

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE

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MASTER’S LEVEL QUALIFICATION PAPER

on the topic: «Management of financial flows at an enterprise with foreign investment»

Specialty 292 «International Economic Relations»

Student II course, group ME.m-91a.an

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Applied for a master's degree.

The qualification work of the master contains the results of own research. The use of ideas, results and texts of other authors have references to the relevant source.

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Sumy – 2020

SUMMARY

of Master's level degree qualification paper on the theme
«MANAGEMENT OF FINANCIAL FLOWS AT THE ENTERPRISE WITH
FOREIGN INVESTMENT»

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The content of the qualification work is presented on 28 pages, including a list of used sources of 26 titles, placed on 2 pages. The work contains 6 tables.

Key words: CASHFLOW, FINANCIAL FLOW, MANAGEMENT, ENTERPRISE, RISK MANAGEMENT, CAPITAL, ECONOMIC ACTIVITY

The purpose of this work is to analyze how the management of financial flows affect at the Ukrainian enterprise with a foreign investment, to consolidate theoretical bases of the implementation of effective system of financial flows management, management of capital, and risks management.

The object of the research: The object of the study is the financial flows as a key component of financial management at the enterprise with foreign investments. (on the example of JSC «TECHNOLOGIA»)

The subject of research: The subject of the study is theoretical bases and practical recommendations to implement effective system of financial flows management at the enterprise with foreign investments.

The purpose of this work is to analyze how the management of financial flows affect at the Ukrainian enterprise with an foreign investments, to consolidate theoretical bases of the implementation of effective system of financial flows management, management of capital, and risks management.

To achieve this goal, the following methods were used: theoretical and monographic analysis of essence of financial flows, and goals, objectives and methods

of financial flow management, statistical methods of general characteristics and financial indicators of ENTERPRISE ANALYSIS.

The information base of the qualification paper is scientific publications, monographs of foreign and Ukrainian economists, official websites of the JSC «TECHNOLOGIA», "TECHNOLOGIA Group" etc.

The main scientific results are as follows:

- 1) the author of the diploma work investigates the concepts "financial flow", "financial flow management" in terms of enterprise with foreign investment.
- 2) systematization of approaches to implementation of effective system of financial flows management, management of capital, and risks management.
- 3) profound analysis of the effectiveness of financial flows managing at the enterprise with an foreign investments.

The obtained results can be used by JSC «TECHNOLOGIA» during the formation of financial flows management and for attracting direct investment funds.

Year of qualification work – 2020.

Year of protection of work – 2020.

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
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«__» _____ 2020.

TASKS FOR MASTER'S LEVEL DEGREE QUALIFICATION PAPER

(specialty 292 "International Economic Relations")

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1. The theme of the paper: «Management of financial flows at the enterprise with foreign investment» approved by the order of the university from « 10 » November 2020 №1750-III

2. The term of completed paper submission by the student is «18» December 2020

3. The purpose of this work is to analyze how the management of financial flows affect at the Ukrainian enterprise with a foreign investment, to consolidate theoretical bases of the implementation of effective system of financial flows management, management of capital, and risks management.

4. The object of the research: The object of the study is the financial flows as a key component of financial management at the enterprise with foreign investments. (on the example of JSC «TECHNOLOGIA »)

5. The subject of research: The subject of the study is theoretical bases and practical recommendations to implement effective system of financial flows management at the enterprise with foreign investments.

6. The qualification paper is carried out on materials of the JSC «TECHNOLOGIA ».

7. Approximate master's level degree qualification paper plan, terms for submitting chapters to the research advisor and the content of tasks for the accomplished purpose are as follows:

Chapter 1 The concept of financial flows and financial flow management

Date of submission: November 20, 2020.

(title, the deadline for submission)

Chapter 1 deals with: Investigate the theoretical foundations of financial flows and financial flow management in enterprises.

Consider the essence of financial flows, and goals, objectives and methods of financial flow management.

Investigate the ensuring financial stability and profitability of a group of enterprises through financial flow management.

(the content of concrete tasks to the section to be performed by the student)

Chapter 2 Assessment of economic activity and financial flows management of the JSC "TECHNOLOGIA"

Date of submission: December 01, 2020.

(title, the deadline for submission)

Chapter 2 deals with: Analyses of general characteristics and financial indicators of JSC "TECHNOLOGIA".

Investigate the capital and financial risk management of the JSC "TECHNOLOGIA"

(the content of concrete tasks to the chapter to be performed by the student)

8. Supervision on work:

Chapter	Full name and position of the advisor	Date, signature	
		task issued by	task accepted by
1	Professor, Doctor of Economics Fedir Zhuravka		
2	Professor, Doctor of Economics Fedir Zhuravka		

9. Date of issue of the task: « 07 » November 2020

Research Advisor:

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The tasks have been received:

(signature)

Danyil Naumov
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INTRODUCTION

At the present stage of development of the Ukrainian economy, one of the most important problems facing domestic companies is the problem of an effective and flexible mechanism for managing financial flows. The presence of the required level of profitability of a company is not always a guarantee of its successful development in the modern conditions of the market economy of Ukraine.

Lack of sufficient working capital and effective management of financial flows lead to a deterioration in financial stability, a decrease in business activity, which, in turn, may become a prerequisite for a serious financial crisis of an economic entity. Efficient and rational management of cash flows and cash equivalents contributes to the achievement of financial stability, profitability and positive dynamics of the company's development. In a constantly changing economic situation, achieving this goal is impossible without the use of theoretical approaches and practical developments in the field of financial flow management.

