.

The above-mentioned evaluation coefficients or multipliers are relative indicators, which are defined as the ratio of a separate significant cost-forming criterion with a certain financial and economic base.

The set of all possible comparison criteria can be divided into the following groups:

1. general indicators of the enterprise's sphere of activity
2. indicators of the scope of activity.
3. indicators of financial and economic condition
4. indicators of management quality
5. market position indicators

The following financial and economic indicators are traditionally used as a basis for comparison: the total capital of the enterprise, the amount of net

assets, revenue from operating activities (total gross income), cash flow from the operation of the facility, net income, average amount of dividends paid, etc.

All multipliers are divided into three groups depending on the isolated feature:

1. *depending on the basis of comparison.*

resourceful – the sum of expenses is taken as the basis of comparison (for example, the cost/capital of the enterprise);

effective – the basis of comparison is the achieved performance results (for example, the value/generated flow of capital).

2. *depending on the coverage period*:

andintervaland – reproduce the relationship between the value of the object of evaluation and the indicators that are formed during a certain period (, cost/profit)

single moment - determine the value of the enterprise according to the results achieved on a certain date or the costs incurred (for example, the value / net assets of the enterprise)

3. *depending on the essential content*:

value (price) multipliers – the ratio of value (price) to the basis of comparison (for example, value/cash flow) financial and economic multipliers – the ratio of key financial or economic indicators to the values of similar objects, as a rule, are used in internal comparative procedures.

A variant of the multiplier method is considered to be the method of industry ratios, which is based on predefined and averaged ratios between the characteristics of the objects of comparison.

4. Result assessment of the company's potential

The resulting approach is based on the dependence of the value of the object of evaluation on the possibilities of its effective use, that is, possible results. This is based on the statement that the potential owner-user will not pay for the object more than he expects to get from its economic use, that is, he starts from the position of utility of certain capabilities of the object.

Six functions of the monetary unit calculated on the basis of compound interest are used to calculate the value of the object over time. Table 22.2 characterizes the economic content of the six functions of a monetary unit and the scope of their use in valuation activities.

The most typical methods of the resulting calculation technology are cash flow discounting and income capitalization.

Discounting method.

The general methodology of using this method involves setting the value of the potential (or its element) at the level of the net reduced flow of capital from its exploitation. This means that land, a building or structure, equipment, intangible asset, etc. are worth as much as they generate economic results.

Table 22.2

The economic essence of the six functions of a monetary unit

Currency function	**Economic essence**	**Technology calculation**	**Scope of use in assessment practice**
The future value of a monetary unit (F_1)	Reflects the growth of the monetary unit deposited. Interest is calculated on the original amount and interest accrued earlier	r – interest rate (discount rate) n is the number of interest accrual periods	Forecasting the future value of an appraisal object based on its current market value
Accumulation of monetary unit for the period (F_2)	Shows the future value of a series of regular, equal payments over a specified period at an appropriate interest rate		Forecasting the future value of the object of assessment, based on the size of the payment in a series of payments and the time of their implementation

Fund replacement factor (capital replacement ratio) (F_3)	Shows the amount of initial investment required to accumulate a monetary unit, taking into account accrued interest		Determining the annual amount required to recoup investment in the purchase of real estate
The current value of a monetary unit (F_4)	Shows the present value of a monetary unit that is expected to be received in the future		Bringing future monetary income from the operation of the object to the present (current) value. Calculation of the current amount of money that will be received in the future from the sale of the object
The current value of a unit annuity (factor of the current value of an annuity) (F_5)	Allows you to determine the present value through a series of equal future payments	- for an ordinary annuity - for an advanced annuity	Calculation of future equal cash receipts
Depreciation coefficient of the monetary unit (F_6)	It is used to calculate periodic payments for the principal amount of the debt and interest on it		It is used to determine the value of an object purchased with credit

			resources

The general calculation is carried out according to the traditional technology of discounting and comparison of cash inflows and outflows of the enterprise's capital in relation to this object:

where NCF is the net reduced capital flow

CF^+ - capital inflow of the enterprise for the i-th year (period)

CF^- - capital outflow of the enterprise for the i-th year (period)

n - the number of forecast evaluation periods

F_{me} - the discount multiplier, defined as the corresponding function of the monetary unit for the i-th period at the predetermined discount rate with respect to the base period

The specificity of the evaluation of individual objects is revealed in the special structure of the discount rate.

Capitalization methods

They are based on the use of a coefficient that enables the transfer of net capital flows from the use of the object into its value. In other words, a necessary condition for the application of these methods is the ability to determine the net flow of capital and establish the capitalization ratio for it.

As a rule, capitalization methods are used in the case of profitable use of the object of assessment.

In general, such methods are mainly based on three theoretical principles - expectation, substitution and supply and demand.

The essence of the capitalization ratio is the combination of two economic processes - obtaining income on capital and reimbursing the investor-owner's capital.

Depending on the basis for determining the rate (rate), capital reimbursement is divided into income rates, cash flow rates, reimbursement rates, and profitability rates. Accordingly, it is customary to distinguish the following ***types of capitalization ratios***:

1. total capitalization ratio
2. equity capitalization ratio
3. capitalization ratio of loan capital

4. capitalization ratio depending on the object of assessment (land, real estate, intangible assets, etc.).

Methods of determining the capitalization ratio:

1. at the discount rate

2. on the basis of comparative sales

3. by the summation method: straight-line capital recovery, capital return based on the compensation fund factor, etc.

4. deduction method

5. method of related investments: for equity and debt capital, for comparable elements.

6. Ellwood method

7. method of financial indicators of similar enterprises

8. the market multiplier method.

9. method of internal rate of return.

If the capitalization ratio is established *at the level of a predetermined rate discount* it is assumed that the company's cash flows are constant and unlimited in time. Then the capitalization ratio is equated to the discount rate based on the reasoning that the discount already takes into account all types of project risks, adequately assesses the rate of depreciation of the monetary unit, reflects alternative ways of using capital, as well as the minimum required level of profitability for the investor-owner.

Comparative sales method (based on comparative sales) is the fastest and easiest to use, and therefore the most common. It is based on information about similar objects (investment motivation of purchase and sale agreements, methods of financing, required level of solvency, liquidity, security, etc.) and achieved utility (efficiency of their economic use, which is available on the market. The technology for calculating the capitalization ratio is identical to the one described above methods of forming the discount rate.The main practical problem of using this method is the impossibility of a complete and reliable assessment of the effectiveness of the use of objects - analogues due to the closed nature of such information.

5. Comparative characteristics of different methodologies for assessing the enterprise's potential

It is appropriate to note that each of the named methods has its advantages and disadvantages, and only on the basis of the comprehensive use of the accumulated evaluation experience can a real determination of the value of the

property and the potential embodied in it be achieved. The main advantages and disadvantages of the described evaluation concepts are listed in Table 22.3.

It should be noted that the applied assessment of the company's potential is carried out on the basis of all approaches and all available methods (depending on the analyst's qualifications). The final selection of the value of the object is made on the basis of determining its average arithmetic equivalent, taking into account the importance of the obtained results or the subjective opinion of the expert.

Table 22.3

Advantages and disadvantages of different methodologies for assessing the potential of an enterprise

Approach	Advantages of methods	Disadvantages of methods
Cost-effective approach	1. Analysis of options for the best and most efficient use of the land plot 2. Technical and economic analysis of the possibilities of new construction and various types of improvement. 3. Final balancing of the market value of the enterprise with its capabilities for each of the structural elements. 4. Assessment of national or unique objects. 5. assessment of the potential under the condition of an	1. The use of past economic information requires bringing them to one time period, the mechanism of calculations in this aspect cannot be called perfect. 2. Ignoring the company's development prospects and the market environment. 3. Individual possibilities of effective use of the object are completely out of the scope of research.

	underactive and underdeveloped market of capital, real estate, land, etc	
Comparative approach	1. Focusing on current actual prices and market conditions of activity makes it possible to avoid the discrepancy between the estimated value of the value and its market equivalent. 2. reliable factual information increases the accuracy of analytical calculations and the reflection of the specifics of the object of evaluation, taking into account the actually achieved	1. requires the existence of a developed, civilized and transparent market of assessment objects. 2. The impossibility of evaluating unique or specific objects due to the lack of analogues for comparison. 3. ignoring the future development prospects of enterprises. 4. significant expenditure of time and resources on collecting and processing a large array of information about both the object of assessment and its analogues. 5. the need to use complex

	financial and economic results. 3. makes it possible to take into account not only the internal features of the object, but also the market situation as a whole (the ratio of supply and demand, prices for related objects, etc.)	calculation procedures to establish adequate corrections against an analogue, which is not always possible (even due to the insufficient qualification level of the analyst)
Result approach	1. Taking into account the prospects of the enterprise's activity and development as a complete land-property and social-organizational complex, based on past experience, achieved results, and established market conditions. 2. The possibility of taking into account the specifics of market conditions for a certain object by correctly determining the discount level or the	1. Analytical calculations use predictive (probabilistic) rather than actual business information. 2. Analytical procedures for forming discount and capitalization rates are too subjective in nature. 3. The impossibility of achieving absolutely accurate results due to the length of the evaluation period and the instability of real capital inflow and outflow processes.

	capitalization ratio.	
Result approach	1. Taking into account the prospects of the enterprise's activity and development as a complete land-property and social-organizational complex, based on past experience, achieved results, and established market conditions. 2. The possibility of taking into account the specifics of market conditions for a certain object by correctly determining the discount level or the capitalization ratio.	1. Analytical calculations use predictive (probabilistic) rather than actual business information. 2. Analytical procedures for forming discount and capitalization rates are too subjective in nature. 3. The impossibility of achieving absolutely accurate results due to the length of the evaluation period and the instability of real capital inflow and outflow processes.

It is appropriate to emphasize that the process of harmonizing the obtained value values is not reduced to mechanical averaging - it is a probabilistic calculation of the market value, the value of which is within the range from the minimum to the maximum estimated value of the object. The final conclusion

is made on the basis of logical, scientifically based conclusions, which involve re-analysis of value-creating factors, verification of calculation procedures, etc.

TOPIC XXIII

EVALUATION OF THE VALUE OF LAND PLOTS AND REAL ESTATE OBJECTS, BUILDINGS AND STRUCTURES

1. Theoretical aspects of recognizing land plots and real estate objects as components of the enterprise's potential

The value of a plot of land, buildings and structures is determined by their specific utility, uniqueness, durability, location, as well as the number of market offers. At the same time, it should be noted that the algorithm for determining the value of land or real estate is closely intertwined with legal procedures that form, define, regulate and maintain property relations for these objects.

Land plot - a part of the earth's surface, which has fixed boundaries, is characterized by a defined location, natural properties, certain physical parameters, legal and economic status and other characteristics that allow it to be used in economic relations. In essence, all land properties can be divided into three main parts: natural-physical, anthropogenic and immaterial.

Earth - a specific means of production that functions in all branches of the national economy. As a means of production, land is characterized by certain characteristics*features*, which directly affect the assessment of its value:

- is not the result of previous work;
- spatially limited;
- is not replaced by other means of production;
- has an unchanging location;
- not subject to wear and tear with proper use;
- territorially diverse;
- each specific plot of land is characterized by its specific usefulness;

- in almost all spheres of human activity (except agriculture and forestry), the land mainly acts as a spatial operating base. Therefore, the land is inextricably linked with the objects located on it: houses, buildings, roads, other material elements created by human labor, that is, improvement.

Land improvement - the physical consequences of any measures that led to a change in the topography, the conditions of land development and exploitation, or the potential profitability of its use (aimed at changing the technological way of using the real estate object or its consumer value).

Real estate - objects with a fixed location in space (on the earth's surface) and everything that is inextricably connected with them above or below the ground, as well as a set of rights that determine their legal status. In this way, the concepts of real estate of physical objects and property rights regarding real estate are distinguished.

Integrated architectural complex - a set of real estate objects that are inextricably linked on a functional, aesthetic, cultural or other basis. Estimating the value of one of the objects as a component of a complete architectural complex does not make sense given the impossibility of its separate use.

Buildings – engineering and architectural structures that create (or use) premises for the implementation of certain business processes.

Buildings – construction objects intended for the implementation of special technical processes, as well as the entire complex of accompanying processes.

Buildings and structures as real estate objects are also characterized by a number*Features:*

- are inextricably linked to the earth and cannot be moved to another place without causing irreparable physical damage;

- wear out;

- in the process of assessing their value, it is appropriate to use generalizing technical characteristics, for example: 1 m^2 area, 1 m linear length, 1 m^3 volume, etc.

- The real estate market is developing quite dynamically, the law of supply and demand works most strongly here, which promotes the application of average prices for the evaluation of similar objects.

- In connection with the fact that land is one of the main wealth of society, the ownership of which determines the property and social status of various

population groups, an effective mechanism of legal regulation of various socio-economic relations between legal entities and individuals regarding ownership, disposal and land use (leasing, buying and selling, distribution, organization of use, protection, etc.).

2. Peculiarities of valuation of land plots in Ukraine

Legal regulation of land valuation is carried out in accordance with the Constitution of Ukraine (254k/96-BP), the Land Code of Ukraine (2768-14), the Law of Ukraine "On Valuation of Property, Property Rights and Professional Valuation Activities in Ukraine" No. 2658-111 of July 12, 2001 year, the Law of Ukraine "On Land Valuation" No. 1378-1U dated December 11, 2003, other laws and normative legal acts adopted in accordance with them.

According to the Law of Ukraine "On Land Valuation"*land assessment* is based on*principles*:

- legality
- the unity of the methodological and information space in the field of land evaluation;
- continuity of land assessment process;
- availability of land valuation data;
- equality before the law of subjects of assessment activity in the field of land assessment.

Depending on the methodological features of the valuation of the land plots of enterprises, they are divided into two groups:

- areas of the industrial zone, built up mainly with industrial buildings and structures;
- plots occupied by social objects (houses of culture, hospitals, hotels, dormitories, rest houses, etc.).

Depending on the goals (purpose), land value assessment can be considered, on the one hand, as a basis for solving legally stipulated tasks (payment of land tax) or act as an economic regulator of land relations (inheritance, donation, etc.), which requires establishing the normative value (price) of land from taking into account standard, officially approved instructional and methodical documents, and on the other hand, there is an independent expert assessment, during which the market value of the land or the right to lease a land plot is determined, i.e.

Depending on the purpose and methods of carrying out, the monetary valuation of land is divided into the following types: normative; expert.

Normative monetary assessment of land plots - capitalized rental income from the land plot, determined according to established and approved standards.

Normative monetary assessment of land plots*is carried out in the case*:

- determining the amount of land tax;
- determining the amount of rent for land plots of state and communal property;
- determination of the amount of the state duty in case of mining, inheritance and donation of land plots in accordance with the law;
- determination of agricultural and forestry production losses;
- development of indicators and mechanisms of economic stimulation of rational use and protection of land.

Normative monetary assessment of land plots *is conducted in accordance with* state standards, norms, rules, as well as other normative legal acts on lands of all categories and forms of ownership by legal entities that have received licenses to carry out land management works. For agricultural land plots, such assessment is carried out at least once every 5-7 years, and for non-agricultural land plots - at least once every 7-10 years.

For results technical documentation of the regulatory monetary valuation of land plots is drawn up, which is approved by the relevant village, settlement, city or district councils and is subject to state examination in accordance with the current legislation.

Expert monetary valuation of land plots - the result of determining the value of the land plot and related rights by an appraiser (an expert on land plot valuation) using a set of approaches, methods and evaluation procedures that ensure data collection and analysis, calculations and the preparation of results in the form of a report, which is subject to review in accordance with the procedure determined by the Cabinet of Ministers of Ukraine.

Expert monetary valuation of land plots *is used with* implementation of civil law agreements regarding land plots and rights to them:

- alienation and insurance of land plots belonging to the state or communal property;
- pledge of the land plot in accordance with the law;
- determination of the investment contribution to the implementation of the investment project for land improvements;

- determination of the value of land plots belonging to the state or communal property, if they are included in the statutory fund of the business association;

- determining the value of land plots in the event of reorganization, bankruptcy or liquidation of a business partnership (enterprise) with a state share or a share of communal property, which is the owner of the land plot;

- allocation or determination of the state's or territorial community's share in jointly owned land plots;

- display of the value of land plots and the right to use land plots in accounting in accordance with the legislation of Ukraine;

- determination of damages to owners or land users in cases established by law or contract;

- judgment.

The reason for carrying out the monetary assessment of lands, there is a decision of the executive authority, local self-government body or a contract concluded by interested persons in accordance with the procedure established by the legislation of Ukraine.

Expert valuation of the land plot *is carried out in the following sequence*:

- collection of information necessary for assessment;

- determining the effective use of the land plot;

- selection and justification of methodical assessment approaches;

- determination of options for the value of the estimated value of the land plot according to the selected methodical approaches and adoption of the final value of the estimated value;

- drawing up and approving a report on expert monetary assessment;

- submission of a report for examination to the Derzhkomzem body.

3. Methodological foundations of the assessment of the value of land plots

The absence of a land market does not allow us to offer unequivocal recommendations regarding the use of certain methodological approaches to the evaluation of land plots of enterprises.

An expert monetary valuation of the land plot is carried out in accordance with the current legislation *based on such methodological approaches*:

- capitalization of net operating or rental income (direct and indirect) from the use of land plots;

- comparison of sale prices of similar plots of land;
- taking into account the costs of land improvements.