The concept of financial flows originated in the United States in the mid-1950s, and the development of its main provisions belongs to foreign economists. As the concept of financial flows has emerged relatively recently, unified concepts related to financial flows have not yet been formulated. The indicators that characterize the company's financial flows and the factors that determine them are insufficiently substantiated. All of the abovementioned reduces the practical significance of existing methods of analysis the relations between economic indicators of the company. The need to adapt the process of financial flow management to modern conditions of the domestic economy, the need to study the financial flows of enterprises have determined the relevance of the choice of the topic of this qualification work and the direction of research. Among the foreign authors who have studied the management of financial flows of the company, we can highlight the following: L. Bernstein, J. Brigham, Van Horn, L. Gapensky, J. Depalyan, B. Kolas, C. Lee, D. Finnerty and others.

The study aims developing theoretical approaches and practical recommendations for improving the process of managing financial flows of enterprises with foreign investment. The research tasks as follows:

1. To consider scientific approaches to the content of the concept of financial flows.
2. To study the basic theoretical approaches to the content of management of financial flows of the economic entity.
3. To give organizational and economic characteristics of the object of study.
4. To analyze its management of financial flows;
5. To provide main directions for improving the management of financial flows of the analyzed enterprise.

1. THE CONCEPT OF FINANCIAL FLOWS AND FINANCIAL FLOW MANAGEMENT

1.1. The essence of financial flows

The current period of development of market relations in Ukraine is characterized by awareness of the important role of finance in ensuring economic growth and implementation of social policy. In this regard, various aspects of financial flow management that arise between the enterprise subjects of financial relations, are the objects of close attention. However, despite the active use of the term “financial flows” in the areas of public and private finance, at the moment there is no unambiguous perception of this term. All this requires a study of the essence of financial flows as a generalizing object of public financial management and determine the content of financial flow management at the enterprise level. The finances of the enterprise are a subsystem of state finances, which allows to apply to the first synthetic method of research (through the identification of the whole, part of which is the object under study). The study of finance as a tool and object of management should be based on an adequate perception of this fundamental, dialectical, ambiguous category.

In the domestic financial science in the interpretation of the essence, characteristics and functions of finance there are three main concepts: distributive, reproductive and economic and legal. As a result of the diversity of scientific views on the origin and functioning of finance, the concept of finance draws a different line between monetary and financial relations, as well as between monetary and financial resources (the concept of financial resources has no fixed definition, except for generalizing as a set of funds). Representatives of the distributive concept of finance believe that monetary relations are broader than financial, and define the content of financial transactions as the distribution and redistribution of the monetary form of value of the social product, national income. In the framework of the reproducible concept, monetary transactions actually coincide with financial ones, and financial resources coincide with cash.

The economic and legal concept refers to financial relations those monetary relations that are mediated by legal acts. In the process of studying different approaches to determining the nature of finance, it was noticed that supporters of different concepts of finance in one way or another note the paramount importance of the stage of distribution in the reproduction process and financial distribution function (for representatives of the distribution approach this fact is obvious).

M. Romanovsky, O. Vrublevskaya, B. Sabantui consider distribution to be the most important stage of the reproduction process, because at this stage the public interests and all their contradictions are most actively manifested. A.M. Babich, L.N. Pavlov noted that through the distribution of newly created value provides expanded reproduction and national needs, creating sources of funding for the public sector of the economy.

Finally, most importantly, the opportunities, rates and proportions of economic development, its structure, and hence the satisfaction of the needs of members of society depend on the proportions of the accumulation fund and the consumption fund formed as a result of the distribution of national income. That is, from the point of view of management, the importance of finance is that by regulating the distribution processes you can change the volume of production, economic growth and thus manage the economic and social development of the territory. Thus, guided by the opinion of the economic community and our own beliefs, we draw an important conclusion: the importance of finance as a tool and object of management of socio-economic processes ensures the distributive nature of financial relations.

Quite common identification of financial flows (movement of financial resources) with cash flows (cash flow) can be explained by conceptual differences in defining the boundaries of financial relations and the composition of financial resources. In addition, this is facilitated by the interpretation of financial flows in the field of financial management. In the domestic literature on financial management between financial and cash flows, there are almost no differences, the term “financial flows” is used to refer to cash flows (payments). For financial management – a management system for the financing of economic activities of the enterprise – the

main object of management is money turnover. Firstly, it reflects the dominance of the monetary economy in a market economy. Secondly, cash flow (an indicator that characterizes the result of cash flows of the enterprise for a certain period of time) reflects information about the actual solvency of the business entity required by the management of the enterprise, investors and creditors. Cash for settlements may be absent even in a formally profitable enterprise, maintaining the solvency of the enterprise is ensured by the competent management of its cash flows.

If we talk about the movement of financial resources of the economic entity as the movement of cash funds of special purpose, it is rather planned (“invisible”) processes, in contrast to cash flows, expressed in real cash flows in the accounts of the enterprise. This is the third reason for identifying financial and cash flows in financial management. In the system of public financial management, carried out in order to influence the socio-economic processes, financial resources should be understood as funds that participate in the distribution processes and the organization of trust funds. Accordingly, financial flows, in our opinion, are the movement of financial resources as a result of the primary distribution of value in the sphere of material production and further distribution, and redistribution between the spheres of tangible and intangible production, within each sphere, between social groups, including changes of territorial position. Since financial flows from their inception to the end of their existence mediate the processes of formation, distribution and use of funds, we share the position of identifying them as process financial flows.

Based on the factor of influence on economic behavior and financial relations of all participants in social production, the core of the process financial flows are budgetary financial flows. These include flows, the emergence of which is determined by decisions of public authorities and local governments. These are revenues from tax and non-tax revenues, inter-budget transfers (both received and provided) and expenditures of budget funds (except for the provision of inter-budget transfers allocated separately). Budget expenditures are due to the powers of public authorities and in general are either transfer payments (to the population, economic entities), or budget allocations for the provision of state or municipal services (which is a

redistribution of resources from private to public consumption), including for the purchase of necessary goods, works and services. Enterprise finance includes the finances of public authorities and local governments (the leading role among them belongs to the enterprise budget and local budgets), the finances of economic entities and the finances of the population (households) of the enterprise. The hierarchy of levels of corporate finance management consists of public authorities and local governments. In order to formulate the essence of the management of process financial flows of the enterprise, it is necessary to identify them.

In their work, *Principles of Corporate Finance*, Myers S. and Braille R. highlight the most pressing issues facing the specialist in the field of finance in the modern world. These are: budget planning and risk management in the analysis of investment projects, the choice of funding sources and the definition of short-term financial needs. Financial resources belonging to the sphere of distribution are an important element of reproduction and form the basis of the management system of material and cash flows of the enterprise. In turn, the cash flows of the enterprise is the movement (inflows and outflows of funds in current, foreign currency and other accounts and at the cash desk of the enterprise) in the course of its economic activity, collectively constituting its cash turnover. In this regard, the pace of strategic development and financial stability of the enterprise is largely determined by the extent to which cash inflows and outflows are synchronized with each other in time and volume and because the high level of such synchronization contributes to accelerated implementation of selected goals.

We propose to classify the process financial flows of the enterprise as “internal – external” in relation to the region as a whole and “incoming – outgoing” for each participant in financial relations. Internal financial flows are formed between the enterprise authorities (public authorities and local governments), the population of the enterprise and business entities located in the enterprise. External financial flows come from the external environment for the enterprise. The authorities and management of the enterprise in the figure are marked as “budget”, business entities are marked as “organizations”. For the budget, the main internal incoming financial flows are the

receipt of taxes and fees from organizations and the population of the enterprise. In addition, the budget receives non-tax payments in the form of income from the use of property in pre-enterprise or municipal ownership, income from the provision of paid state or municipal services, fines and other mandatory payments provided by law. In turn, the budget provides state support to economic entities by providing budget investments and subsidies, purchases goods, works, services for state or municipal needs, thus forming for themselves the internal output financial flows addressed to economic entities. enterprises. In relation to the population, the basis of the internal output financial flows of the budget are the budget funds of the enterprise, which are used for social benefits. This also includes the payment of wages to public sector employees.

In the budget system of Ukraine between the budgets of enterprises and local budgets there are financial relations and financial flows, which are both outgoing and incoming internal to the budget system of the enterprise. First of all, economic entities pay for the work of employees. After payment of wages and all mandatory payments to budgetary and extra budgetary funds, as well as income tax, some of the profits are distributed among shareholders in the form of dividends, these payments are the initial internal financial flows for businesses and are internal to the population. In the process of acquisition of material values, sales of products, services, economic entities enter into financial relations with each other, forming financial flows within the group, which form another loop, being outgoing and incoming internal flows for this group of participants in financial relations. The initial internal flow of the population towards organizations can include funds of citizens directed to economic entities in the order of investment, funds sent to financial and credit organizations, which then become the financial resources of economic entities and the budget.

We'll describe the external financial flows. For the budget, the main external financial flows are intergovernmental transfers from a higher budget or an equal budget. It is clear that all the above intergovernmental transfers with the opposite vector are the initial external financial flows for the budget. In addition, the initial external financial flow for the budget is formed by the purchase of goods, works,

services for state or municipal needs from foreign enterprises. The subjects of economic activity of the enterprise in the process of interaction with other economic entities outside the enterprise, form their incoming and outgoing external financial flows.

Payment of taxes by economic entities to the budget of the highest level, payment of wages to employees living in other regions replenishes external output financial flows institutions of the enterprise receive salaries from the budget - these are external incoming financial flows for the population. When going to work outside the company, the population receives wages from third-party organizations, it is also an incoming external financial flow. By analogy with the internal output of financial flows to organizations, the population can generate the same external output of financial flows for foreign enterprises. If the population independently, without the participation of the institution of tax agents pays taxes, which are credited to the higher budget, the result is also an external outflow of financial resources.

The purpose of managing process financial flows is to increase the volume of internal financial flows, which involves both the generation of new financial resources by the region and the excess of incoming financial flows over outgoing ones. This means, in essence, the ability of the economy to keep the enterprise on its territory, i.e. to include in the internal turnover of financial flows in the region, self-created financial resources and received from outside.