When carrying out an expert monetary valuation of a land plot, the following methodical approach is used, which is provided with the most complete information about the valuation object.

Methodical approach based on capitalization of net operating or rental income (actual or expected) involves determining the value of the land plot from its most efficient use, taking into account the established encumbrances and restrictions.

Net operating income - the difference between the projected amount of income from the use of the land plot and the operating costs associated with the receipt of gross income. Net operating income is determined based on an analysis of market rental rates for land.

Rental income (land rent) - income that can be obtained from land as a factor of production depending on the quality and location of the land plot. It is calculated as the difference between the expected income from the products obtained on the land plot (actual or conditional) and the production costs and profit of the producer.

For an improved plot of land, income from land is determined by dividing the total income between its physical components - land and land improvements.

Direct capitalization is based on the assumption of the permanence and immutability of the cash flow from the use of the land plot. At the same time, the value of the land plot is determined as the ratio of net operating or rental income to the capitalization ratio.

Indirect capitalization is based on the assumption of limited and variable cash flow from the use of the land plot during a certain period with its subsequent sale on the market. At the same time, the value of the land plot is determined as the current value of future income from its use and sale (reversion).

The capitalization ratio is determined by the characteristic ratio between the net operating income and the sale price of similar land plots, by calculation based on the rate of return on the capital invested in the land plot, taking into account changes in the value of money or cumulatively as an amount without the risk of interest rate, investment risk and liquidity land plot. The capitalization ratio for land can also be defined as the difference between the total capitalization rate for the improved land plot and the rate of return of

capital, taking into account the specific weight of the cost of land improvements.

Method of weighted average capitalization ratio – modification of the direct capitalization method based on the equity approach to valuation.

Calculations according to this method are performed in several stages:

1. the proportions in which the value of the entire land and property complex is divided into the value of the land plot and the value of buildings and structures are roughly calculated. Traditionally, data on normative land prices and prices for construction works are used for this.

2. the weighted average (total) capitalization ratio is determined - the ratio used to capitalize all net operating income. It is calculated based on the object's cost structure.

$Kk_{SR} = Kk_{WITH} * d_{WITH} + Kk_B * d_B$

where Kk_{SR} – weighted average (total) capitalization ratio

$Kk_{WITH,}$ Kk_B - capitalization ratio for land and for buildings and structures;

$d_{WITH,}$ d_B - the share of the land plot and buildings and structures in accordance with the total value.

3. the value of the entire land and property complex (Vzmk) is determined by the income capitalization method: $Vzmk = ЧОД / Кк_{SR}$

4. the value of the land plot (Vz) is calculated using a partial coefficient: $Vz = Vzmk * d_{WITH}$

The method of capitalization of land rent consists in determining the value of the land plot using the capitalization ratio of income from renting it out.

The importance of this method increases in the presence and development of an active land rental market, when vacant plots are often rented out, which ensures comparable land rents and capitalization ratios for land.

The following types of rent are distinguished:

Differential rent reflects the specific value of the land plot and is divided into the following types:

- rent due to the availability of sites, which is due to the reduction of transport costs (time and money), as well as the preservation of high labor productivity due to the minimization of transport fatigue of workers;

- rent due to the development of the territory, which is determined by the reduction of the cost of production due to the reduction of costs for the creation of a general regional system of engineering and transport infrastructure

(highway networks of energy and water supply, sewerage, communication routes, landscaping, etc.);

- rent due to the effectiveness of additional capital investments in the development of the territory, which is determined by the opportunities and benefits of the given plot, as well as the way it is used.

Absolute annuity characterizes the effectiveness of the targeted use of the land plot. Unlike the differential rent, it does not depend on the specific properties of the plot. If the differential rent is directly related to the territorial structure of the city, then the absolute rent is related to its functional structure. Its indicators generally belong to the industry or type of activity and are determined in the organic structure of capital inherent in it: on areas identical in consumer properties, different types of activity will have different returns. Therefore, it can be called an annuity of the preference of the purpose of use.

Monopoly rent is formed on all sites, regardless of their location within the city, since different types of activities can put forward the most diverse conditions for their placement, and the supply of free sites due to the limitations of the city territory as a whole, as a rule, does not meet the demand for them. This especially applies to areas that have specific properties that are practically impossible to reproduce: the core of the center, which has developed historically; protected areas, areas with health-improving properties, etc.

The general calculation of the value of the land plot according to this method is carried out according to the formula:

$IN_{WITH} = ((O_S * R_N) / TO_N) * TO_F * TO_M * P_{WITH,}$

where V_{WITH} - land plot value, hryvnias;

$ABOUT_S$ – costs for the development and improvement of the territory, hryvnias/km^2;

R_N – regulatory profitability (as a rule, it is no more than 6%);

TO_N – regulatory capitalization ratio (as a rule, does not exceed 3%);

TO_F - coefficient of functional use of the land plot;

TO_M – factor location of the plot of land;

P_{WITH} - land area, km^2.

The residual method for land. It is based on the concept of classical economic theory, originally developed for agricultural land, which considers all income related to the land plot as residual. This method is used when evaluating a land plot with the improvement of a vacant (undeveloped) plot intended for commercial use.

Calculation stages:

1. sufficiently accurate determination of the current value of buildings and structures (Vb), as well as the net operating income from the land and property complex as a whole (ЧОД).

2. determination of the part of net operating income attributable to buildings and structures (ЧОДб), by multiplying their current value by the capitalization ratio.

Capitalization ratio for buildings and structures (Kk_B) can be received as a contribution to depreciation of the monetary unit

$Kk_b = Kp + Kz$

where Kp is the coefficient of return (reimbursement) of capital;

Kz is the capitalization ratio for land. Capitalization in this case is carried out only at the rate of income on investment without taking into account the return of capital, because it is considered that the land does not wear out.

3. the balance of the net operating income accruing to the land plot is determined: ЧОДз = ЧОД – ЧОДб

4. the value of the land plot (Vz) is determined by the method of direct capitalization: Vz = ЧОДз / Kz

The land residual method can be used to determine the best and most efficient use option.

According to the methodical approach based on comparing the sale prices of similar land plots (comparative sale method) and is used in the conditions of a developed land and real estate market, the value of the land plot is determined at the level of prices that have developed in the market. This method is based on the comparison and analysis of information on the sale of similar land plots, as a rule, over the last 3-6 months, while the value of the object of assessment is determined as the median (average for the ranked series) or modal (the most common value of the obtained results).

The main principle of the method of comparing the sale prices of similar land plots is the principle of substitution, according to which, under the conditions of the presence of several similar objects on the market, the investor will not agree to purchase a given object at a price higher than the value of a land plot with similar utility.

Comparison and comparison of the evaluated land plot with sold similar objects is carried out in terms of two main components: by units of comparison, by elements of comparison.

The unit of comparison expresses the relationship between the price of a plot of land and its individual characteristics. The average or typical cost of the

comparison unit is determined for each homogeneous group of plots based on actual sales data. Depending on the nature of the use of the land plot, these indicators can be prices for the city[2], 0.01 ha, 1 ha of the site, for 1 m of its frontal boundary, for a unit of density, for 1 m^2 or 1 m^3 located on the site of a building or structure, for a profit-generating unit, for a space in a garage, at a stadium, for a parking space, etc.

Element of comparison is defined as a property of the plot, real estate or conditions of sale that have a significant impact on the change in the value of the object of assessment. Among these features, the most acceptable as objects of comparison are:

- legal relationship to the land plot (availability of rights of possession, use, development, disposition of the land plot, legal obligations and easements);

- conditions of sale (free sale, forced sale, liquidation sale, sale when the owner is deprived of the right to redeem the collateral, financing conditions, etc.);

- the date of sale (the difference in time between various sales operations, which reflects the change in market conditions, the level of inflation, market activity (seasonal, cyclical, mixed), the interaction of supply and demand, etc.);

- location (differences in the location of land plots in cities of different categories and in the city plan relative to the main centers of gravity);

- physical characteristics (size, configuration, length of the front line of the land plot, its engineering and geological parameters)

- use of the adjacent territory (functional use of adjacent land plots, population density, level of engineering and transport infrastructure, state of the environment)

The third approach is**taking into account the costs of land improvements (development costs method)** - is used mainly for the evaluation of undeveloped areas, which are subject to division into plots for development with their subsequent sale, as well as for the evaluation of improved land plots or land plots, the improvement of which is expected under the condition of their most effective use (actual or conditional).

The method is based on the principle of additional productivity, and the evaluation algorithm is based on the method of discounting cash flows and corresponds to the procedure for calculating the net present value. Capital outflows include current costs for planning, design and delimitation of plots, preliminary arrangement of the array, costs for the sale of plots and the profit

of the original owner (or costs for improvements). Capital inflows include proceeds from the sale of plots, free from the costs of the sale and development of each lot (or capitalized net operating or rental income from its use)

Also used:

Method of ratio (transfer).

It consists in dividing the total sale price of a similar land and property complex into two components - the price of buildings and structures and the price of the land plot. At the same time, the value of buildings and other structures located on the land is first estimated, and then their determined amount is deducted from the total value of the land and property complex and the value of the land plot is obtained.

The method of dividing the land plot.

It is used when it is necessary to determine the value of a land plot suitable for dividing it into separate individual plots.

The calculation is carried out in the following stages:

1. the number and sizes of individual plots are determined. Legal restrictions, physical requirements related to dimensions, topography, soil quality must be taken into account here;

2. the value of developed plots is calculated using the method of comparable sales;

3. development costs and sales-related costs, engineering costs for clearing, marking, final land preparation, road construction costs, underground utilities, taxes, sales and advertising commissions are calculated, and a reasonable business profit is calculated;

4. a schedule for mastering and forecasting sales is drawn up;

5. the amount of revenue from the sale of individual plots is determined;

6. net sales revenue is determined by deducting development costs, sales costs and business profit from the projected revenue from the sale of plots;

7. the discount rate is determined;

8. the net proceeds from the sale of land plots are discounted to calculate the value of the land plot divided into separate plots.

4. Estimation of the value of buildings and structures

The availability of a free market of information on operations with buildings and structures gave a significant impetus to the development of its expert assessment in Ukraine. In generally recognized valuation practice, there

are three approaches to determining the value of buildings and structures, namely: revenue, comparative and cost.

Using **income approach** involves the use of the following basic methods:

- income capitalization;
- discounted cash flows.

Income capitalization method used to evaluate buildings and structures that are sources of income for the owner. Income from the ownership of buildings and structures can, for example, be current and future income from their rental, fees for using parking lots and garages, fees for installing advertising, income from a possible increase in the value of buildings and structures when they are sold in the future.

The main ones *stages* the procedures for assessment by the income capitalization method are as follows:

1. Calculation of the total amount of market rent and other income from ownership of the object of assessment for the last year before the date of assessment (or any other typical) year. This total amount is called the potential gross income (GRP) and is defined as the income that can be received from the object of real estate under the conditions of its 100% use without taking into account all losses and costs, based on the analysis of current rates and tariffs that exist on the real estate market for comparable objects:

PVD = P * So + Din,

Where P is the area provided for rent, m^2,

So - rental rate for 1 m^2;

Din - other income from ownership of the object of assessment

2. calculation of possible losses from incomplete loading of buildings and structures and losses during the collection of payments (for example, in case of untimely renewal of the lease agreement due to a change of tenants).

3. calculation of actual gross income (GRI) by reducing the potential gross income by the amount of possible losses (B): GRI = PVD – B.

4. Calculation of costs associated with the normal functioning of the object of evaluation.

These are operating costs (OC), which are periodic in nature and are divided into:

- conditional and permanent (their amount is fixed and does not depend on the degree of operational loading of the object - insurance fees, property taxes);
- conditional variables (their size depends on the degree of operational loading of the object and the level of services provided - utility costs, costs for

maintaining the territory, current management costs, wages and taxes from it, advertising, transport costs, etc.);

- replacement costs (reserves related to the costs of periodic replacement of components of improvements that are quickly triggered: water supply system, sewage system, furniture, roof, telephone system, etc.)

5. Calculation of net operating income (NOI) according to the formula: NOI = DVD - OV (excluding depreciation deductions).

6. Calculation of the capitalization ratio (Kc) using one of the methods available under the conditions of available information (cumulative construction, weighted average cost, determination of the amount of the rate of return on investments and the rate of return on investments, etc.).

7. Estimation of the value of the real estate object according to the formula Won = ЧОД / КК.

The method of discounting cash flows is used to determine the current value of future income that can be obtained from the use of buildings and structures and their possible sale.

Determination of the reasonable market value based on this method is carried out in several ways*stages*:

1. A forecast of the flow of future income for the period of ownership of the object of evaluation is made;

2. The estimated value of the appraised buildings and structures at the end of the ownership period is calculated, i.e. the cost of reversion (anticipated sale), even if in reality no sale is planned;

3. the discount rate is calculated for the evaluated real estate object in the existing market.

4. discounting of future income during the period of ownership and the projected cost of reversion is carried out by bringing the cash flow for each of the future periods to the current value based on the theory of changes in the value of money over time and summing up all current values.

The cost of reversion can be determined:

- by direct capitalization of the cash flow of the last forecast year. the value of the capitalization ratio in this case depends on the specific conditions of the market of similar objects;

- using the Gordon model (if it is predicted to receive stable income in the post-forecast period):

$P = D_{and+1} / r – q$

where D_{and+1} – expected income from property ownership for the 1st year after the forecast period;

r - discount rate;

q is the long-term growth rate of expected income.

Cost-effective approach used for real estate appraisal for the purpose of technical and economic substantiation of new construction, choosing the best and most efficient way to use the land plot, determining the profile of the real estate object, final agreement on the value of the real estate object, evaluating special-purpose buildings and "passive" objects sectors of the market, insurance, property taxation of individuals and legal entities, allocation of a part of the property complex that will be seized, etc.

The procedure for estimating the market value of real estate using the cost approach consists of the followin g*stages*:

1. assessment of the value of the land plot on which the buildings and structures are located (if the land plot is rented, then its value is not assessed);

2. assessment of the restoration cost or replacement cost of buildings and structures as of the effective date of the assessment.

3. assessment of total wear and tear of buildings and structures taking into account their physical, functional, technological and economic aging.

4. determination of the residual value of buildings and structures as the difference between the replacement value (replacement value) and total wear and tear;

5. determination of the full value of the real estate object by adding the value of the land plot to the residual value of buildings and structures (provided there are property rights to it).

When performing the 2nd stage (estimation of the restoration cost or the cost of replacement of buildings and structures as of the effective date of the assessment), the following must be taken into account.

Replacement value - the cost of construction in current prices on the valid date of the assessment of an exact copy of the object of assessment using the same architectural solutions, building structures and materials, as well as with the same quality of construction and installation works as the object of assessment.

Replacement cost - the cost of construction in current prices on the valid date of the object assessment with a utility equivalent to the utility of the object of assessment, but using modern materials and in accordance with new standards and planning decisions.

When determining the cost of restoration or replacement, the following main ones are used *methods*:

- Estimated calculation method provides for the preparation of estimate documentation for the construction of a real estate object with a list of construction and installation works and costs for each type of work for wages, materials, electricity, tools, special equipment, etc., which must be reduced to the basic level of prices with subsequent indexation to the price level on the valuation date. This is the most time-consuming method, but it can be greatly facilitated if there is an initial estimate documentation for the construction of the object. If there is no such documentation, the expert appraiser can contact the services of an estimating organization, which will develop a new estimate for the object of assessment using uniform norms and rates, price indices for construction and installation works, construction regulations and rules, and other necessary documentation.

- Method of specific costs involves the development of standards for the cost of construction work per unit area or unit volume, which are then increased by the total area or volume of the object of assessment. The rate of specific costs is determined on the basis of reference data on the costs of construction of similar objects.

- Elemental method consists in the fact that buildings are divided into separate components: foundation, walls and partitions, ceilings, roofs, floors, openings, furnishing works, engineering equipment, etc. The appraiser collects cost data for 1 m^3, 1 m^2, 1 linear meter, 1 standard hour for each element. Then the total value of the real estate object is calculated by summing up the elemental costs.

When performing the 3rd stage (assessment of total wear and tear of buildings and structures taking into account their physical, functional, technological and economic aging), the following must be taken into account.

In the evaluation activity under *cumulative wear* understand the loss of value of the object caused by physical destruction, functional obsolescence and various external factors.

In the cost approach, depreciation is used to account for differences in the characteristics of the new and appraised property.

Physical wear and tear - the loss of the value of the real estate object, which reflects the change in its physical properties over time under the influence of operational and natural factors that cause a reduction in the life and usefulness of the object.

Physical wear and tear can be -dry - if the losses for the current repair of the real estate object are less than the value added to the value of the object due to its implementation;

- non-drying - losses for its elimination are greater than the value added to the value of the object due to its elimination.

Removable physical wear and tear is calculated based on the cost of repair work to eliminate it. Non-removable physical wear and tear is calculated on the basis of the residual value of the property elements, the cost of repairing which exceeds the amount added to the value of the property due to their repair.

The following main ones are used in practice *methods of calculating physical wear* real estate objects:

- expert provides that the expert inspects each element of the building and, based on the results of the inspection, determines the percentage of wear and tear and its value for each element;
- expensive the calculation method is used to calculate the physical wear and tear of long-term elements of buildings and structures (foundation, walls, floors) and consists in determining the costs of reproducing these building elements;
- regulatory (accounting) the method involves the use of depreciation deductions applicable at the time of assessment for the full restoration of fixed assets.