Separately, we say about the regulation of external financial flows of the enterprise. Based on the process financial flows of the enterprise described by us, the following conclusion can be made. For some external financial flows, the responsible authorities cannot influence the change in their volumes (to increase the volume of inputs and reduce the volume of output). Such financial flows include, for example, the receipt of grants from the region from the state budget or the transfer of taxes collected on the territory of the enterprise to the state budget. Of course, we consider a situation where the performance of socio-economic functions by enterprise authorities is positive. As a result, the management of process financial flows of the enterprise is an impact on internal financial flows in order to increase their volume

through the management of budgetary financial flows with the division of competencies at the levels of the budget system of the enterprise.

1.2 Goals, objectives and methods of financial flow management

The tasks of financial management include the company's external borrowing policy. Pursuing the goal of strategic sustainability and efficiency, companies seek to improve its structure by replacing current debt with long-term liabilities. The solution to this problem, as well as increasing the level of liquidity and financial autonomy can be ensured by implementing a policy of structural growth of the company, which should lead to increased sales and profits.

Consider the most important tasks that allow to manage processes at different stages of management of financial flows of the enterprise, which are:

- identification and implementation of reserves that reduce the company's dependence on external sources of funding;
- ensuring a full balance of positive and negative financial flows in time and volume;
- ensuring a closer relationship of financial flows by type of economic activity of the enterprise;
- improving the amount and quality of net cash flow generated by the economic activity of the enterprise.

The main objectives of optimizing company's financial flows are:

- ensuring the balance of financial flows;
- ensuring the synchronicity of the formation of financial flows over time;
- ensuring the growth of net financial flow of the enterprise.

The basis of financial flows of the firm is to ensure a balance of positive and negative types. The results of economic activity of the enterprise are negatively affected by both deficit and excess financial flow. The negative consequences of the deficit financial flow are manifested in a decrease in liquidity and solvency of the enterprise group, increase in overdue accounts payable to suppliers of raw materials,

increase in the share of overdue debt on financial loans, delays in payment of wages (with a corresponding decrease in productivity) cycle. The negative consequences of excess cash flow are the loss of real value of temporarily unused cash from inflation, loss of potential income from unused part of cash assets in the field of short-term investment, which ultimately also negatively affects the return on assets and equity. The methods of deficit financial flow depend on the nature of this deficit: short-term or long-term. Measures that accelerate the attraction of financing of the enterprise group depend on the method of financial flow, respectively, they are divided into measures in the short and long term. It is through measures that the nature of the cash flow method can be determined. The balance of the deficit financial flow in the short term is achieved by using a system of acceleration (slowdown) of payment turnover. The essence of this system is to develop organizational measures to accelerate the attraction of funds and slow down their payments.

Acceleration of fundraising in the short term can be achieved through the following measures:

- increasing the amount of price discounts for cash on products sold to buyers;
- providing partial or full prepayment for manufactured products that are in high demand in the market;
- reducing the terms of granting commodity (commercial) credit to buyers;
- accelerating the collection of overdue receivables;
- using of modern forms of refinancing receivables: promissory notes, factoring, forfeiting;
- accelerating the collection of payment documents of buyers of products (the time they are on the road, in the registration process, in the process of crediting money to the current account, etc.).

Slowing down payments in the short term can be achieved through the following measures:

- using of float to slow down the collection of own payment documents;
- increasing in agreement with suppliers of the terms of granting the company a commodity (commercial) loan;

- replacement of the acquisition of long-term assets that require recovery with their lease (leasing);
- restructuring the portfolio of received financial loans by converting their short-term types into long-term ones.

It should be noted that the system of accelerating (slowing down) payment turnover, solving the problem of balanced financing of deficit financial flow in the short term (and thus increasing the level of absolute solvency of the enterprise), creates certain problems of increasing deficit of this flow in subsequent periods. Therefore, in parallel with the use of the mechanism of this system, measures should be developed to ensure the balance of deficit cash flow in the long run. The growth of positive cash flow in the long run can be achieved through the following measures: ·

- attracting strategic investors in order to increase equity;
- additional issue of shares;
- attracting long-term financial loans;
- sale of part (or all) of financial investment instruments;
- sale (or lease) of unused types of fixed assets.

Methods of excessive financial flow of financing of the group of the enterprise are connected with maintenance of growth of its investment activity. In the system of these methods can be used:

- increasing in the volume of expanded reproduction of operating non-current assets;
- accelerating the period of development of real investment projects and the beginning of their implementation;
- implementing of pre-enterprise diversification of operating activities of the enterprise;
- active formation of the financial investment portfolio;
- early repayment of long-term financial loans.

In the system of financial flows of the enterprise an important place belongs to their balance over time. The process uses two main methods - alignment and synchronization. The equalization of financial flows is aimed at smoothing their

volumes in terms of individual intervals of the period. The results of the method of optimization of financial flows over time are estimated using the standard deviation or coefficient of variation, which in the process of optimization should be reduced.

1.3. Ensuring financial stability and profitability of a group of enterprises through financial flow management

In recent years, Ukrainian companies have sought not only to form a single integrated production chain, but also to consolidate financial flows, ensuring the optimization of intra-corporate relations. The basis of financial consolidation is a developed budget system focused on different time intervals and levels of government. Budget planning is based on the allocation of “cost centers” and profit centers (or “centers of financial responsibility”) in the company's management structure. The presence of such centers allows you to control all who pass through them financial flows. With such a structure of financial monitoring, large investment projects become the centers of financial responsibility and the related financial flows are included in the system of consolidated financial planning. Budgets drawn up in the company at all levels should be carefully monitored in the process of their implementation.