Functional wear - loss of value of the real estate object due to its non-compliance with modern standards in terms of functional utility (outdated architecture, irrationality of planning, engineering support, etc.).

A form of functional wear and tear is technological obsolescence, which is understood as the loss of value of an object caused by changes in technology, due to which the object becomes more expensive to operate.

Functional wear and tear is caused, as a rule, by defects that require the creation of additional elements in the existing real estate object, the replacement or modernization of certain elements of real estate, the presence of "over improvements" (elements that require liquidation).

Functional wear, just like physical wear, can be removable or non-removable.

Toremovable functional wear can be attributed to the restoration of built-in cabinets, water and gas meters, plumbing equipment, floor covering, etc. The criterion of removability of wear and tear is a comparison of the amount of repair costs with the amount of additional value received. The value of

removable functional wear is defined as the difference between the potential value of the building at the time of its evaluation with renewed elements and its same value on the same date of evaluation without renewed elements.

Irremovable functional wear and tear means a decrease in the value of the building under the influence of factors related to both the excess and the lack of quality characteristics of the building. for example, in the rental market, two-room apartments are more in demand than one-room apartments. The amount of this type of wear and tear is calculated as the amount of rent loss from renting out these apartments, multiplied by the rent multiplier (the ratio of the sale price of the property to the potential rent for it), typical for this type of apartments. Thus, the amount of non-removable functional wear and tear is determined by capitalizing rent losses.

External wear and tear (economic obsolescence) - the loss of the value of the real estate object caused by external factors, for example, a reduction in business activity in the area where the object is located, actions of the local administration in the direction of increasing tax pressure, changes in the employment market, inconvenient location in relation to transport highways, communal services, facilities trade, etc.

The method of measuring external deterioration is the analysis of paired sales (when two comparable objects are sold on the real estate market, one of which has signs of external influence, the other does not). The difference in prices allows us to draw a conclusion about the amount of external wear and tear of the object of evaluation.

Another way to measure external wear and tear is to compare the rental income of two properties similar to the one being evaluated, one of which is adversely affected. The capitalization of the loss of income from the comparison of these two objects will characterize the amount of external wear and tear.

For *determining the amount of total wear* the following methods are used in assessment practice:

1. lifetime method consists in the assumption that the loss of value of the object due to physical destruction, functional aging and various external factors is proportional to its age. In this regard, it is customary to highlight in evaluation practice:

- the term of the object's physical life (Sfzh) - the period of time during which the object of ownership actually exists (from the date of commissioning to the moment of its destruction);

- the term of the economic life of the object (Sezh) - the period of time during which the object of ownership adds value to the total value of the property, taking into account the profit from its use (from the date of commissioning to the moment when the improvements cease to add value to the total value of the property);

- the effective age of the object (Vef) - the age of "how old the object of ownership looks" taking into account its technical condition, appearance, design and economic factors affecting its value;

- the term of the remaining economic life (Szal) - the period of time from the date of assessment to the end of the economic life, i.e. until the date when the object's contribution to the total value becomes zero due to aging).

Taking into account the listed periods during the operation of the real estate object, the percentage of total wear and tear in the replacement value (SZ%) is calculated according to the formula:

SZ% = Vef * 100 / Sej

2. breakdown method when determining the amount of total wear, it provides separate calculations for all types of wear: physical (removable and non-removable), functional (removable and non-removable), external and summarization of the results.

Comparative approach real estate valuation is based on a comparative analysis of the sale prices of objects similar to the valuation object, and appropriate adjustments are made to take into account the differences between similar objects and the valuation object, as a result of which the value of the latter is determined. This approach is most effective in the conditions of a developed real estate market, because it is based on the fact of having complete and reliable information about the technical characteristics and sales prices of similar objects.

The comparative approach is represented by two main methods:

- sales comparison;

- gross rent multiplier.

Sales comparison method based on the comparison and analysis of information on sales of similar properties, usually over the past few months. The main principle of the comparative sales method is the principle of substitution, according to which, under the conditions of the presence of several similar real estate objects on the market, a rational investor will not pay more than the amount that it would cost to purchase real estate of similar utility.

The sales comparison method includes the followin g*stages:*

1. study of the state and development trends of the real estate market, especially the segment to which the object of assessment belongs; identification of properties most comparable to the appraised property that have been sold recently (at least 3-5 comparable sales) and gathering information.

2. verification of information about agreements. This stage involves checking the following data: the motivation of the agreement, the degree of awareness of the participants of the agreement, the typicality of the financing conditions, the sufficiency of the exposure time of the object, the presence of special conditions of sale;

3. comparison of each similar object with the object of evaluation and making corrections to the sales prices of comparable objects.

4. coordination of adjusted prices of similar objects and calculation of the final value of the market value of the real estate object.

The gross rent multiplier method.

Gross rent multiplier is the ratio of the sale price of the property to the potential or actual gross income (GRP) obtained from the operation of the property. VRM = PVD / Canaloga

The method is applied in the following sequence:

1. the market rental income from the property being evaluated is calculated;

2. the gross rent multiplier for similar objects is calculated;

3. the probable value of the object of evaluation is calculated according to the formula:

Won = PVDon * BPM

The gross rent multiplier is not adjusted for differences between the appraised property and comparable properties, because its calculation is based on actual rental payments and sales prices, which already take such differences into account.

TOPIC XXIV

ASSESSMENT OF THE MARKET VALUE OF MACHINES AND EQUIPMENT

1. The object, goals and features of evaluation of machines and equipment

As an object of assessment, machines and equipment are movable property (property). Unlike the object of real estate (houses and structures), they are not rigidly connected to the ground and can be moved (detached from the real estate) without causing irreparable physical damage to both themselves and the real estate.

A specific feature of machines and equipment is their diversity in functional purpose, types, brands, technical characteristics and design solutions. Therefore, when starting the assessment, you should decide on the primary object of the assessment.

Of course, it is used for this **inventory object**, which means a finished device, object or set of objects with all the devices and accessories related to it.

Depending on the goals, motives and scope of appraisal work, the primary object of appraisal can be not only individual inventory units, identified and taken into account during the last property inventory or directly during the so-called retail appraisal (bulk), but also in one or another way composed groups of inventory units (group assessment), as well as production and technological complexes of interconnected machines and equipment (system assessment).

Thus, the object of assessment of the technical and technological potential of the enterprise can be:

1. machine or machine park of the enterprise as a whole or its structural subdivisions (branches, shops, divisions, etc.);

2. technological complexes (current and automatic lines, robotic complexes, flexible production modules, etc.)

3. functionally independent machines, aggregates and installations.

Appraisal works are aimed at calculating and substantiating the market value of machines and equipment on a certain date. In some cases, when the intended commercial agreements with the sale, purchase and exchange of

equipment are stretched over time, its evaluation can be carried out for several calendar dates.

The goals of the assessment or the reasons for the need for an examination are usually regulated by national legislation. In general, they arise between individuals, legal entities and the state, in the field of legal relations related to the possession, distribution and use of technical means.

The experience of evaluation work enables the determination of the most typical situations, i.e. specific circumstances and conditions, which cause the need to carry out an evaluation of machines and equipment. They include:

1. sale of surplus production machines and equipment.

2. registration of a pledge for a certain part of movable property in order to obtain credit resources for the implementation of commercial transactions.

3. insurance of machines and equipment as property of the enterprise.

4. transfer of machines and equipment for rent, leasing.

5. determination of the tax base (as part of the main production funds) for the assessment of property tax.

6. determination of the investment cost of machines and equipment for the justification of investment projects.

7. assessment of the value of imported machines and equipment for the calculation of customs duties, fees and other payments.

8. estimation of the cost of machines and equipment as an intermediate stage for the overall assessment of the potential of the enterprise (business).

9. transfer and processing as a contribution to the statutory fund of another enterprise.

10. bankruptcy of the enterprise and distribution of its property to pay off debts among creditors.

11. liquidation and disposal of objects due to wear and tear, natural disasters, etc.

12. forced confiscation of means of labor by a state body.

13. assessment for the purposes of property distribution upon dissolution of companies, corporations, etc.

14. assessment and value analysis of the technical and technological potential of individual production divisions, technological complexes, aggregates and other technical means for the enterprise.

15. evaluation of the value of the current machine park to substantiate the options for restructuring production, updating and reconstructing the technical base of the enterprise and for making other management decisions regarding

the more intensive and effective use of the available scientific and technical potential, as well as ensuring its optimal development.

As an object of evaluation, machines and equipment are characterized by a number of features that distinguish them from other elements of the property potential of the enterprise. The main ones include:

1. the number of evaluation objects at the enterprise can reach tens of thousands of different types of equipment, which differ in purpose, operational and design characteristics. Among them there are objects that are difficult to identify. They are so closely related to buildings and structures that they can be classified as both real estate and equipment. For example, wall or table lighting devices, racks, ventilation and heating systems in houses are essentially equipment, but belong to real estate. An elevator in a building, its cabin, drive and control system are equipment, and the elevator shaft is a structure. In addition, not modern, but discontinued machines and equipment are evaluated, the analogues of which should be sought on secondary sales markets or in outdated price lists of wholesale prices and nomenclature catalogs.

2. in the analyzed subject area of assessment, there are no such generalizing technical and economic indicators as the cost of $1m^2$ area, 1 m^3 volume, 1 linear meter of length, etc., which are widely used in the evaluation of buildings and structures, transmission devices and facilitate their evaluation.

3. for the rapidly changing generations of machines, the problem of physical wear and tear, functional, technological and external economic obsolescence of the means of labor, as well as their associated depreciation, is the most relevant, the most difficult to define and the most significant in terms of its consequences than for real estate.

4. the estimation of the cost of machines and equipment is made very difficult by the large share of imported equipment in the company's machine park, which, as a rule, is not comparable to domestic samples not only in terms of technical level and quality, but also in terms of cost (monopoly high) parameters.

Methodological features of evaluation of machines and equipment

1. Expenditure approach is based on the principle of replacement and in the evaluation of machines and equipment involves the calculation of costs for reproduction or replacement of an exact copy of the object of evaluation or its analogue, after deducting costs from all types of wear, aging and depreciation.

The value derived from the cost approach may differ significantly from its market equivalent because there is no direct relationship between costs and utility. Despite this, this approach is often the only one possible when evaluating special-purpose machines and equipment, unique, custom-made objects that have no analogues on the market. The use of this approach is also justified in the case of calculating property taxes, insurance of transport and other technical means, judicial distribution of property.

1.1. m*calculation method based on the price of a homogeneous object* is based on the assumption that the cost of manufacturing a homogeneous object, similar in terms of structural, technological and other characteristics and indicators to the object of assessment, is equal to its cost, since it is formed under the influence of production factors common to such objects. In the process of calculating the cost, based on the price of a homogeneous analogue, the full cost price of the object of assessment is determined, which forms the basis for determining the appropriate indicator of this labor tool. If necessary, adjusting coefficients related to differences in the mass (volume) of structures of the compared objects and levels of serial production are used.

1.2. *method of analysis and indexation of costs* is a fairly widespread technique of bringing the old price (value) of an object to its current level by means of adjusting indices. For greater accuracy of calculations, the price of the object as a whole is not directly indexed (as is the case with mass revaluation of fixed assets), but the main groups of costs that form its cost are indexed. The latter include material and energy costs, labor costs, and depreciation. Information from statistical yearbooks or consultations with equipment manufacturers are used to determine the cost structure.

1.3. *method of elemental cost calculation* are used to determine the value of unique objects manufactured according to individual orders, which even in modern conditions, with minor assembly work, can be assembled from independent, standardized units, devices and aggregates (available on the market) into ready-made means of production. A typical example can be office and computer equipment, the appraised value of which, when calculated by elements, is determined by summing up the costs of purchasing individual components, their transportation and assembly, taking into account the profit. The volume of the manufacturer's own costs related to assembly and installation works is assumed to be equal to 30-40% of the total cost of the main parts of the object.

1.4. *the method of determining the cost price according to consolidated (increased) standards.* The technological similarity of machines and equipment different in terms of their functional purpose and design (loom, packing machine, etc.) opens up the possibility of their assessment based on a common algorithm and unified consolidated standards of production costs. Consolidated cost standards mean relative or specific cost indicators of any production resources or other types of costs per unit of a key factor.

2. Comparative approach is based on determining the market value of machines and equipment of mass and serial production by analyzing and comparing prices of recent sales of identical or similar objects. When choosing objects of comparison, determining the conformity of their main characteristics to the object of evaluation, the following is taken into account:

first, the functional similarity (identity) of the main function that the compared objects are designed to perform;

secondly, the classification of the object of evaluation and its analogue to the same class (subclass) or type according to the appropriate classifier of technical objects;

thirdly, structural and technological similarity, i.e. similarity according to the structural scheme, composition and homogeneity of elements and in the principles of technological action.

2.1. *direct comparison method* is based on a comparison of the sale of objects identical to the appraised, for which commercial transactions have recently taken place, or information is known regarding the market price of such offers. In case of identity or close similarity of functional and parametric characteristics of the analyzed technical means, minor adjustments are made to the value of the object of evaluation, mainly related to its condition and peculiarities of location and market conditions (conditions of sale).

In the case of an analog sales comparison, the value of the analog object is adjusted for all differences from the object of evaluation. At the same time, the following general formula is used to determine the replacement cost (Vo) of machines or a unit of equipment:

Vo \u003d Van * Kmo / (1 - Kz.an) * K_1 * TO_2 * TO_3 *... * TO_{and} * Kkp + Cdop + Ctz,

De Van - the price of the analogue object at the time of sale

Kmo is the coefficient of the moment of evaluation, that is, the index of the change in the value of the analogue from the moment of its release to the moment of evaluation

Kz.an is the coefficient of physical wear of the analogue during the period of operation from the moment of release to the moment of evaluation

TO_1 , TO_2 , TO_3 ,... TO_{and} - adjusting the parametric coefficients that take into account the differences in the technical parameters of the evaluation object and the analogue, this coefficient is calculated:

- when the parameters differ by no more than 20% according to the formula Ki = Pi / Pai

- if the parameters differ by more than 20% according to the formula Ki = $(Pi / Pai)^p$

Pi, Pai – the value of the i-th parameter of the evaluation object and analogue

P is a power indicator that characterizes the influence of the i-th parameter on the price of the object (price inhibition coefficient)

Kkp – coefficient of difference of commercial attractiveness, which characterizes the ratio of quality properties of compared objects (determined by an expert using points)

Tsdop - the price of additional devices at the time of evaluation, the presence of which distinguishes the compared objects

CTZ - the price of the trademark.

Option 2

Vo \u003d Van * K_1 * TO_2 * TO_3 *... * TO_{and} * Itz

where Vo is the value of the object of evaluation

Van is the cost of the analogue

TO_1 , TO_2 , TO_3 ,... TO_{and} - correction coefficients

Its is a price index for the period between the date of assessment and the date of sale of the analogue

Calculation of correction coefficients for technical parameters is carried out according to the formula

- if this characteristic increases the value of the appraised value of the object

Ki = Poi / Pai

- if this characteristic reduces the value of the appraised value of the object

Ki = Pai / Poi

De Pai is the first characteristic of an analogue

Poi is the i-th characteristic of the evaluation object

The general correction for technical parameters is calculated according to the formula

If several objects are analogues, calculations are made for each of them according to formulas, and the obtained results are averaged.

2.2. method of statistical price modeling - the peculiarity of this method is based on the fact that the evaluated type of equipment acts as a representative of a certain set of homogeneous objects (parametric series, class of machines) with a known price. A mathematical model of the dependence of the price on one or more parameters is developed based on the tools of the theory of statistics, parametric and price information about objects that form a homogeneous population. On the basis of the formed model, the average statistical price of the object of evaluation is calculated, to which corrective adjustments related to the presence of additional devices and a trademark are made.

3. Income approach in the evaluation of machinery and equipment is based on the assessment of the investor's expectations and involves the calculation of the current value of income that, according to forecasts, can be obtained from the ownership of the object. The application of methods of discounted cash flows or profit capitalization is appropriate in the event that a "systematic evaluation" of machines and equipment is carried out, during which the flow of income and expenses can be compared with the object of evaluation, or the object of evaluation is the equipment, using which directly paid work is performed. The limitation of the scope of application of the income approach is due to the fact that income is generated not only through the use of machines and equipment, but also other elements of the production system, consisting, in addition, of buildings, structures, transmission devices, current and intangible assets.

The use of income approach methods involves making calculations in the following sequence:

1. calculation of net operating income from the functioning of the production and technological system (enterprise as a whole, shop or site).

2. determination using the residual method of the part of the income that can be localized and correlated with the valued machines and equipment

3. determination of the value of objects of machinery and equipment using discounting or capitalization methods

TOPIC XXV

EVALUATION OF INTANGIBLE ASSETS

1. Theoretical aspects of the analysis of intangible resources of the enterprise

According to P(S)BO 8 ***intangible asset*** is defined as a non-monetary asset that does not have a tangible form, can be identified (separated from the enterprise) and is at the enterprise for the purpose of use for a period of more than one year (or one operating cycle if it exceeds one year) for production, trade, in administrative purposes or leasing to other persons.