Key aspects of budgetary control in the company and its divisions are reduced to performance of the following functions:

1. The “area of responsibility” of each head should be defined.
2. In terms of costs, each manager must have a clear idea of which costs he/she can control and which cannot;
3. Deviations from plans for remedial action should be identified in a timely manner, the causes of these deviations must be carefully analyzed.
4. Analysis of cost fluctuations should also include any payments made outside the planned budget.
5. Appropriate measures should be taken on the basis of cost control.

In-house payment systems are a way to distribute costs throughout the organization. At the same time, they allow the distribution of "profit centers" of all overhead costs of the organization, including overhead costs of non-profit units. The system of internal calculations provides estimates of the company's internal costs with the same detail as external ones. This is a clear example of the relationship between domestic suppliers and customers. The company must develop a mechanism for transmitting information to discuss and coordinate all planned and already performed operations within the company. At the same time, managers claim the necessary costs, but put obstacles in the way of unproductive or unrealistic costs. When preparing a company's budget / plan, it is advisable to involve managers and specialists at various levels in this process. The advantages of involving managers at all levels are as follows:

- knowledge, initiative and experience of each manager are used;
- increases the self-esteem of the manager as a participant in the planning process;
- each manager observes how his specific functions are included in the general picture of activity;
- intensified interactions between units;
- lower-level managers become familiar with the organization's policies and objectives.

Management of financial flows of the company through consolidated financial policy allows companies to use transfer pricing methods that can reduce the tax burden of the company, optimize the ratio of non-cash and cash payments, create reserve financial funds, serve as a guarantor of sustainable development in severe external shocks caused by adverse conditions. In addition, consolidated financial policy brings structural order to financial flows through the introduction of a new system of consolidated accounting that meets the standards of Western practice and, therefore, more transparent and more suitable for investment decisions. In the same direction there is a centralized focus of companies on general indicators of profitability, self-financing, including profit and depreciation. This facilitates the maneuvering of

financial resources and contributes to successful crisis management, putting into action all the reserves that can be used in the context of consolidation of financial flows.

Management of financial flows involves a developed system of internal management accounting and auditing, including continuous monitoring of receivables and payables of structural units of the company and subsidiaries. Strategic management is primarily aimed at solving investment problems: the accumulation of profits and depreciation, the search for favorable conditions for raising equity and debt, the development of forms of project financing. The purpose of financial management is to ensure high return on equity and debt capital, which strengthens the company's competitive position in the oil and gas business. The core of financial transactions is the intensification of investment activity as the main lever that can bring the company on the trajectory of sustainable development. Intensification of investment activity is possible due to the formation of the optimal structure of internal and external sources of financing.

Companies assume that the size and structure of internal sources are a major factor in gaining and maintaining strategic resilience in a rapidly changing environment. Important in financial management is the optimization of the structure of ongoing projects, which is decided in the form of investment portfolio selection. The company must find a rational combination of fast-paying projects (mainly in the marketing sector) with long-term, but more profitable investment projects of a strategic nature. Successful management of financial flows is based on a single depreciation policy of the company, which allows you to upgrade the production apparatus on a new technological basis.

When managing financial flows, companies must use modern financial instruments, common in world practice. This will allow the company to form the best investment portfolio with the optimal combination of securities with complementary characteristics. Management of financial flows requires the disclosure of information necessary for investors in making decisions about the choice of investment areas and for the implementation of constant contacts of shareholders with the company's management. This includes regular measures to attract investors and support the share

price. The tasks of financial management, aimed at strategic settings, include the rationalization of financial flows on the basis of targeted asset management policy, which includes not only their modernization but also the acquisition of new assets through mergers with other companies or their acquisition, which can create a reliable "strategic» umbrellas "for the company. The very forms of acquisition of assets can be very different: repurchase of shares, cross-ownership of shares and their exchange, mergers, various mixed forms.

Obviously, the most important part of effective financial flow management is the identification and management of risks. Companies that successfully solve these problems have reason to expect an increase in market value and a balanced structure of tactical and strategic actions. Budget planning becomes a powerful tool for effective corporate governance if it is accompanied by constant and well-organized performance monitoring operations. Carrying out of such control is characterized by the following features:

- tracking the results of activities on budgets and plans is another aspect of monitoring the success of activities in comparison with the overall objectives;
- each unit constantly monitors its progress compared to plans, control over the implementation of tasks is carried out after certain periods of time, and, in addition, the principle of continuous monitoring is implemented in practice, also monitors the implementation of tasks to the group and individual employees;
- review of performance provides support to management and future-oriented, cases of non-fulfillment of tasks are carefully studied;
- the indicator of efficiency of management of each division and possibility of carrying out the comparative analysis is provided;
- it is ensured that each unit and group / individual employees go in a given direction, contributing to the goals of the entire organization;
- allows senior management to track the performance of the entire organization;
- allows managers and staff to track the achievements of groups and individual employees;

- can, if properly conducted, be used as a tool of motivation for departments, groups, individual employees.