The main characteristics of intangible assets:

- lack of material structure;
- long-term use (more than one year);
- the ability to be useful to the enterprise;
- a high degree of uncertainty of the possible future profit due to their use.

Classification, accounting and analysis of intangible assets is carried out for each object according to the following groups:

1. the right to use natural resources (the right to use the subsoil, other resources of the natural environment, geological and other information about the natural environment, etc.);
2. the right to use property (the right to use a plot of land, the right to use a building, the right to rent premises, etc.)
3. rights to signs for goods and services (trademarks, trademarks, brand names, etc.);
4. rights to objects of industrial property (the right to inventions, utility models, industrial signs, plant varieties, animal breeds, "know-how", protection against unfair competition, etc.);
5. copyright and related rights (the right to literary and musical works, computer programs, databases, etc.);
6. goodwill (the difference between the market and balance sheet values of the enterprise);
7. other intangible assets (the right to conduct activities, the use of economic and other privileges, etc.).

The main situations in which accounting and estimation of the value of intangible assets are simply necessary:

1. For the purpose of accounting and analysis:

- pricing of goods manufactured using intangible assets;
- insurance of intangible assets;
- calculation of remuneration for authors who created intangible assets;
- analysis of the performance of an enterprise that creates or uses intangible assets;
- determination of profit from the use of an intangible asset in economic activity;
- accounting of intangible assets on the company's balance sheet;
- reflecting the value of intangible assets in the cost of production;
- assessment of investment projects.

2. In order to analyze the profit from the use of intangible assets:

- determination of the tax base;
- choosing the best option for using an intangible asset (own or implementing a license);
- financial support for renewal of production assets;
- reduction of costs associated with the illegal use of intangible assets and their export;

3. In order to reflect the value of intangible assets in the statutory fund of companies:

- increasing the value of the authorized capital to increase the chances of obtaining loans;
- accurate accounting of contributions to the statutory fund;
- correct distribution of shares of deposits for joint investment;
- revaluation of the structure and size of the authorized capital;
- issue of shares by functioning enterprises.

4. To change the form and entity of the owner:

- reorganization (including privatization), liquidation, bankruptcy of the enterprise;
- sale of the enterprise by auction or competitively;
- privatization of objects in the scientific and technical sphere;
- purchase or sale of rights to intangible assets;
- granting a franchise or leasing;
- determination of the value of the intangible asset offered as collateral.

5. In order to resolve organizational and legal issues:

- justification of the value of an intangible asset in the process of judicial and arbitration disputes related to its illegal use;

- justification of the value of intangible assets during court-arbitration disputes related to incorrect payment of royalties.

- execution of decisions of judicial bodies.

2. The role, meaning and nature of the participation of intangible assets in the economic activity of the enterprise.

As already mentioned, intangible assets are considered a special type of investment. The value of intangible assets is determined by their ability to be useful for a long time for obtaining income or other benefits. In their essence, they should be considered as means of production that do not have a material form, but have a monetary value.

When involving this or that object of intellectual property in the economic turnover, the enterprise must take into account:

- quality characteristics of the object from the point of view of its usefulness;

- the value of an intangible asset from the standpoint of an independent appraiser and one's own perception of its value, taking into account its influence on the value of final products;

- the period of useful use of an intangible asset from the point of view of the consumer qualities of the product, which carries the positive qualities of the intangible asset;

- the effects of using an intangible asset from the standpoint of profitability and competitiveness;

- capitalization of the object of intangible assets from commodity items. That is, an intangible asset is an object of purchase and sale.

From the point of view of the general impact of intangible assets on the enterprise's activities, the concept of "goodwill" is used in the complex.

3. Methodology of valuation of intangible assets of the enterprise. Peculiarities of assessment of certain types of intangible assets of the enterprise

In the process of evaluating intangible assets, generally accepted approaches are used: income, expense and comparative.

The choice of one or another approach to valuation depends significantly on the type and nature of the intangible asset, the stability and nature of the income generated with its help, the possibility of its commercial use.

In the valuation of intangible assets, the income approach has a special place as the one that most likely reflects the actual value of intangible assets and the future benefits that the owner will receive from their ownership.

Future benefits from the use of intangible assets are understood as future receipts of net profit (cash flow) generated directly by these assets.

Methods of the income approach to the assessment of intangible assets according to the mathematical apparatus used are divided into:

- methods of discounting cash flows
- methods of direct capitalization of profit.

According to the method of allocation of the economic effect, methods of the income approach to the assessment of intangible assets are divided into:

1. methods based on the allocation of a real economic effect
2. methods based on the synthetic construction of the economic effect.

The grouping of methods of valuation of intangible assets by the method of allocation of economic effect is based on the fact that in the process of valuation, an important problem is the need to allocate from the cash flow generated by the business, the part that can really be considered the result of the use of the intangible asset itself.

According to the first direction, it is advisable to determine *real economic effect*, which is created due to the use of an intangible asset.

The main sources of obtaining such an effect can be:

- excess profit created due to intangible assets that are not reflected in the financial statements, but the use of which provides a return on assets and on equity above the average market level
- real license payments received by the owner of the right under license agreements for permission to use, for example, a trademark or trademark
- an advantage in the price of a unit of production, which is produced and sold using the evaluation object
- gain in the cost of production due to savings on conditional variable or conditional fixed costs
- an advantage in the volume of product sales.

The following methods are used in this group:

1.1. ***excess profit method*** is used to assess goodwill and involves performing operations in the following sequence:

1) determination of the market value of all assets (or equity) of the enterprise.

2) calculation of the actual net profit adjusted for non-typical income and expenses, obtained at the expense of the total historical investment costs for the acquisition (creation) of all assets (or the use of equity capital)

3) determination of the average market rate of return on assets or equity.

4) calculation of the normalized (expected) profit of the enterprise under the conditions of the average market return on assets (equity).

5) calculation of excess profit as the difference between adjusted actual and normalized profit.

6) calculation of the value of goodwill (G) according to the formula:

Г = (П – Рср * А) / Кк

Where P is the adjusted actual net profit of the enterprise

RSR is the average market rate of return on assets or equity

A is the market value of assets (equity

Kk is the capitalization ratio

1.2. ***method of real license payments*** (cash flow discounting)

1.3 ***price advantage method*** the economic effect of the use of an intangible asset due to an increase in the price of products is calculated according to the formula: Д = К * (Ц – Ц b/v). Then the proceeds are capitalized.

1.4. ***cost recovery method*** is widely used in the field of evaluation of know-how, but is not used in the case of evaluation of new types of products. the economic effect due to the reduction of aggregate costs due to the use of an intangible asset is calculated according to the formula: Д = К (Vzm used / vyk - Vzm) + ΔVpost, then the effect is discounted.

1.5. ***the method of preference in the scope of implementation*** discounted effect D = C * (K - K b / vic)

Methods *the second approach of synthetic allocation of economic effect* are used to estimate the value of patents and licenses and are based on a general initial assumption about what would happen if the valued intangible asset did not belong to its current owner, who under such conditions would be obliged to make regular license payments in favor of another person - the owner of the rights . However, in reality such payments are not made because the rights belong to the current owner of the intangible asset and he is relieved of this obligation. The savings resulting from such a layoff is the additional revenue generated by the intangible asset. And the value of the object of assessment in

this case is defined as the current value of streams of additional profits, excluding all costs associated with securing the patent or license, during the economic life of the patent or license.

2.1. *royalty exemption method* provides for the calculation of license fees based on annual sales volumes. The size of these payments (royalties) is calculated in accordance with the established practice of license agreements and represents a percentage of the remuneration for granting the right to use the object of intellectual property. The amount of the periodic payment in the form of royalty is determined by multiplying the annual revenue from the sale of products produced using an intangible asset (excluding VAT and excise taxes) by the average royalty rate. The bulk of known royalty rates are in the range of 0.01 to 0.15. When discounting, 1 year is considered zero, as it is considered that the receipts are immediate.

2.2 *method of allocating the licensor's* (owner's) share in the licensee's profit. The size of the license fee is determined by multiplying the annual amount of profit obtained from the sale of products produced using an intangible asset as the average statistical share of the licensor, which is in the range from 0.1 to 0.5. the size of the share is determined by the amount of transferred rights, the availability and validity of patent protection, and the amount of profit. The "25 percent rule" is considered a special case of the method.

Cost-effective approach is used to evaluate such intangible assets that are created by the right owners themselves and for which there is no effective sales market (research and development, special purpose software products, etc.)

Depending on what kind of documentation confirming the costs of creating an object of assessment can be provided by the owner, the following basic methods are used:

1. if the customer has a documented cost estimate:

- method of output costs
- replacement cost method.

2. if there is no estimate

- replacement cost method.

Method of output costs (historical value) is based on the use of real retrospective data on the costs incurred in order to create the estimated results of intellectual activity. Its feature is the obligation to index the identified costs in order to bring them to the level of prices for goods and services corresponding to the date of assessment. Such indexation should be carried out

using the consumer price index, which is calculated by the Derzhkomstat. It is also possible to use industry indices if information about them is available. The method of initial costs is used during the evaluation of unique intangible assets aimed at space, military and other spheres.

Replacement cost method involves determining the amount of costs necessary to create a new exact copy of the valued intangible asset. These costs should be calculated on the basis of the prices for goods, services and the cost of labor in the relevant region and in the relevant sector of the economy effective on the assessment date. The replacement cost method is most often used during the evaluation of technologies and related intellectual property objects that do not create a direct economic effect or the determination and forecasting of such an effect is impossible. Intangible assets aimed at the social sphere (health care, education, etc.) are most often evaluated by this method.

Replacement cost method related to the determination of the cost of creating a new asset equivalent to the object of assessment in terms of functionality and options for its use. At the same time, the complete identity of the structure of the object and the nature of its constituent parts is not required, and the evaluation procedure is identical to the determination of the restoration value of the object. The replacement cost method is used when estimating the cost of design and technical documentation.

The application of any method of the cost approach ends with the determination of wear and tear caused by the factors of functional and economic obsolescence, under the influence of which the value of the property decreases. Intangible assets are considered impervious to physical wear and tear.

Functional obsolescence is understood as the discrepancy between the functional capabilities of the object of evaluation and the modern market ideas about the characteristics of this type of property. The reduction in value due to this factor is determined by calculating the cost of the necessary improvements in the same way as it is done when determining the replacement cost.

Economic obsolescence (external wear and tear) is caused by a change in the general economic situation in the country, region or industry, restructuring of the infrastructure at the location of the enterprise and other factors that fit the definition of "external conditions". The amount of economic obsolescence is calculated by direct capitalization of the change in cash flow under the influence of a directly valued intangible asset.

When using **comparative (market) approach** the estimated intangible asset is compared with similar objects or interests in these objects. That were sold on intellectual or commodity markets. The main method of this approach is *sales comparison method*, the sequence of actions when using which is similar to when evaluating real estate, machines and equipment.

The main conditions for using the method are:

- recording on the market the facts of the sale of objects of similar purpose and comparable usefulness
- availability and availability of information about sales prices and valid conditions of execution of these transactions
- availability of analytical information on the degree of influence of distinctive features and characteristics of such objects on their value.

Distinguishing features and characteristics of intangible assets that are elements of comparison include:

- scope of rights. Transferred in the agreement
- the existence of any special financing conditions
- economic conditions that existed on the relevant secondary market at the time of the transaction
- industry or business where the intangible asset was used (will be used).
- physical functional and technological characteristics of objects
- inclusion of other (intangible) assets in the agreement.

Due to the fact that the total volumes of sales of intangible assets in general and intellectual property in particular on the domestic intellectual market are quite low, the comparative approach is rarely used for the practical evaluation of such objects, and available information on agreements that took place in the recent past, is used rather as a guide, rather than as a determining final value of the value of the object.

TOPIC XXVI

EMPLOYMENT POTENTIAL OF THE ENTERPRISE AND ITS ASSESSMENT

1. The role and significance of labor potential in economic relations

Labor potential - these are the existing and expected labor opportunities, which are determined by the number, age structure, professional, qualification and other characteristics of the company's personnel.

In the general structure of the labor potential of the enterprise, depending on the criterion of analysis, the following can be distinguished ***species manifestations***:

1. According to the level of aggregation of grades:

1.1. *Labor potential of the employee* - these are individual intellectual, psychological, physiological, educational and qualification and other capabilities of an individual that are used or can be used for work.

1.2. *Group (brigade) labor potential* in addition to the labor potential of individual employees, it includes additional opportunities for their collective activity based on the compatibility of psychophysiological and qualification-professional characteristics of the collective.

1.3. *Labor potential of the enterprise (organization*) is the collective ability of the company's employees to actively or passively participate in the production process within the framework of a specific organizational structure based on material, technical, technological and other parameters.

2. According to the scope of opportunities:

2.1. *Individual labor potential* takes into account the individual capabilities of the employee.

2.2. *Collective (group) labor potential* takes into account not only the individual capabilities of team members, but also the capabilities of their cooperation to achieve social targets.

3. By nature of participation in the production and economic process:

3.1. *The potential of technological personnel* is the aggregate capabilities of the company's employees involved in specialized and related production and economic processes for the production of products (work, services) of the specified quality and specified quantity, as well as employees performing the technical functions of the management apparatus.

3.2. *Management potential* - these are the capabilities of individual categories of the company's personnel regarding the effective organization and management of the production and commercial processes of the company (organization).

4. By place in the socio-economic system of the enterprise:

4.1. *Structure-forming labor potential* - these are the capabilities of part of the company's employees regarding the rational and highly efficient organization of production processes and the construction of the most flexible, clear, and simple structure of the organization.

4.2. *Entrepreneurial labor potential* is the presence and development of entrepreneurial abilities of a certain part of employees as a prerequisite for achieving economic success due to the formation of an initiative and innovative model of activity.

4.3. *Productive labor potential* is the ability of an employee of an enterprise to generate economic and non-economic results based on the existing conditions of activity within a certain organization.

Labor potential of the employee contains:

- *psychophysiological potential* - human abilities and inclinations, state of health, capacity for work, endurance, type of nervous system, etc.

- *qualification potential* - the volume, depth and versatility of general and special knowledge, labor skills and abilities, which determine the employee's ability to work of a certain content and complexity.

- *social potential* - the level of civil consciousness and social maturity, the degree of assimilation of the employee's norms of attitude to work, value orientations, interests, needs and requests in the field of work, based on the hierarchy of human needs.

The labor potential of the organization includes the following components: personnel, professional, qualification and organizational.

2. Methodology for assessing the labor potential of the enterprise

Valuation of the personnel potential is a necessary stage of the assessment of the overall potential of the enterprise.

The objectives of the valuation of personnel potential can be divided into three groups:

1. determining the degree of influence of personnel potential on the increase or decrease of the market price and the overall potential of the enterprise

2. determining the degree of influence of personnel potential on the investment attractiveness of the enterprise

3. determination of the amount of costs for the restructuring of personnel potential in the case of pre-sale or post-privatization restructuring of the enterprise itself, as well as in case of anti-crisis management or innovative design

Despite the fact that the need to assess personnel potential is obvious, approaches to the assessment process itself are debatable. This fact is explained by the need to take into account a significant number of subjective characteristics in the process of its assessment, which makes the assessment itself subjective.

Given the nature of the participation of certain categories of personnel in economic activity, the assessment of the labor potential of the enterprise must be divided into two components:

- assessment of the labor potential of technological personnel
- assessment of the management potential of the enterprise.

3. Methods of assessing the labor potential of the enterprise

According to **cost approach** the cost of personnel potential is a set of actual costs for its creation.

Moreover, these costs can be determined ***at the historical price*** recruitment of personnel (actual wages, expenses for ensuring working conditions, payment of social security) and for ***at the price of compensation***. The latter involves determining the costs associated with replacing all employees. In this case, the salary of employees for 0.5 - 2 months is summed up (equivalent to the remuneration of the (recruiting) company for hiring for the selection of candidates for vacant positions). If the assessed business is significantly dependent on specific managers, the salary for another two months is additionally taken into account for these candidates (the time needed to adapt the selected candidates to the specifics of the company's activities). If the assessment is carried out according to the vacancies of leading specialists (within the company's elite), then the cost of team training is taken into account in the total amount of employees' wages.

One of the possible ways to determine the cost of personnel potential using the cost approach is ***method of possible cost***, the use of which is based on the holding of an internal auction by the enterprise administration, where all employees act as "lots", and department heads act as "buyers". If there is no

demand for an employee's ability, then his price is taken as zero, and the combined price of all other employees is equal to the cost of personnel potential.

Assessment of potential ***on the basis of a unit of live labor*** allows to better take into account the efficiency of the use of the labor potential of the enterprise. Labor potential calculations according to this methodology are carried out in the following stages:

1. the unit of assessment of the live labor of one worker (A) is determined by establishing its stock counterpart in the value expression:

A \u003d Pt * (ΔFv / ΔPt),

Where Pt is the employee's labor productivity in the reporting year, thousand hryvnias.

ΔФв – increase in labor productivity per employee compared to the base year (increase in shares),

ΔPt – increase in employee productivity compared to the base year (increase in shares).

2. the labor potential of the technological personnel of the enterprise (TPtech) is determined:

TPtech \u003d A * H * Ef

where Ch is the average annual number of industrial and production personnel, persons EF is the coefficient of realization of the labor potential of the technological personnel of the enterprise.

3. management potential in value terms is determined on the basis of the share of costs for the administrative and management apparatus in the overall structure of costs of the enterprise.

4. the total labor potential of the enterprise is determined by summing up the value of the labor potential of the technological personnel and the value of the management potential.

To assess the size of the labor potential of the enterprise, the following indicators are used:

1. labor productivity of industrial and production personnel (by net production)

2. labor force variability coefficient (the number of man-days actually worked by employees in all shifts (or according to the plan) during the analyzed period divided by

on the number of man-days worked in the busiest shift during the analyzed period)

Comparative approach (addition 2 [1. p.214])

Income approach before determining the cost of personnel potential is related to the assessment of the real benefit that the company has from the work of employees. In this case, the value of personnel potential is equal to the capitalization of part of the profit generated by this labor, and in the event that the company's performance indicators exceed the industry average, this value is to some extent taken into account through goodwill.

At the same time, the dependence of goodwill on the amount of personnel potential is not directly proportional. The company, having a high goodwill formed over many years, may for some period have a low level of personnel potential due to the dismissal of several highly qualified managers, the presence of a significant conflict in the workforce, the inability of employees to retrain due to a change in the company's activity profile. Therefore, in the process of evaluating personnel potential with the help of goodwill, it is necessary to take into account different periods of their formation.

The coefficient method of assessing the labor potential of an enterprise can be considered quite common, which is essentially a synthesis of cost and comparative approaches to assessment.

All coefficients of this technique are integrated into the following groups:

- indicators of professional competence
- indicators of creative activity
- indicators of completeness, quality and efficiency of the performed works
- indicators of labor discipline
- indicators of collective work, etc.

For example, the system of assessing the labor potential of an employee according to the coefficient method includes the following main indicators:

1. education coefficient (Kosv)

Kosv \u003d A / 60,

Where A is the duration of the employee's work in the specialty specified in the diploma (for the analyzed period), months;

60 - the maximum normative duration of work in the specialty specified in the diploma of higher education, months.

2. coefficient of job experience (Kdosv)

Kdosv \u003d B / 60

Where B is work experience in a certain position, months

60 - the maximum normative length of work in a certain position, months.

3. Coefficient of qualification improvement (Kqual)

Kqual \u003d N / PN

Where H is the actual duration of advanced training during the period of work in the specialty, months

PN - normative duration of advanced training (based on the assumption of the need for annual training lasting 0.5 months), months

4. integrated coefficient of professional competence

5. coefficient of completeness of completed works

Kpovn = number of fully completed works / number of completed works for the period

6. coefficient of operational efficiency

K oper = number of works completed ahead of schedule / number of fully completed works

7. performance quality factor

To quality = number of implemented projects / number of fully completed works

8. integrated coefficient of performance of works

9. Labor potential of the employee

TP = ICprof * 0.5 + ICrobit * 0.5

The synthesis of the cost and income approach can be considered the evaluation method proposed in the work of V. Allaverdyan, according to which the value of personnel potential is determined by the product of the employee's monthly salary by the goodwill coefficient of his personnel potential.

In this case, the cost of personnel potential is actually equal to the adjusted cost of replacing the company's personnel. At the same time, the coefficient of goodwill of the employee's personnel potential should reflect the real, market, individual value of the employee, not as a full-time unit. And as a specific person who knows how to perform this or that function. Solve certain tasks. Factors affecting the goodwill of each specific employee include: the professional level of the employee. His competence to solve the assigned tasks, social psychological properties that directly affect the quality of professional activity, the psychological climate that has developed in the team. Composition of factors. What must be taken into account to calculate the goodwill coefficient of the employee's personnel potential may vary depending on the goals of the assessment and the specifics of the company's activities.

TOPIC XXVII

ASSESSMENT OF BUSINESS VALUE

1. Features of business value assessment methods

Business valuation is the act or process of forming an appraiser's point of view and calculating the value of a business, a complete property complex, or rights related to it.

Based on the purpose and nature of calculations, it is customary to distinguish between internal and external assessment of business value. The first of them implements the target orientations of the management of the enterprise (owners) by accounting for the value of all internal elements of the production and commercial system of the enterprise. External evaluation involves taking into account the influence of external (market) factors on the value of the enterprise, based on the economic information available to the general public.

2. Methods of the cost approach to assessing business value

1.1. ***simple balance method*** - the value of the business is recognized as equal to the difference between the assets and liabilities of the firm.

Using this method involves comparing the amount (value) of the company's property (assets) and the amount of its obligations (liabilities).

The algorithm for determining business value according to this method includes the following stages:

1) determination of the assessment date. Collection, systematization and harmonization of accounting reporting on the company's assets (formation of final value indicators by aggregating primary accounting data obtained during the inventory of objects of a complete property complex).

2) Coordination of the assessment date, collection, systematization and harmonization of accounting reports on the company's liabilities (valuation of liabilities in accordance with the accepted and legally established methods of the accounting system).

3) Determining the value of the business as the amount of the company's equity capital, which is calculated as the difference between the book value of the company's assets and the amount of its liabilities.

The presented algorithm is the simplest, but also the least accurate. The value of the business determined on its basis only reproduces the amount of equity capital spent to create the object of evaluation and does not take into account the experience, current state and prospects of its activity, completely ignoring market factors.

This method is used as a superficial diagnostic evaluation tool in the absence of reliable information about the specifics and nature of the enterprise's activities

1.2. ***balance adjustment method*** - the value of the business is determined by summing up the real value of all components of the integral property complex of the enterprise, deducting the amounts of its obligations (debts).

The peculiarity of this evaluation method is the use of their adjusted values rather than the accounting values of the elements of the enterprise's production and commercial system. At the same time, calculations are carried out based on the prices of the last purchase of property or another reasonable point in time. Determining the value of a business is carried out in the following stages:

1) determination of the real value of the fixed assets of the enterprise, by adjusting their book value depending on their replacement value at the time of assessment

2) assessment of the value of the land plot at the market prices prices formed at the time of assessment, taking into account the costs of its improvement and landscaping.

3) Determining the real cost of production stocks of raw materials, materials, semi-finished products, and finished products, reviewing accounting values and reassessing the value of excess or invested stocks. Assessment of the real value of receivables, taking into account the probability and percentage of its repayment

4) Determination of the net balance of the company's debt by adjusting long-term, medium-term and current payables based on the revaluation of the value of debt financial packages

5) Determining the value of the business by reducing the adjusted value of the enterprise's property by the adjusted amount of its liabilities.

This method is burdened with the same disadvantages as the previous one, but the results obtained with its help are considered more accurate, although they require more time and resources.

1.3. ***replacement cost method*** - the value of the business is determined by the method of calculating the cost of creating an identical integral property complex at current prices, which has a similar utility for the owners, but is formed in accordance with modern standards and requirements.

This method can be considered another modification of the costing methods described above. But unlike the balance adjustment method, it involves determining the cost of replacing the object of assessment.

At the same time, the replacement cost should be understood as the minimum cost of a similar new enterprise, identical to the evaluated one in terms of functional, operational or structural parameters, but created in accordance with modern prices and new quality requirements.

1.4. ***liquidation value method*** - the value of the business is equal to the amount of funds that can be realistically received upon its liquidation (sale), or the sum of the liquidation values of all types of enterprise property. Three types of business liquidation value are defined: regulated, forced and final.

This method is used under the condition of liquidation of the business entity, or when cash flows from its operational activities are insignificant (or at all acquire a negative value); when financing the debtor enterprise; when financing restructuring or rehabilitation projects, etc. It is based on determining the amount of funds that can be received under the condition of liquidation (sale) of the enterprise (in case of separate sale of its assets) on a specific date. It is believed that the liquidation value of the enterprise as a whole property complex is lower than in case of separate sale of its assets.

The following types of enterprise (business) liquidation value are distinguished:

- *orderly* - the amount of funds that can be obtained from a "reasonable" sale of assets, i.e. within no more than two years with an attempt to establish the maximum price
- *forced* - is formed under the condition of the fastest possible execution of commercial agreements regarding the purchase and sale of the company's assets. Regardless of whether it is profitable in the current period
- *final* - the amount of the owner's (investor's) expenses for the destruction, liquidation of the company's assets on the spot. As a rule, it has a

negative value, as it estimates the additional costs of physical destruction of the object

Calculation algorithm:

1) development of a calendar schedule for the liquidation of each type of company's assets in order to maximize profits (after deducting all the company's liabilities).

2) Determination of the current value of assets, taking into account the costs of their liquidation. The calculation is carried out simultaneously with the verification of balance indicators by means of an inventory of the property on the date of assessment

3) Adjustment of the current value of assets, taking into account mandatory payments and state fees (taxes). The value of the assets obtained in this way is discounted to the relevant valuation date

4) Determining the value of the company's liabilities (debts) and bringing it to the valuation date using discount factors

5) Deduction from the current value of the company's assets of the amount of expenses for the liquidation of the object and the present value of its debts, and then the formation of the liquidation value.

1.5. ***net asset method*** - the value of the business is determined by subtracting the adjusted value of the company's liabilities from the adjusted value of the company's assets. The adjustment consists in price adjustment or normalization of accounting statements.

Calculating the value of a business using the net asset method includes several stages

1) valuation of the enterprise's real estate at the justified market value

2) determination of the justified market value of machines and equipment

3) identification and assessment of the market value of intangible assets

4) determining the market value of short-term and long-term investments involves calculating the current value of bonds, evaluating a package of common and preferred shares

5) determination of the current cost of inventory, taking into account the accepted accounting practice

6) market assessment of receivables depending on the probability of their repayment, distinguishing hopeless, promising and guaranteed

7) assessment of expenses and income of future periods, provided there is a real possibility of obtaining a final positive financial result

8) bringing the company's liabilities to current value

9) determining the value of equity (as a business valuation) by deducting the current value of all liabilities from the reasonable market value of assets

This method is used when it is expected that the firm owns significant tangible assets and will function in the near future. In the evaluation process, the following accounting, financial and statistical reporting forms of the enterprise are analyzed: balance sheet (form #1), financial results report (form #2), cash flow report (form #3), equity report (form #4). If necessary, primary accounting data is used. Inflationary adjustment of financial reporting indicators is performed beforehand, which is easiest to do by revaluing the reporting indicators in accordance with hard currency.

1.6. ***asset accumulation method*** - the value of the business is equal to the difference between the market value of all the company's assets and the market value of all its liabilities (obligations) broken down by element.

In this case, the above-mentioned normalization procedure of accounting reporting is carried out, which has a certain specificity - the adjustment is made to the items of the last day before the date of the balance sheet assessment. After adjusting the accounting reporting indicators, a general analysis of the financial and economic condition of the enterprise should be conducted, which makes it possible to make additional amendments to the estimated value of the business. They conduct a general description of the enterprise, an economic review of the business sphere (industry), and an analysis of local business characteristics. Special attention is paid to the study of the system of interdependent indicators that make it possible to create a comprehensive picture of the past and current development of the enterprise. In conclusion, a study of the most significant factors affecting the value of the business is carried out depending on the level of the ability to manage them, the assets (property) of the enterprise are described, which involves creating a list of all types of property and existing property and related rights regarding their use. Then they determine the value of the business and form valuation reports.

3. Methods of the effective approach to business valuation

1.7. ***method of direct capitalization of income*** - the value of the business is equal to the present value of future cash flows from its use, which can be capitalized by participants (owners)

This method is used in the process of express diagnostics of the market value of a business and involves identifying sources and amounts of net income, determining the capitalization rate.

The use of capitalization ratios is somewhat limited due to significant fluctuations in the level of profitability of various business areas, as well as modern markets, when the profitability of enterprises within a separate area fluctuates more than between enterprises of different industries.

1.8. ***cash flow discounting method*** - the value of the business is equal to the present value of the cash flows generated by each of its components, taking into account differences in discount rates.

It makes it possible to estimate the value of a business in view of its development prospects. It is based on the premise that a potential investor pays not for a set of labor tools, a team of workers, a set of intellectual property rights, etc., but for the final flow of funds (capital). This method of evaluation is not used in case of systematic unprofitability of the enterprise, as well as during the evaluation of new types of business (enterprise).

1.9. ***option-based business valuation method*** is a modification of the standard method of discounting cash flows, but taking into account the possibility of changing strategic orientations and making new management decisions as additional information becomes available.

This evaluation technology is especially useful when it is necessary to determine the cost of strategic and operational flexibility of the production and commercial system. It should be remembered that options can be included in the balance sheet of the enterprise both in the form of assets and in the form of liabilities. Asset-side options provide flexibility and add business value only if their economic returns exceed the costs of execution and execution. Options on the liability side have a significant impact on the weighted average cost of capital. In order to systematize options on the asset side, the following classification is offered:

- termination options
- options for deferment of development
- expansion options
- options for reduction
- options for changing activities (diversification)

1.10. ***method of economic profit*** - the value of the business is determined by multiplying the amount of invested capital by the rate of economic

profitability. Which is equal to the difference between the profitability of invested capital and the weighted average costs of its attraction and use.

The advantage of the economic profit method over the discounted cash flow method is that the economic profit indicator itself makes it possible to assess the company's performance in a single year, while the net cash flow does not.

1.11. ***additional income method*** - the value of the business is determined by settling the balance sheet of the enterprise and assessing the possibilities of obtaining income from its use

This is a modification of the cash flow discounting method. It determines the value of a business based on a comparison of the average return (profitability) in a particular industry and the return on equity in a specific business project. The estimated value of the business is equal to the sum of the market present value of the average annual capital and the present value of capitalized excess income from the enterprise's activities for a certain period.

4. Methods of a comparative approach to business valuation.

1.12. ***method of multipliers*** - the value of the business is estimated on the basis of determined coefficients that reproduce the essential characteristics of similar objects presented on the market.

The most common multipliers are:

1) price (value)

1.1. intervals: price / profit, price / cash flow, price / revenue from sales (operating activities), price / dividends

1.2. one-time: price/book value, price/net value of assets

2) financial multipliers: profit/invested capital, profit/revenue from sales, equity/loan capital.

1.13. ***method of industry relations*** - the value of the business is determined on the basis of price indicators and other qualitative (or financial) ratios characteristic of this field of business.

It did not receive sufficient distribution in the domestic evaluation practice due to the absence of the minimum necessary array of statistical information or its closed nature.

The experience of foreign appraisers can be recommended:

- accounting firms and advertising agencies are sold for 0.5 and 0.7 of annual gross revenue, respectively

- beauty salons - for 0.25 - 0.7 of the sum of the annual gross revenue, the cost of equipment and supplies

- restaurants and travel agencies - for 0.25-0.5 and 0.04-0.1 of annual gross revenue, respectively

- gas stations - for 1.2 -2.0 of monthly gross revenue.

- retail trade enterprises - for 0.75 - 1.5 of the amount of net profit, equipment and stocks

- machine-building enterprises - 1.5-2.5 of the sum of net profit and production stocks, etc.

1.14. ***analog sales or capital market method*** - the value of the business is set at the level of the purchase price of controlling stakes in the company or similar integral property complexes.

PART III

ECONOMIC MANAGEMENT OF THE ENTERPRISE (FIRM)

TOPIC XXVIII

GENERAL FUNDAMENTALS OF ECONOMIC MANAGEMENT OF THE ENTERPRISE

1. Conceptual foundations of economic management of the enterprise

The non-competitiveness of Ukrainian enterprises in the agricultural sector of Ukraine poses problems related to the management of scientific and technological innovations, with the search for new, non-traditional ways of managing the creation and promotion to the market of scientific and technical innovations. New management mechanisms are needed, focused on market needs and consumer preferences, which is possible only under the conditions of effective management of economic processes at enterprises. As a result, for most enterprises of the agrarian sector of Ukraine, which are experiencing the consequences of the economic crisis, there is a question of increasing the efficiency of economic management of their functioning, including the creation of competitive scientific and technical innovations.

Economic management is a type of management activity based on economic thinking and aimed at solving economic problems by using economic management methods based on economic information. At the same time, the mechanism of economic management of the enterprise should include a set of forms and methods of object management using economic laws that arise in the process of production and sale of goods, products, works, and services.

Economic management of the enterprise includes a set of components, the main of which are marketing, logistics, business planning, financial management, accounting, personnel management.

The main content of the enterprise's economic management is:

- determining the relationships between individual elements (costs, price, volume of production) and their impact on the economic characteristics of the enterprise as a whole (financial stability, self-financing, profitability of activities, etc.);

- determination of the most rational ratio of variable and fixed costs in the cost price of products of various nomenclature, determination of the price and quantity of production of various nomenclature in order to ensure break-even production and profit;

- selection and substantiation of the most effective version of the technological process of product production, provision of the production cycle with the most efficient machines and equipment, substantiation of the possibilities and the most profitable cooperation and specialization for the enterprise;

- making decisions on the nomenclature and volume of production in accordance with the necessary resources available at the enterprise (material, labor, financial);

- ensuring the economic efficiency of investment projects aimed at the launch of new products, modernization and renewal of equipment, reconstruction of the enterprise;

- justification of the pricing decision for each type of the company's products;

- making decisions on the effective use of the company's reserves in order to increase the efficiency of its work, working out proposals for creating new and adjusting existing standards for material, financial and labor costs related to the production of products;

- economic substantiation of ways to increase the quality of manufactured products;

- conducting a regular analysis of the financial and economic activity of the enterprise, determining the main indicators of the enterprise's performance (profitability, capital turnover, etc.), analysis of the labor intensity of work for each type of product, labor productivity;

- organization of accounting and control of production and economic activity of the enterprise;

- provision of strategic, tactical and operational planning at the enterprise as a single process, technical and economic substantiation of the enterprise's production and financial activities.