Summarizing the first section, financial flows from the moment of their origin until the end of their existence mediate the processes of formation, distribution and use of funds. Based on the factor of influence on economic behavior and financial relations of all participants in social production, the core of the process financial flows are the budget financial flows of a group of enterprises. The first section discusses the mechanisms that allow to manage processes at different stages of managing the financial flows of a group of enterprises. Attention is also paid to the methods of deficit financial flow, which depend on the nature of this deficit, short-term or long-term.

2. ASSESSMENT OF ECONOMIC ACTIVITY AND FINANCIAL FLOWS MANAGEMENT OF THE JSC "TECHNOLOGIA"

2.1. General characteristics of the enterprise

With the rise of industry and trade to a higher level, in order for the product to have an attractive appearance, advertise itself and be able to retain its properties both during transportation and storage, the problem of packaging, packaging equipment and bright and quality labels became relevant. The packaging industry, which began to form in Ukraine as an industry more than 20 years ago, is now characterized by the following indicators: the volume of materials used for the production of containers and packaging is more than 6 million tons per year; more than 4,000 enterprises from various industries take part in the production of packaging products; packaging is used in almost all enterprises of the processing industry; in the food industry alone there are more than 25,000 such enterprises; the cost of packaging products of the manufacturing industry of Ukraine (taking into account the cost of transporting containers and packaging to the place of its use) is estimated by experts at approximately 12 - 14 million UAH. for a year. The production base of the packaging industry needs to be modernized as soon as possible. The degree of wear of equipment in the packaging industry is estimated as very high. More than half of the equipment is in operation from 10 to 30 years, 25% - more than 30 years. The share of mechanized lines in the operating equipment of the packaging industry of the food industry is about 8%.

It should be noted that in organizational terms, the packaging industry in Ukraine exists as an industry that has no legal status. There is a significant imbalance between the possibilities of packaging production and its raw materials and machine-building base. Border and tax policy often puts Ukrainian packaging producers at a disadvantage vis-à-vis its importers: ready-made packaging materials and products (usually made from Ukrainian raw materials) are more profitable to buy abroad, although Ukraine has competitive counterparts. The costs of Ukrainian enterprises for the packaging of their products today amount to more than UAH 90 billion. for a year.

According to experts, these costs increase annually by 12 - 15%. The growth rate of packaging needs in Ukraine today is almost twice the growth rate of gross domestic product. The needs, which are developing dynamically, are largely met by the active import of packaging materials and machines, as well as finished packaging.

Taking into account that the capacity of the Ukrainian packaging market is filled only by 30%, as well as the fact that Ukraine has significant resources (both primary and secondary) for the production of high quality packaging materials and products, it should be noted that investing in. The development of the packaging industry, including the processing of packaging waste, in Ukraine is becoming beneficial for entrepreneurs, in particular, and for the state as a whole. The main manufacturers of packaging materials and packaging on the market of Ukraine are “Tetra Pak” and PJSC “Ukrplastic”.

JSC “Technologia” was established in Sumy on March 17, 1992 and specializes in the production of sealing and packaging materials, production of printing plates and printing services. In 2004, foreign investment led to the creation of a joint Ukrainian-Polish enterprise and allows to significantly expand the range of products and production capacity.

At present, JSC “Technologia” has taken a strong leading position not only in the Ukrainian market but also abroad. The company's products are exported to 33 countries and cover four continents. During 2015-2017, it expanded its share in the foreign market by creating a "TECHNOLOGIA GROUP" which included subsidiaries TEO UK Packaging Limited, MUZEL LTD, and "TeoPack" LLC in the UK, Poland and Belarus, respectively.

In 2014, JSC “TECHNOLOGIA” together with Guala Pack S.p.A. (Italy) founded Gualapack Ukraine LLC, which manufactures packaging for baby food, food industry, animal feed, baby food packaging equipment and flexible packaging materials, and is part of the GualaPackGroup group of companies, which has 15 plants in 10 countries.

According to the principles of the enterprise, in conducting economic activity JSC “Technology” pays great attention to a comprehensive approach to the

implementation of customer projects. Currently, the company supports the full cycle of packaging production: from the design development stage to industrial production. Clear planning and automation of production processes provide the shortest time for the manufacture of high quality products. Also, one of the guiding principles is to pay attention to the high level of qualification of the company's employees, because motivated and qualified staff is the basis for the successful development of the company.

The main production areas of the company are now focused on the production of self-adhesive labels, poly laminate and heat-shrinkable caps, packaging for the pharmaceutical and food industries, packaging using modern technologies “BAG IN BOX” and “SUPER POUCH”.

The quality management system of JSC “TECHNOLOGIA” since 2005 is certified according to the international standards ISO 9001, ISO 9001: 2015, FSSC 22000, ISO 14001: 2015, ISO 45001: 2018.

2.2. Indicators of the financial state of the enterprise

JSC “TECHNOLOGIA” is one of the largest companies for the production of packaging materials in Ukraine and the only major taxpayer in this area in the Sumy region. Excluding the domestic market of packaging products, the company's products are successfully supplied to Poland, Belarus and the United Kingdom. And the products of consolidated enterprises are more focused on exports to countries such as Italy, China, Japan, Romania, USA, Costa Rica, Mexico, Brazil, Chile.

The company has a linear and functional management structure. This type of structures includes line managers (directors, department heads) and heads of functional units (planning, technical, financial departments, accounting). The company's financial indicators are handled by accounting, planning and economics departments, supply departments and sales and marketing departments. Accounting keeps records of economic objects and objects of the enterprise, keeps records of financial results of the organization. The planning and economic department establishes economic plans,

keeps records and analyzes the economic results of the enterprise. The main financial indicators of the company for 2018-2019 are used for the analysis of financial and economic activity.