The listed tasks of the economic management system of the enterprise are most closely related to engineering activities, to the technical and technological competence and marketing thinking of engineers, technologists who create new products that must be competitive on domestic and foreign markets. The synthesis of conceptual elements of economic management into a single concept, as well as its symbiosis with subsystems of production and organizational management of the enterprise, graphically.

Analyzing the data of Fig. 28.1, we can conclude that the concept of economic management of the enterprise includes a set of its main goals, formed taking into account the general goals of the enterprise; scientifically based principles of functioning of the subsystem of economic management; specific methods specific to economic management; specific management functions. Objects of economic management can be both the enterprise as a whole and its structural subdivisions.

Analyzing the data in Fig. 1, we can conclude that the concept of economic management of the enterprise includes a set of its main goals, formed taking into account the general goals of the enterprise; scientifically based principles of functioning of the subsystem of economic management; specific methods specific to economic management; specific management functions. Objects of economic management can be both the enterprise as a whole and its structural subdivisions.

It should be emphasized that the subject of economic management - the decision-maker (DMO) must take into account in his actions the division of the general management system of the enterprise into three subsystems - economic management (EU), production management (VU) and organizational management (OU). They are presented on the diagram in the form of three mutually intersecting sets, stating that in the area of their intersection there is joint participation in the solution of general management issues, and where

there is no intersection - the solution of partial issues related to the competence of selected types of management.

The study of the conceptual elements of the economic management system makes it possible to formulate a general concept of economic management that reflects its logic in an inextricable connection with production and organizational types of management. The concept includes the following elements: objects and subjects of economic management, goals, principles, methods of the appropriate type of management. At the same time, a distinctive feature of this concept from the functioning model is the choice of business processes and ego elements as the object of management, since they largely meet the requirements for them as the primary source of the emergence of management information, and as an object for managerial influence on them. The developed concept of economic management can be brought to practical use under the condition of developing methodical foundations and elements of the mechanism of economic management at the enterprise.

2. The essence of the concept of the term "economic management of a firm enterprise" (hereinafter EUP)

The basis for ensuring the sustainable functioning of enterprises and their ability to develop is ensuring the appropriate level of competitiveness, profitability, solvency, sustainability and, as a result, the growth of the market value of the enterprise. These parameters depend on the efficiency of their management at the level of the enterprise as a whole, as well as on the mutual coordination of the actions of all units and specialists of the enterprise. The practical solution of this task should be provided by the formation of a system of economic management of the enterprise.

Term **«*economic management of the enterprise*»** began to be used in Ukraine at the beginning of the XXI century. A review of the economic literature revealed the lack of an agreed opinion of scientists regarding the interpretation of the essence of the economic management of the enterprise.

A. Goncharov and N. Oleinikova [6] define "economic management of an enterprise" as the science of enterprise management aimed at achieving its strategic and tactical goals, which is conditioned by the needs of the modern

stage of development of a market economy. According to their concept, the EUP combines "universal methods developed by market civilization", makes it possible to achieve compromises of interests in matters of regulation of the mass and dynamics of profit, increase of shareholders' property, control over the exchange rate of shares, dividend policy, increase in the value of the enterprise, etc.

L. Dyadechko [7] interprets EUS as perspective (strategic), current and operational planning, as well as organization and control over the implementation of plans. Economic management is based on purposeful decisions made on the basis of analysis and many variational economic calculations for the future period, taking into account indicative planning.

By definition *Zuzuli P.*[8], is a set of ways and methods of influencing the enterprise's activities aimed at realizing its economic goals and objectives by comparing real and necessary resource capabilities.

O. Lysenko[9] asserts that the EUP is a cyclically repeated process of systematic, planned, organized influence on the elements of the economic mechanism of the enterprise by means of interconnected direct and feedback links to achieve the reference and integral state of the enterprise.

E. Kiselitsa[10] sees in it a set of economic principles, forms, methods, methods and means of production and personnel management, and its essence is in the priority use of economic methods of influence and tools relative to other means actively used in enterprises and organizations.

L. Myasodova, E. Habibullina[11] interpret the EU as a type of management activity based on economic thinking and aimed at solving economic problems by using economic management methods based on economic information. At the same time, the system of economic management of the enterprise should include a set of forms and methods of object management using economic laws that arise in the process of production and sale of goods, products, works, and services.

V. Panagushin[12] defines such a concept of EUP as a direction of management that ensures the achievement of tactical and strategic goals of the enterprise on the basis of economic and financial planning, control and regulation of internal and external economic relations.

Thus, as can be seen from the analysis of scientific sources, *the essence of economic management of the enterprise*it is considered through such substantive characteristics as: the direction of management aimed at achieving the tactical and strategic goals of the enterprise; type of management activity aimed at solving economic problems; a set of economic principles, forms, methods and techniques and means of production and personnel management; the process of influencing the elements of the economic mechanism of the enterprise; the process and methods of developing enterprise work plans and measures to ensure their implementation.

The analysis of scientific and methodological publications on the discipline "Economic management of an enterprise", the teaching of which has been started in a number of universities of Ukraine for specialists of the educational and qualification level "master", makes it possible to determine that EUP is recognized as a prerequisite for achieving strategic and tactical goals based on the use of two main tools - budget and financial management. They are the subject of consideration of this discipline. At the same time, logical questions arise regarding the consistency of the content of this discipline with others taught to the same students, in particular with the disciplines "Planning and Control" (bachelor's degree) and "Financial Management (master's degree).

The place of the EUP in the management system of the enterprise and its consistency with other types of special management are analyzed in fig. 28.2.

From the data it is clear that ***the subject of EUP*** is the economic (business) activity of the enterprise, which is understood as a complex of various types of activities carried out by the enterprise - operational, marketing, logistical, financial, investment. It is synonymous with the term "economic activity".

The bare purpose of the EUP is the provision of coordination, coordination and general orientation of all types of activities, harmonization of the entire spectrum of economic relations formed in the process of carrying out these activities both within the enterprise and with agents of the external environment.

So, ***object of EUP*** must be recognized: 1) results of economic activity; 2) economic resources necessary to carry out such activities (economic

potential of the enterprise); 3) integral characteristics of the state in which the enterprise is located as a result of economic activity and the existing level of use of available resources (real economic potential).

The basic technology of EUP, which ensures the implementation of its coordinating role, increases the effectiveness of the use of individual methods of economic management, forming a synergy effect, is budgeting, or budget management of the enterprise.

Determining the place of the EUP in the management system of the enterprise, the following should be noted. An enterprise is a complex socio-economic system, in which modern economic science singles out various subsystems (production, organizational, social, marketing, etc.), each of which has a separate list of objects, requires a specific managerial influence on each of them in order to achieve specific goals and objectives.

3. Planning as a function of economic management the company

Economic work at the enterprise covers different time periods and different scales of activity. Based on these parameters, all economic work can be divided into two stages:

1. Development of an economic management strategy.

2. Implementation of current economic management.

There are enough definitions of the planning process in the educational literature. Two of them: **planning -**this is the way drawing up consistent and balanced operations to achieve certain goals.

Enterprise activity planning is one of the functions of management, which consists in the ability to predict the goals of the enterprise, its results **activities and resources needed to achieve certain goals.**

The essence of planning consists in substantiating the goals and methods of achieving them based on the identification of a complex of tasks and works, the determination of effective methods of their implementation and the necessary resources.

The main purpose of planning - integration of all employees of the enterprise to solve a complex of tasks and perform works that ensure effective achievement of goals.

Planning object there is an interconnected system of planning and economic indicators, characterizing the process of production, distribution and consumption of goods and resources.

Planning helps answer the following questions:

- what should be done to achieve the goal of the enterprise?

- when should it be done?

- who will do it?

- where will it be done?

- how much should be done?

- how will it be done?

In the conditions of a centralized planned economy, the plan was a mandatory and primary document of the enterprise.

In market conditions, the need for planning is determined by:

1. Efforts to minimize the uncertainty of the storm environment and its negative consequences.

2. The scale, complexity, and complexity of economic tasks that the enterprise solves.

3. Increasing value of time ("time is money").

4. Limited financial, material and technical resources and the need for their effective use.

5. The need to find optimal ways to solve the tasks, taking into account external conditions.

6. Creation of control bases.

Today, individual businesses operate without a clear idea of the benefits of planning. The application of planning in the activities of the enterprise creates the following advantages (opportunities):

- allows you to track new trends and use favorable ones;

- improves the coordination of actions at the enterprise, clarifies emerging problems and mitigates the impact of the weaknesses of the enterprise;

- allows to minimize the uncertainty of the market environment and its negative consequences;

- facilitates the search for the most effective ways to achieve the company's goals;

- allows to increase the competitiveness of the enterprise, to take protective measures against various types of risks;

- contributes to a more rational distribution of resources;

- improves control at the enterprise.

This is by no means a complete list of opportunities that arise in an enterprise with a well-established planning process.

A document that defines the goals of the enterprise and the movement of relevant resources to achieve these goals is called a plan. As a rule, this document is approved by the first manager of the enterprise and has the force of an order for divisions and managers.

The activity plan of any enterprise or its subdivision must contain:

- the purpose of the enterprise (or its structural unit) for a specific period;

- means of achieving the goal;

- a system of activity indicators with the necessary explanations;

- stages and terms of performance of works;

- executive plan by terms and types of works;

- a plan execution control system.

You should remember the rule confirmed by practice:

The more detailed the plan is, the easier it is to implement.

The essence of planning is manifested through the practical implementation of its principles, methods and system of economic indicators.

Principles provide the ideology of planning, determine its nature and content. Adherence to the principles creates prerequisites for the efficient operation of the enterprise and reduces the likelihood of errors.

Basic principles of planning are: overall orientation, systematicity, reality, accuracy, continuity, flexibility, optimality of formation and use of resources.

At the same time, the methods act as a way to achieve the goal and require knowledge of a certain planning technique. The main ones are balance, program-target, economic-statistical, mathematical modeling methods and regulatory.

The implementation of the main goal of the enterprise requires the development of various plans: in time, according to the scale of activity, according to the level of management and according to the purpose.

Recommended Books

1. Economic management of the enterprise [Text]: training. manual / [N. M. Yevdokymova, L. P. Batenko, V. A. Verba, etc.] ; in general ed. N. M. Evdokimova; Ministry of Education and Science, Youth and Sports of Ukraine, State Higher Secondary School "Kyiv National economy University named after V. Hetman". — K.: KNEU, 2011. — 327 p.

2. Workshop on the discipline "Economic management of the enterprise" for students. special 8504 "Economics of the enterprise" of all forms of education / Incl. Verba V.A., Yevdokymova N.M., Kyzenko O.O. - K.: KNEU, 2008.

3. Zhdanov S.A. Mechanisms of economic management of the enterprise: Proc. allowance for universities. / S.A. Zhdanov. – M.: UNITI-DANA, 2002. – 319 p.

4. Van Horn J.K. Fundamentals of financial management: Per. from English. / J. Van Horn. — M.: Williams Publishing House, 2001. — 992 p.

5. Khrutsky V.E. Intra-company budgeting: a handbook for setting up financial planning. / V.E. Khrutsky, T.V. Sizova, V.V. Gamayunov - M .: Finance and statistics, 2002. - 400 p.

6. Goncharov A. B. Economic management of the enterprise: lecture notes / A. B. Goncharov, N. M. Oleynikova // Khark. NEU. - H.: Ed. Khneu, 2009. – 366 p.

7. Denisov A. Yu. Economic management of the enterprise and corporation / A. Yu. Denisov, S. A. Zhdanov. – M.: Business and Service, 2002. – 416 p.

8. Zozulya P. V. Economic management of credit activities of a trading enterprise: autoref.dis..c.e.n.: 08.00.05 / P. V. Zozulya. - Donetsk, 2006. - 18 p.

9. Kiselitsa E.P. Technology of enterprise economic management under uncertainty: dis. ... Doctor of Economics: 08.00.05, 08.00.13 / E. P. Kisilitsa. - Ekaterenburg, 2007. - 451 p.

10. Lisenko OA Functional aspects of managing the current costs of passenger suburban railway companies: author .... candidate of economic sciences: 00.08.05. - M .: Business. – 23 s.

11. Mazaraki A. A. Economics of a commercial enterprise: a textbook for students. University / A. A. Mazaraki, L. O. Ligonenko, N. M. Ushakova. - K.: Khreshchatyk, 1999. - 800 p.

TOPIC XXIX

EFFICIENCY OF ENTERPRISE MANAGEMENT

1. Concept and essence of efficiency

The processes of structural reform of the economy of Ukraine require further improvement of the economic mechanism for the development of the scientific foundations of management and, first of all, the efficiency of enterprise management.

At each of the stages of economic development, depending on the tasks and specific economic circumstances, management methods, organizational structures were changed and improved, and the scientific foundations of management were creatively developed. In the period from 1970 to today, a larger number of monographs, textbooks, training manuals and articles on various categories of scientific foundations of enterprise management and, especially in the period of the formation of the market economy, were published.

Of course, the rapid growth of scientific developments in the field of management led to different interpretations, formations of the use of terms, that is, led to systematic disagreement. This fully applies to concepts and content when considering the problem of management efficiency.

The concept of "management effectiveness", as well as "management quality", has not yet received a clear definition and interpretation either in scientific literature or in management practice. In educational and scientific literature, there is a mixing and identification of these concepts that are close in meaning, but different in content.

Some authors reduce the effectiveness of management to effective leadership, which is understood as the manager's ability to force or encourage, interest his subordinates to work energetically, productively, with high returns. But this definition of efficiency has a purely qualitative nature and is used only for a separate case of management in the form of management of a production team.

Others evaluate the effectiveness of management through labor productivity, which can be measured by the degree of achievement of goals (increased profits), tasks and production costs. A component of these costs is management costs. However, the efficiency of management, which is determined by the results of work and management costs, does not allow to fully assess the activity of the management system. –

In domestic and foreign scientific literature on management, an attempt is made to divide the concepts of "effectiveness of management" and "effectiveness of management". The effectiveness of management is understood as its targeted focus on the creation of necessary, useful things capable of satisfying certain needs, ensuring the achievement of final results adequate to the set goals of management. Under management quality it is understood as its effectiveness, which is characterized by a result, an effect, a subject of management, which is achieved due to its action on the object of management [42].

The concept of "effectiveness of management" has a different meaning, which is connected, first of all, with the inadequacy of the terms "effect" and "efficiency".Effectis a summary, result of activity, and efficiency- the ability to obtain an effect, to perform actions and is characterized by the ratio of the effect to the consumption of resources that ensured the obtaining of the effect [44]. If we equate the effect of management with its effectiveness, and costs with management costs, we arrive at the following logical formula for management effectiveness:

Effectiveness = Effect / Costs.

The application of this qualitative dependence for the quantitative assessment of management effectiveness is hindered by a number of circumstances related to the concept of "efficiency". Namely:

- there is a problem of evaluating results that cannot be reduced to a single measure, that is, quantitative consideration of the economic effect of management;

- it is difficult to attribute the obtained results to a specific subject or type of management;

- it is necessary to take into account the time factor - many management measures have an effect after some time (recruitment of personnel, their training, etc.);

- it is illegal to consider the results of managed processes as the result of only management activities;

- taking into account the social effect of management, that is, creating optimal conditions for the development of the collective of enterprises;

- the effectiveness of the management system is influenced by the level of development of its individual elements, for example, technical support, labor productivity of the management apparatus, business qualities of management personnel.

The effectiveness of management is revealed through the effectiveness of work, which can be measured by the degree of achievement of the goal (increase in profit), tasks and production costs. So, let's determine that management efficiency is the totality of its influence on the development of the enterprise, the organization and the results of its activity.

The list of these circumstances is also complicated by the fact that the main part of communication services (robots, products) is created by employees, not managers. Therefore, it is incorrect to compare the result of the entire economy with the costs of management only. There is a well-founded desire to put in the denominator of the previous efficiency formula costs for the implementation of all activities, and not only management.

The prerequisites for increasing the level of efficiency of communication enterprises are the anticipatory growth of the results of their activities. The economic result of production (effect) appears, as a rule, in the form of a created product (consumer value), in the field of communication - it is the number of services provided to the consumer. In the conditions of a multi-nomenclature economy, the monetary expression of this product is used.

Income indicators can be used for individual telecommunications companies and, accordingly, for the industry as a whole to characterize the intra-industry effect. Profit is also an indicator of the effect of the organization of collective labor, a source of tax payments, covering the costs of industrial and social development, encouraging employees, which reflects the real

contribution of the enterprise to increasing the efficiency of production, expanded reproduction.

Thus, indicators of the sectoral economic effect of communication activities are income from the main activity and profit.

2. Conceptual approaches to determining the effectiveness of enterprise management

At any hierarchical level of management, including communication enterprises, managers try to achieve high results. However, there is no general agreement on the content of the "efficiency" category. Differences in the definition of managerial efficiency reflect the commitment of different authors to one of the following concepts and approaches to evaluating efficiency.

In practical activities, it is advisable to use any of the following concepts depending on the situation.

Target concept of management efficiency is a concept according to which the organization's activities are aimed at achieving certain goals, and the effectiveness of management characterizes the degree of achievement of the set goals.

In accordance with the target concept of organizational efficiency, the target concept of management efficiency was developed. Management efficiency determined according to this concept has a specific name: broad management efficiency or management effectiveness. Despite its attractiveness and external simplicity, the application of the target concept is associated with a number of problems:

- achieving a goal is not always easily measurable;

- mmunication companies mostly try to achieve several goals, some of which are contradictory in content (achieving maximum profit - ensuring maximum safe working conditions);

- the existence of a common set of "official" goals is controversial (the difficulty of reaching agreement among managers regarding the specific goals of a communications enterprise).

System concept of management efficiency is a concept according to which the results of the enterprise are influenced by both internal factors and factors of the external environment, and management efficiency characterizes the degree of adaptation of the enterprise to its external environment.

From the point of view of systems theory, an enterprise is a set of elements that interact with each other in an interdependent manner. In a simplified form, the enterprise receives resources (inputs) from a higher-level system (external environment), transforms these resources and returns them in a changed form (services).

Any enterprise is a part of a larger system, therefore, in order to function successfully, it must adapt to the requirements of the external environment. The system concept of the organization emphasizes two important considerations:

- the survival of the enterprise depends on its ability to adapt to the requirements of the environment;

- to meet these requirements, the full cycle "inputs - process - outputs" must be in the center of management's attention.

The concept of management efficiency based on the achievement of "balance of interests" is a concept according to which the organization's activities are aimed at meeting the expectations, hopes and needs (interests) of all individuals and groups that interact in the organization and with the organization, and the effectiveness of management characterizes the degree of achieving a balance of interests of all individuals and groups interested in the activities of the enterprise. This concept emphasizes the relative importance of various group and individual interests in the enterprise (in contrast, the goal concept emphasizes that organizations prioritize the achievement of organizational goals).

Definition management efficiency based on the concept of achieving "balance of interests" is based on measuring the degree of satisfaction of the needs of all groups interested in the results of the enterprise. The main criterion

for evaluating the effectiveness of management according to this concept is achieving a balance of interests of all groups interested in the results of the organization's activities.

Functional concept of management efficiency is a concept according to which management is considered from the point of view of the organization of work and the functioning of management personnel, and the effectiveness of management characterizes the comparison of results and costs of the management system itself.

The primary task in determining the productivity of managerial labor in any units is to establish the total volume of work for each management function, which depends on a significant number of different factors (size and structure of production, range of services, number of employees, etc.) and changes with each of them. Today, this task has not yet been solved methodologically.

Composite concept of management efficiency is a concept according to which the effectiveness of management is determined by the degree of influence of managerial work on the results of the organization as a whole. The composite concept is based on determining the degree of influence of managerial work on the results of the enterprise as a whole. Among the indicators characterizing the result (effect) of a communications enterprise, the following are most widely used:

- productivity;

- the size of the reduction in the cost of services;

- volumes of profit growth;

- volumes of services, etc.

Within the framework of the composite concept, indicators of the efficiency of the management apparatus are quite widely used to determine the effectiveness of management:

- the specific weight of managers in the total number of employees;

- the specific weight of management personnel in the general wage fund;

- the specific weight of management costs in the cost of services, etc.

Along with the above concepts, the theory and practice of management have developed the three most common approaches to the assessment of management efficiency: integral, level and temporal.

An integrated approach to management efficiency assessment is based on the construction of a synthetic (integral) indicator that covers several partial (not directly comparable) indicators of management efficiency. The integrated approach appeared as one of the options for overcoming the main shortcoming of the vast majority of indicators of management effectiveness - the inability to reflect the multifaceted effectiveness of management as a whole. It is an attempt to evaluate the effectiveness of management with the help of generalizing indicators that cover several of the most important aspects of the management activity of a particular enterprise. The basic formula for calculating the synthetic indicator of management efficiency (Ж) has the following form:

$$J=/(R_1Rg...-Rg...-Rp), (1)$$

as well R\, R_2,... R,, ... R_p- partial indicators of management efficiency.

It should be noted that in the conditions of market relations and competition, an important generalizing criterion for evaluating the effectiveness of enterprise management is its competitiveness.

The competitiveness of an enterprise can be determined by a rating, that is, an assessment that characterizes its place among other enterprises that supply similar products (services, works) to the market. A high rating (its growth) reflects a high level (growth) of the company's management efficiency.

Today, numerous methods of determining the company's competitiveness rating have been developed and implemented, the results of which are used as one of the characteristics of management efficiency. In particular, large Western companies actively use the periodically renewed ratings published by the magazine "Rog" in the process of evaluating the effectiveness of their own management. Recently, similar work has been carried out in Ukraine as well - lists of the 100 best enterprises in the country are published, competitions are

announced and applicants and winners are determined, including among enterprises in a significant number of nominations.

A level approach to management efficiency assessment distinguishes three levels of efficiency in the evaluation process: 1) individual; 2) group; 3) organizational and relevant factors affecting them. At the same time, management efficiency is formed as an integrated result of individual, group and organizational efficiency, taking into account the synergistic effect. At the basic level, there is individual efficiency, which reflects the level of performance of tasks by specific employees.

As a rule, company employees work in groups, which makes it necessary to take into account another concept - group efficiency. In some cases, group efficiency is a simple sum of the contributions of all group members (for example, a group of specialists working on unrelated projects). In other cases, due to the synergistic effect, the group efficiency is somewhat greater than the sum of individual contributions.

The third type is organizational efficiency. Businesses consist of employees and groups; therefore, organizational effectiveness includes individual and group effectiveness. However, due to the synergistic effect, organizational effectiveness exceeds the sum of individual and group effectiveness.

The manager's task is to identify opportunities to improve organizational, group and individual efficiency. Each level (type) of efficiency, is under the influence of certain factors.

A temporal approach to management efficiency assessment distinguishes short-, medium-, and long-term periods in the evaluation process, for each of which specific criteria for evaluating management effectiveness can be determined. The final criterion of organizational efficiency is the ability of the enterprise to maintain its position within the environment. Therefore, the survival of the enterprise is a long-term measure of organizational effectiveness. There are five criteria for short-term effectiveness:

1. Productivity is the ability of the enterprise to ensure the quantity and quality of the product in accordance with the requirements of the external environment.

2. Quality is the satisfaction of consumers regarding the provision of services. Specialists investigating the issue of quality consider it the ultimate criterion of individual, group and organizational effectiveness, a necessary condition for survival.

3. Efficiency is the ratio of "outputs" to input factors. Performance indicators must be calculated in the form of ratios (the ratio of profit to costs, production volume or time are the most typical examples of such indicators).

4. Productivity is the ability of the enterprise to ensure the quantity and quality of the product in accordance with the requirements of the external environment.

5. Flexibility means the ability of the enterprise to redistribute resources from one type of activity to another in order to release a new product at the request of consumers.

Three aspects of flexibility affect organizational effectiveness:

- the ability to respond to changes in the external environment (consumers, competitors, government instructions);

- the ability of individuals and groups of the enterprise to respond to changes of individuals and groups in the enterprise itself;

- the ability of the enterprise to adapt its management methods in accordance with such changes.

6. Satisfaction - the level of satisfaction of the company's needs of its employees. Indicators of satisfaction can be: the attitude of employees to assignments, staff turnover, tardiness and complaints.

7. Medium-term performance criteria cover a longer time horizon compared to short-term criteria. A business can operate for a while while ignoring medium-term criteria, while failure to meet short-term criteria can immediately create problems.

Competitiveness characterizes the company's position in the industry, its ability to compete in the fight for consumers, etc. Competitiveness decreases when the indicators of the enterprise's activity, quality and flexibility

deteriorate, and it is unable to produce products (provide services) demanded by the consumer.

Development is a way of ensuring efficiency, which consists in investing funds to meet the future demand of the external environment. Although this use of resources reduces productivity and efficiency in the short term, well-managed development is the key to survival. A time-based approach to performance evaluation allows for a better understanding of the responsibilities of managers at the enterprise - to identify factors of individual, group, and organizational effectiveness and to influence them in the short, medium, and long term.

3. Indicators of evaluating the efficiency of enterprise management

According to the purpose and methods of calculation, absolute and comparative efficiency are distinguished. This is due to the fact that two tasks have to be solved in the practice of economic calculations:

- determine and evaluate the level of effectiveness of the use of certain types of costs and resources, the economic efficiency of production as a whole (branches, associations, enterprises), as well as analyze the impact of various organizational and technical measures on the performance indicators of the enterprise;

- to compare and select the best options for new equipment, technology, production organization.

Absolute economic efficiency is determined by the enterprise as a whole and characterizes the overall effect (return) from the use of resources and costs, and comparative economic efficiency characterizes the economic advantages of one option over others in terms of rational use of resources and costs.

The main indicators of management efficiency assessment at enterprises are shown in table. 29.1.

Table 29.1

The main indicators of management efficiency assessment

Name indicator	**Method Calculations**	**Conditional marking**
Efficiency management	$\mathbf{Well_{in} = R_{To} / Z_{in}}$	$\mathbf{R_{To}}$ - the final result obtained by the organization; $\mathbf{WITH_{in}}$ - management costs
The ratio of the production result to the number of employees of the management apparatus	$\mathbf{Well_{in} = R_{To}/TO_h}$	$\mathbf{TO_h}$ - the number of management personnel
Level centralization of production	$\mathbf{TO_{color} = VP_p / VP_{ok}}$	$\mathbf{VP_p}$, $\mathbf{VP_{ok}}$ - production of products of a specific type in the division and in the enterprise as a whole
The level of specialization of production divisions	$\mathbf{TO_{cf} = VP_S / VP_{ok}}$	VP_S - volume of specialized products
Coefficient rational structures	$\mathbf{TO_{Rs} = 1 — (A_f / A_{axis})}$ **or** $\mathbf{TO_{pS} = 1— (H_f / H_{ts})}$	$\mathbf{Af}$, $\mathbf{A_{axis}}$ - the number of divisions in the management apparatus actually and according to the main structure; $\mathbf{Ḫf}$, $\mathbf{Ḫ_{ts}}$ - the number of management employees in fact and according to a typical structure

Level of control	$TO_{To} = Kf / k_n$	TO_n - controllability rate; TO_f - the actual level
Employment of personnel in the management apparatus	$TO_3 = A_{in} / PVP$	A_{in} - number of management apparatus; **PVP** - the number of industrial and production apparatus
Degree of centralization management functions	$TO_{color} = R_{fv} / R_f$	R_{fv} - the number of decisions made when performing this function at the upper levels of management; R_f - the total number of decisions made when performing this function at all levels of management
The ratio of the number of line and functional personnel	$TO_{with} = A_{lp} / Afp$	A_{lp}, A_{fp} - the number of line and functional personnel
The degree of formalization of work management staff	$TO_{fp} = A_{he\ is} / A_{are}$	A_{cf} - the number of management personnel whose work is organized on the basis of regulatory documentation; A_{are} - the total number of personnel of the management system

The level of mechanization and automation of work of management personnel	$TO_{mp} = T_{in} / A_{are}$	T_{in} - the amount of management equipment and office equipment in value terms
Labor efficiency in the management system	$Well_{are} = P_p / A_{Sin}$	P_p - volume of sold products in value terms
Labor economy in the management system	$EC = C_{IN}in / S_{centuries}$	S_{wow} - the total amount of management costs; $S_{centuries}$ - the total amount of production costs
Economic management (by profit)	$E u) = Z_{in} / P_d$	$WITH_{in}$ - management costs (make up 10% of the total costs);P_b - balance sheet profit
Economy of management (by costs)	$Well_{in} = WITH_{in} / Z_{ok}$	$WITH_{ok}$ - general costs for the production of services
Completeness of personnel management system	$Eu = K_f / TO_{sh}$	TO_f, TO_{sh} - the number of employees, respectively, actual and according to the regular schedule
Personnel turnover	Kpl \u003d W_{in} / Sh_{mid}	Sh_{in}, Sh_{mid} - the number of management personnel and the average list number of UEs
Staff stability	$TO_{Art} = Shz / Shsh$	Shz, Sh_{mid} - the number of dismissed management personnel and the average number of management personnel

In the generally accepted understanding, management efficiency is most often defined as the achievement of the goals set before the management system with the best economic results. At the same time, in many cases, they try to link the effectiveness of the management system with the costs of maintaining the management apparatus. According to this opinion, the most effective management system should be considered, the functioning of which ensures an optimal ratio between the costs of maintaining the managing entity and the achievement of positive economic indicators by the object of management (usually production and sales of products).

However, this approach is somewhat simplified. The difficulty of determining management efficiency lies in the lack of direct dependence of the costs of maintaining the management apparatus as a whole and its results. Therefore, when answering, one should focus attention on the characteristics of the markets in which the entrepreneur operates, and on the financial and economic indicators that characterize the dynamics and level of profitability of the enterprise on the market.

The definition of management efficiency should be based on the recognition of the priority of qualitative indicators of the effectiveness of business activity compared to quantitative ones. The relevant performance evaluation criteria are presented.

The following goals of management efficiency follow from the given figure:

- financial and economic - determination of profits (losses), profitability and liquidity;

- production and technical – production volumes, minimization of time periods, quality of products and services.

Overall efficiency can be represented as a composition of external and internal components. Demarcation of the latter takes place on the basis of functional differences of the integral system of business management. At the same time, the external component is implemented through marketing activities, and the internal component is implemented in the production management system. Marketing, as a leading form of modern management, determines the actions of managers to adapt to changes in the market

environment. Production management is manifested in the most rational use of resource and intellectual potential in order to produce quality goods and services with minimal costs.

Schematically, the main parameters of the external and internal component of image management efficiency are shown in table. 29.2.

Table 29. 2

The main parameters of the external and internal components of management efficiency

Orientation	Overall result	Object of management	Indexes
External component– adaptation to market changes	competitiveness of products (services), rational use of the company's potential	marketing, sales, organizational structure of management, ensuring interaction of management links	volume of products (services), market share
Internal component– efficiency of production activity	manufacturability of products (services), rational use of the company's potential	production, organizational structure of production, collective employee	production costs, labor productivity, savings

Under modern conditions, such forms of marketing activity as the organization of advertising enterprises, the development of sales policy, and the formation of the corporate style of entrepreneurship become specific areas of implementation of the external component of management efficiency. To achieve the effect in production management, actions aimed at increasing labor productivity and changing the role of man in the management system are of primary importance.

Thus, management efficiency can be represented in the unity and interaction of the following components:

- obtaining a general economic effect. It finds its dimension in the traditional ratio of management costs (management apparatus, information technologies, use of the infrastructure of the external environment, consulting, mediation, legal services, etc.) and the effectiveness of entrepreneurial activity;

- achieving the market effect. Its measure is the share of the product and entrepreneurship on the market, the dynamics of the firm's presence in the competitive environment;

- obtaining an innovative effect. A natural dimension of this effect is the ability to continuously update the product and manage changes.

The interaction of these forms of expression of management effectiveness gives an integration effect as a generalizing indicator of the influence of the management system on the macro level and their adaptation to changes in the macroeconomic environment.

4. Directions for improving management efficiency

Many external, internal and human factors affect the effectiveness of management. However, the head of the enterprise (manager, manager, head of department, etc.) is responsible for the result of business management. Thus, it can be noted that increasing the efficiency of management is possible at the expense of the human factor, that is, managerial employees.

It is possible to influence the work efficiency of managerial employees, as well as employees of any other field of activity. Since the efficiency of the enterprise as a whole significantly depends on the efficiency of management, one of the main tasks of the management system is to determine the direction of its improvement. These include, in particular:

- promotion;

- ensuring an acceptable level of education;

- gaining practical experience;

- professional development of management employees;

- periodic certification.

Systematic promotion is an important incentive for the professional growth of a managerial employee and the development of his initiative. However, the manager must firmly know that it will depend on how he improves his business qualifications, how active he is at work. The promotion of a manager, specialist can be carried out in the form of:

- moving within the same job category and salary, but with an expansion of the performed functions;

- salary increase without promotion;

- his advancement up the ladder.

The first form of promotion is appropriate in working with young managers - the expansion of functions and powers is an incentive for the development of their activity and initiative. The second and third forms are acceptable for employees with work experience who are able to independently solve serious problems. When evaluating the importance of the promotion of a service manager, it should be taken into account that staying too long in one, especially low-level, position reduces his interest in work.

One of the factors that determine the efficiency of work in management is education. The higher education of managerial employees has a positive effect on their participation in invention and rationalization - an employee with a higher level of education makes a greater contribution to the improvement of the economy of his enterprise, accelerates scientific and technical progress and significantly uses its results in production. Some circumstances in the development of creative activity should be taken into account:

- innovation involves a certain degree of risk and associated costs;

- innovation should be morally and materially encouraged;

- excessive care affects the manager's initiative, especially when instructions and orders are set out in writing.

Managers need and have sufficient practical experience. Compliance with this condition, as well as the previous one, is achieved by painstaking activities of recruitment services and serves as a starting point in increasing the efficiency of managerial work. In order to maintain education and experience at an acceptable level and turn it into a constantly operating factor of increasing labor efficiency, it is necessary to systematically improve them. We are talking about the system of improving the qualifications of employees. Advanced training is aimed at improving and deepening the knowledge, abilities and skills of an employee in a specific activity.