Table 2.1. The main financial indicators of JSC “TECHNOLOGIA”

Income item	For the reporting period, UAH thousand (2019)	For the same period 2018, thousand UAH
Net income from sales of products (goods, works, services)	1 498 707	1 553 952
The cost of sold goods	1 166 494	1 127 383
Gross:		
Profit	332 213	426 569
Loss	-	-
Other operating income	6 938	8 549
Administrative expenses	43 805	47 302
Selling expenses	126 169	123 531
Other operating expenses	25 258	27 829
Financial results from operating activities:		
Profit	143 919	236 456
Loss	-	-
Income from equity participation	52 593	45 893
Other financial income	-	-
Other income	43 433	7 318
Financial expenses	27 183	26 205
Costs of equity participation	-	-
Other expenses	77	269
Financial results before tax:		
Profit	212 685	263 193
Loss	-	-
Net financial result:		
Profit	183 326	223 794
Loss	-	-

Given the financial indicators, we can see a decrease in gross and net profit by 22% compared to last year. This decline was caused by the unstable situation on world markets caused by the onset of the COVID-19 pandemic. This force majeure situation has led to a decline in the productivity of most of the world economy. However, the company did not suffer any losses in the reporting period, which indicates the high financial efficiency of the company.

Also, it is worth noting the acquisition of JSC "TECHNOLOGIA" in April 2019, the corporate rights of LLC "Ukrainian-Norwegian enterprise" Global-Harvest ". The company's share in UNP Global-Harvest LLC was 50%, which indicates a stable expansion of JSC " TECHNOLOGIA " at the expense of subsidiaries and associates. Currently, long-term financial investments are presented as follows (Table 2.2)

Table 2.2. Long-term financial investments, thousand UAH

Indicator	31 December 2019	31 December 2018
Investments in associates	288 038	244 079
Investments in subsidiaries	92 574	7 810
Other financial investments	4	4
Total	380 616	251 893

Shares in the capital of other enterprises are presented as follows (Table 2.3).

Table 2.3. Shares in the capital of other enterprises

Indicator	31 December 2019	31 December 2018
Subsidiaries:		
TEO UK PACKAGING LIMITED	70,00%	70,00%
MUZEL Sp .z.o.o.	80,00%	80,00%
JSC «SumyWood»	70,00%	55,00%
JSC «Ukrainian-Norwegian enterprise «GlobalHarvest»	50,00%	-
JSC «TeoPack»	65,00%	-
Associated companies:		
JSC «GualaPack Ukraine»	40,00%	40,00%
JSC «Agricultural Firm Turyanska»	30,00%	30,00%
JSC «Muzel»	24,00%	24,00%

JSC «Agricultural firm «Veles A»	20,00%	20,00%
JSC « SIYTI »	10,00%	10,00%
JSC Agricultural firm "Kosivshchynska "	10,00%	10,00%
JSC " Agricultural firm "Chervonosilska"	10,00%	10,00%
JSC Agricultural firm "Severinovskaya"	9,88%	9,88%

Given the above information, we can conclude that the company has a sufficient level of financial efficiency, and adheres to the strategy of sustainable development, expanding its capacity by increasing the share of subsidiaries and consolidated enterprises.

2.3. Capital and financial risk management of the JSC “TECHNOLOGIA”

The Company`s objectives in capital management are to enable the Company to continue to operate on a continuous basis for profit, as well as to maintain an optimal capital structure to reduce the cost of capital. The policy is to maintain a sufficient level of capital, as well as to maintain the confidence of investors, creditors and other market participants, as well as to ensure future development.

The company`s management seeks to maintain a balance between the level of borrowing and equity, analyzing the capital structure by the level of the leverage ratio. This ratio is calculated as the ratio of net debt to total capital. Net debt includes the amount of borrowed funds (including short-term and long-term bank loans, as shown in the statement of financial position) less cash, cash equivalents and short-term deposits. The total amount of capital is calculated by adding net debt to equity. There were no changes in capital management policy during the reporting period. The ratio of financial leverage has not changed significantly.

The key source of financing for the company is its own funds.

Table 2.4. Financial leverage ratio

Indicator	31 December 2019	31 December 2018
Bank loans	133 016	214 928
Other long-term liabilities	103 908	113 428
Minus: cash	(37 645)	(41 511)
Net debt	199 279	286 845
Total equity	1 290 242	1 109 050
Total capital (including net debt)	1 489 521	1 395 895
Financial leverage ratio	13%	21%

The main financial instruments of the enterprise are: long-term financial investments, long-term receivables, trade and other receivables, trade and other accounts payable, long-term and short-term bank loans, other long-term liabilities. The main purpose of financial instruments is to provide financing for the Company's activities. JSC "TECHNOLOGIA" has no operations with derivative financial instruments to manage interest rate and currency risks associated with its activities and financing. The main risks associated with the financial instruments of the enterprise are: credit risk, liquidity risk, market risk.

Liquidity risk.

The Company's task is to maintain a balance between the continuity of financing and its flexibility by using lending conditions provided mainly by suppliers and financial institutions. The Company analyzes its assets and liabilities by their terms and plans its liquidity, depending on the expected maturities of obligations under the relevant instruments. In case of insufficient or excessive liquidity, the Company redistributes resources to achieve optimal financing of its activities.