Their periodic certification plays a stimulating role in increasing the efficiency of managers' work. The main purpose of certification is to reveal the abilities of one or another employee, to determine the degree of his remuneration. At the same time, the sense of responsibility is activated and encourages him to more fully use his abilities and achieve better results at work. Attestation makes it possible to more reasonably resolve issues regarding the promotion of employees by the service. Attestation should be carried out at least once every 3-5 years. On the basis of the characteristics, attestation letter and interview with the employee, the attestation commission gives one of the following evaluations of his activity: corresponds to the position held, corresponds to the position held on the condition of improvement of work and implementation of the recommendations of the commission with re-attestation after a year, does not correspond to the position held.

Increasing the efficiency of managerial work is not limited to the considered directions. The following factors also affect it:

- improvement of the production structure of the enterprise;

- rational organization of production and work, including management personnel;

- optimization of the organizational structure, forms and methods of management;

- improvement of communication processes, etc.

The first form of promotion is appropriate in working with young managers - the expansion of functions and powers is an incentive for the development of their activity and initiative. The second and third forms are acceptable for employees with work experience who are able to independently solve serious problems. When evaluating the importance of the promotion of a service manager, it should be taken into account that staying too long in one, especially low-level, position reduces his interest in work.

Control questions and tasks

Tests for self-control

1. Management efficiency is:

a) use of the best management methods;

b) number of services provided to the consumer;

c) the totality of its influence on the development of the enterprise, organization and the results of its activity.

2. The effect is:

a) relative demonstrative characterizing activity;

b) absolute demonstrative characterizing activity;

c) summary, result of activity.

3. Efficiency according to the formula is:

a) effect on costs;

b) profit on costs;

c) profit per effect.

4. The efficiency of capital investments is:

a) the effectiveness of production processes, the relationship between the results achieved in the production process and the resources used;

b) new technology in the field of communication, which is determined at the stage of their design and planning; .

c) is characterized by the result of the effect, by the subject of control, which is achieved due to its action on the object of control.

5. Production efficiency is:

a) the effectiveness of production processes, the relationship between the results achieved in the production process and the resources used;

b) a new technique in the field of communication, which is defined$_h$at the stage of their* design and planning;

c) characterized by the result of the effect - the subject of management, which is achieved due to its action on the object of management.

6. The target concept of management efficiency is:

a) the concept according to which the activity of the organization is aimed at achieving certain goals, and management efficiency characterizes the degree of achievement of the set goals;

b) the concept according to which both internal and external factors affect the results of the communication enterprise, and management efficiency characterizes the degree of adaptation of the communication enterprise to its external environment;

c) a concept according to which management is considered from the point of view of the organization of work and the functioning of management personnel, and the effectiveness of management characterizes the comparison of results and costs of the management system itself.

7. The system concept of management efficiency is:

a) the concept according to which the activity of the organization is aimed at achieving certain goals, and the effectiveness of management characterizes the degree of achievement of the set goals;

b) the concept according to which both internal and external factors affect the results of the communications enterprise, and management efficiency characterizes the degree of adaptation of the communications enterprise to its external environment;

c) a concept according to which management is considered from the point of view of work organization and functioning of management personnel, and the effectiveness of management characterizes the comparison of results and costs of the management system itself.

8. The functional concept of management efficiency is:

a) the concept according to which the activity of the organization is aimed at achieving certain goals, and management efficiency characterizes the degree of achievement of the set goals;

b) the concept according to which both internal and external factors affect the results of the communication enterprise, and management efficiency characterizes the degree of adaptation of the communication enterprise to its external environment;

c) a concept according to which management is considered from the point of view of the organization of work and the functioning of management personnel, and the effectiveness of management characterizes the comparison of results and costs of the management system itself.

9. An integrated approach to management efficiency assessment is based on:

a) assessment in the short-, medium- and long-term periods, for each of

which specific criteria for evaluating management efficiency can be determined;

b) construction of a synthetic (integral) indicator that covers several partial (not directly comparable) indicators of management efficiency.

10. Absolute economic efficiency characterizes:

a) economic advantages of one option over others in terms of rational use of resources and costs;

b) general effect (return) from the use of resources and costs;

c) the ratio of the total production result to the number of employees of the management apparatus.

Questions for self-control

1.The concept of efficiency and its definition.

2.Indicators used in evaluating the effectiveness of the management apparatus.

3.How is the regulatory apparatus of management characterized?

4. The concept of "absolute economic efficiency".

5. The concept of "comparative economic efficiency".

6. Management efficiency assessment indicators.

TOPIC XXX

RELEVANCE OF THE APPLICATION OF ECONOMIC MANAGEMENT METHODS IN THE ACTIVITIES OF ENTERPRISES

1. Essential understanding of enterprise management methods

Among a number of enterprise management methods, the need to apply an arsenal of methods that ensure the achievement of economic management goals is relevant. It is about the actual problem of researching economic methods of enterprise management.

The number of scientific works on the study of economic methods of management activity is quite significant. These are the works of such authors as: Afanasyev M.V., Horodnia T.A., Griffin R., Mazaraki A.A., Metz V.O., Shvab L.I. etc.

It is possible to put an organized system into action only through the influence of a governing body or person on it. For this, certain tools of influence are needed, which are used by managers to activate the initiative, creativity of the company's personnel and ensure the achievement of the set goals. Such tools are management methods.

Stadnyk V.V. and Johna M.A. give the following definition: "Management methods are methods of influencing individual employees and production teams in general with the aim of achieving specified goals."

According to the motivational characteristic, in domestic economic literature it is customary to divide management methods into three groups: economic, organizational-administrative, and social-psychological. Some authors also distinguish mathematical, ideological, legal and operational methods of management. However, in our opinion, such an extended classification of management methods is artificial, reflecting the authors' attempts to construct their own system of methods, as well as the specific historical conditions in which these systems were developed.

The relationship between needs, motives and management methods, where the main groups of methods are highlighted.

Management methods are not used in isolation, but in combination with each other. Therefore, managerial activity appears as the result of multidirectional methods and means of their implementation. At the same time, each group of methods has specific features, its own forms of manifestation and limits of application.

The main methods used in a market economy are economic means of influencing people.

That the main vocation of modern economic management methods is to ensure high efficiency of the organization's activities. In general, the material interests of human participation in production processes implement economic methods of management.

2. Economic methods of enterprise management

Economic management methods it is a system of economic levers and measures, which are used to influence managed objects in order to achieve the set goal and ensure the unity of the interests of society, the enterprise and individual employees.

These methods make it possible to influence the behavior of management objects at different levels - from the individual to the state. Thus, the state uses such levers as wage policy, taxes, loans, as well as a system of benefits, economic sanctions, etc. in relation to the enterprise. The enterprise, ensuring the unity of personal and collective interests, affects the production process with the help of planned indicators and associated with their implementation forms and systems of remuneration, bonuses or economic sanctions, additional material incentives, etc.

The effectiveness of economic methods depends not only on the validity of the system of levers, but also on the controlling efforts of the management entity. The application of economic methods is possible only under the conditions of compliance with the scheme.

Control efforts must be present at each stage. Yes, on *the first stage* evaluate the reality and attainability of the set goals; on *the second* – the effectiveness and constructiveness of economic levers (for example, the amount of tax can be reduced according to established benefits, if it is beneficial to the economic system as a whole); on *third* – timeliness and completeness of the analysis; on *the fourth* - compliance of the size of the economic incentive with the degree of achievement of the goal. Only under such conditions is a targeted influence on the behavior of the object of management ensured, without using direct administration.

It is necessary to emphasize that economic methods are oriented to the economic interests of people, both individual and collective.

As part of economic methods, two subgroups can be distinguished: methods of direct economic influence on employees and economic methods of indirect regulation of the organization's activities.

3. The influence of the state on the activities of business entities

With the help of economic methods, conditions are created that interest labor teams and individual employees in highly productive work and ensuring the efficiency of production and commercial activity.

It is logical that the system of economic management methods includes almost all the levers of the mechanism of market management (tariffs, prices, credit, financing, profit, salary, bonus, dividends, taxes, commercial calculation, etc.).

Types of economic regulators, with the help of which the regulatory influence of the state on business entities is carried out.

In terms of market relations, the following basic economic management methods are used:

- economic (commercial) calculation;
- financing;
- lending and subsidizing;
- taxation;
- regulation of prices and tariffs;
- economic benefits and sanctions;
- financial incentives for personnel, etc.

Traditionally, scientists include organizational and production planning, target complex programs, commercial calculation, and a system of internal economic regulators as part of the group of methods of direct economic influence on employees.

The second subgroup (economic methods of secondary regulation of the organization's activity) includes state-wide (sectoral) complex target programs and a system of state-wide, local and internal economic regulators of economic activity.

4. Planning as a direct method of enterprise management

The leading place belongs to the subgroup of direct economic management methods **planning**.

Planning in management is understood as a well-thought-out preparation of future activities, systematically oriented to the goals of the organization. Economic planning consists in the development of a system of indicators, which are the most important, determining indicators of economic activity. These indicators cover all areas of the organization's activity.

Planning, as a management method, is characterized by a number of specific features:

1. Target orientation, since each indicator indicates to the performers what results of activity it is desirable to achieve.

2. Specific targeting, since the planned task is always specifically addressed to some executor (employee, group of employees, team as a whole);

3. Time interval of action (year, quarter, month, decade or other time interval).

Plan and market are mutually exclusive categories, provided that at the state level, planning is not prescriptive, but stimulating in nature, and at the enterprise level, it covers all defining aspects of its activity. Today, planning, along with other management functions, has become necessary to ensure the viability of the enterprise.

A significant problem for scientists and practicing managers is the creation of a modern methodology for intra-production planning of economic activity.

The problem of program-target management arises in connection with the need to solve the most complex tasks of managing technological, organizational, and socio-economic systems. The specificity of these tasks lies in the fact that new goals arise in such systems, for which there are no mechanisms for achieving them. When using the method of a complex target program (abbreviated as KCP), the system of goals becomes the starting point of planning, and each significant problem corresponds to a planned program of its solution.

5. The role of programs in the socio-economic development of the enterprise

Comprehensive target program is a set of interrelated tasks and targeted measures of a social, economic, scientific, technical and organizational nature intended for planned implementation, united by a single goal and tied to certain deadlines.

Three groups of programs are used in management.

The first group – programs at the national economic level (social and economic programs, programs for the development of foreign economic relations, etc.).

The second group - these are programs at the sectoral and regional level, as well as interdisciplinary programs for individual objects (scientific and technical programs, programs for the implementation of large-scale research and development works, construction and commissioning of important enterprises and facilities, etc.).

The third group covers enterprise development programs, development and implementation of certain types of machines, technologies, equipment, devices, etc.

The structure of CCPs should correspond to their purpose, the role they perform in ensuring the overall efficiency of economic activity.

Each program should ideally display:

· The state of the problem, the main prerequisites for its software solution;

· The main goal of the program, its place in the general system of goals of the industry or enterprise;

· System of goals and main tasks of the program;

· Target indicators that reveal the final results of program implementation;

· Ways to achieve program goals, system of program activities;

· Organizational and executive structure;

· Data on the resources necessary for the implementation of the program and the time frame for its implementation;

· Evaluation of the effectiveness of program implementation results.

One of the types of program-target management in the practice of foreign entrepreneurship is **business planning**.

Today, business planning is successfully and widely used in the activities of business entities in Ukraine. In general, the essence of business planning comes down to working out a kind of document that covers all the main aspects of the enterprise: its production, commercial and social problems. This document is a business plan. A business plan is a carefully prepared document that reveals all aspects of any planned commercial event. It allows you to predict not only all measures for the implementation of a new idea, but also to determine the necessary financial support and the possibility of receiving income (profit). In practice, it can be considered a form of expert assessment of the feasibility and effectiveness of the implementation of an entrepreneurial idea.

6. Commercial calculation as a method of managing the company's activities

Commercial calculation can be used as a method of managing the enterprise as a whole (full commercial calculation) and as a method of managing its relatively independent structural production units (internal production or intra-firm commercial calculation).

On *full commercial settlement* there are enterprises with the rights of legal entities that have an independent balance sheet, open bank accounts, have the rights of independent economic activity, i.e. conclusion of agreements, contracts with any legal or physical entity as a subject of market economy. Full commercial calculation is used at enterprises, organizations and institutions of all forms of ownership: state, cooperative, private, mixed.

On *internal commercial settlement* medium and small production and economic units of enterprises and organizations work relatively independently in solving issues of production and economic activity. Relations with enterprises or organizations, of which they are a part, are based on a system of contracts containing mutual obligations of the organization or enterprise and

their constituent parts regarding the conduct of economic activity. Such structural units do not have the right to independent economic activity outside the enterprise or organization, however, it is possible to use the principles of intra-company entrepreneurship in their activities: internal accounts, pseudo-currency, etc.

Commercial calculation does not completely exclude the regulatory influence on the economic activity of economic entities by the state or higher management systems in relation to them. Such regulation is carried out not by voluntary influence on economic processes, but by the application of a system of economic regulators of economic activity.

External economic regulators are divided into national and local: taxes, credit conditions, economic benefits and sanctions, regulated prices, rent payments. The application of economic regulators causes an adequate reaction of the enterprise and its management subject, transforming into certain ways of influencing the workers, to use the positive circumstances of economic regulation, or to counteract the negative ones.

Among the economic regulators of economic activity applied by the state, they occupy the first place *taxes*. They are divided into direct and indirect.

It is an important regulator of economic activity *credit*. Lending of economic activity in Ukraine is currently carried out by the system of commercial banks at the expense of own and borrowed funds, including at the expense of received credit resources from the National Bank of Ukraine.

The state can also use such a lever of economic influence on economic activity as *regulated prices*. Price regulation can be carried out by establishing upper limits of prices for individual goods, fixed (firm) prices, marginal rates of production profitability, and the size of the trade mark-up for the marketing departments.

It is also a fairly effective regulator of economic activity *economic benefits*, which are established by the state regarding the payment of taxes, the order of settlements between the budget and enterprises, between enterprises of various branches of the national economy, etc.

The economic activity of organizations is also influenced by local authorities, applying the system *local regulators*. They include local taxes and fees and rent payments.

Local taxes and fees are paid for the use of infrastructure owned by local territorial communities.

Local authorities use differentiated for this *system of rent payments*, so that enterprises, which are in more favorable conditions compared to others, transfer surplus profits to local budgets.

In complex hierarchical systems, the activities of subordinate organizations are regulated by higher-level systems. *Internal system regulators* economic activity of sub-departmental enterprises is the centralized creation of a number of funds (for example, capital formation, personnel training, reserve, innovation, insurance, development of science and technology, etc.) and intra-economic deductions for system-wide goals and programs. The norms of deductions to these funds and for the implementation of system-wide programs are established by the relevant higher system management body.

The system of economic regulators of economic activity should be flexible and immediately respond to changes in the economic situation. Currently, a fairly wide arsenal of these regulators is used. In the future, under the conditions of a developed market, the number of such regulators will decrease, but the market does not foresee a complete abandonment of the economic regulation of economic processes.

The main methods used in a market economy are economic means of influencing people. Economic management methods are a system of economic levers and measures, which are used to influence managed objects in order to achieve the set goal and ensure the unity of the interests of society, the enterprise and individual employees.

There are two subgroups of economic methods: methods of direct economic influence on employees and economic methods of indirect regulation of the organization's activities.

The first subgroup of economic methods includes organizational and production planning, target complex programs, commercial calculation, and a system of internal economic regulators.

The second subgroup includes national (sectoral) comprehensive target programs and a system of national, local and internal economic regulators of economic activity.

The system of economic management methods includes almost all the levers of the mechanism of market management (tariffs, prices, credit, financing, profit, salary, bonus, dividends, taxes, commercial settlement, etc.).

In terms of market relations, the following basic economic methods of management are used: economic (commercial) calculation; financing; lending

and subsidizing; taxation; regulation of prices and tariffs; economic benefits and sanctions; financial incentives for personnel, etc.

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ЗБАРСКИЙ В.К., ТАЛАВЫРЯ Н.П. КОМПАНИЯ В РЫНОЧНОЙ СРЕДЕ. Учебник. 2023

В учебнике изложены ключевые организационно-управленческие и экономико-технологические вопросы становления и развития предприятия (фирмы) в период становления рынка в Украине. Дана характеристика наличия и использования факторов производства, производственных процессов, экономических и финансовых результатов, взаимоотношений с банками, финансовой, налоговой и таможенной системами. Кроме того, в пособии содержатся специальные разделы «Экономика предприятия. Предприятие в системе экономических отношений», «Потенциал предприятия (фирмы)» и «Экономическое управление предприятием (фирмой)». Систематически изложены учебно-методические материалы, необходимые для углубленного изучения экономики предприятия. Предлагаемая структура пособия поможет студентам лучше понять систему экономических показателей развития предприятия (фирмы), приобрести теоретические знания и определенные практические навыки в области менеджмента и маркетинга для применения в профессиональной деятельности при проведении экономических расчетов. Будет полезно всем, кто интересуется вопросами экономики предприятия (фирмы) в условиях рыночной экономики.

Ключевые слова: аккредитив, акция, аграрные отношения, бизнес-план, экономические интересы, экономическое развитие, инвестиции, инфраструктура, капитал, кредит, конкуренты, конкурентоспособность, концепция, конъюнктура, лизинг, менеджер, налог, предприятие, прибыль, рентабельность, ресурсы, риск, рынок, рыночная система, фактор, финансовые ресурсы, фирма.

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