Table 2.5 presents an analysis of the financial liabilities of the enterprise, divided into groups according to the relevant maturities, based on the residual period at the reporting date to maturity under the contracts. The amounts disclosed in the table are undiscounted cash flows for the principal amount of debt and interest.

Table 2.5. Financial liabilities with maturity as of December 31, 2019

Indicator	Less than 1 year	From 1 to 5 years	Total
Bank loans	63 579	140 109	203 689
Other long-term liabilities	11 087	119 275	130 362
Trade accounts payable for goods, works and services	124 781	-	124 781
Other current commitments	78 142	-	78 142
Total	277 590	259 384	536 974

Market risk

Market risk is the possible effect on the financial performance of a JSC or on the value of financial instruments of fluctuations in market prices, such as interest rates and exchange rates. The purpose of market risk management is to control the level of market risk and ensure the optimal ratio of return and risk within acceptable parameters.

The risk of changes in interest rates

Interest rate risk arises on financial assets and floating rate liabilities that apply to them. The company is not exposed to the risk of changes in foreign exchange rates because the financial liabilities were borrowed at fixed interest rates.

Currency (exchange rate) risk

The Company is exposed to currency risk in sales, purchases and financing denominated in a currency other than the functional currency of the Company, which is the Ukrainian hryvnia. The currencies in which these transactions are denominated are the US dollar, the euro, the ruble, and the pound sterling. In order to hedge its exposure to currency risk, management tries to maintain a balance between the amounts of payments made in foreign currencies, including debt payments, and the amounts of foreign exchange earnings from export sales.

Table 2.6. Propensity to exchange rate risk as of December 31, 2019

Indicator	USD	EUR	RUR	GBP
Accounts receivable for products, goods, works, services	9 789	112 081	139 610	17 010
Money and their equivalents	333	34 096	1 908	-
Long-term bank credits	-	(109 935)	-	-
Other long-term liabilities	-	(52 844)	-	-
Trade accounts payable for goods, works and services	(28 914)	(73 565)	(419)	-
Other current commitments	-	(18 020)	(62)	(228)
Pure risk appetite	(18 792)	(108 187)	141 037	16 782

CONCLUSION

As a result of the study, it is necessary to draw the following conclusions: Financial activity is a system of using various forms and methods to financially ensure the functioning of an enterprise and achieve its goals, that is, it is a practical financial work that ensures the life of the enterprise, as well as improving its results. The main task of everyone in the market is to organize economic and financial activities in order to meet the needs of customers in their products and to obtain the greatest profit. One of the main roles in the company's activities is the management of financial flows.

In this thesis "financial flow" is defined as a set of time-distributed receipts and payments of funds generated as a result of its main, investment and financial activities for a certain period of time. Financial flow management is a system of actions for the implementation of organizational, strategic and tactical (operational) decisions aimed at ensuring the effectiveness of the processes of formation, distribution, use, redistribution and organization of financing turnover for the implementation of the main goal of companies' activities.

The packaging industry in Ukraine is just beginning its development. Despite the unstable situation in the world economy, the demand for packaging materials will grow in direct proportion to the growth of world production and consumption. Therefore, active investment in this industry is sure to bear fruit in the near future.

JSC "Technologia" from this point of view is a very attractive company for investment. Given the financial performance of the Company, critical problems with stability and profitability are not expected. Currently, the company is growing steadily and is steadily making a profit to shareholders. The expansion of the production base in the nearest EU countries will allow maintaining the necessary market share for a profitable existence. Focus on long-term customer relationships and high quality products will attract new investment due to the company's high reputation. Of the

possible options for attracting new investment and expanding markets, I can mention two points.

1. Expanding the range of products, through access to technology and development from EU countries, to strengthen the competitiveness of the enterprise in the domestic market of food packaging. Currently, the direct competitors of JSC “Technologia” in Ukraine are the international company “Tetra Pak” and LLC “ITAK”.
2. The company`s IPO, following the example of well-known Ukrainian companies such as Kernel and Astarta Holding on the Warsaw Stock Exchange. The IPO will attract additional capital inflows to the JSC, thus allowing to increase production capacity, open subsidiary offices in new European countries, attract new customers and increase sales levels. Increasing the share of foreign investment in the company will also increase financial stability, against the background of the devaluation of the domestic currency, will increase reserves and avoid risks in the future.

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Annex A

SUMMARY

Naumov D. L. Management of financial flows at the enterprise with foreign investment. - Master's level degree qualification thesis. Sumy State University, Sumy, 2020.

The paper examines the impact of financial flow management on the development and operation of Ukrainian enterprises with foreign investment. The analysis of financial flows and capital management was carried out on the basis of JSC "Technology". The analysis of a modern financial condition of the enterprise, and methods of management of finances, the capital and risks in carrying out economic activity of the enterprise is carried out. The main purpose of this study is to develop recommendations for improving the financial management system and attracting additional investment capital.

Key words: financial flow, management, enterprise, risk management, capital, economic activity of enterprise.

АНОТАЦІЯ

Наумов Д. Л. Управління фінансовими потоками на підприємстві з іноземними інвестиціями. - Кваліфікаційна магістерська робота. Сумський державний університет, Суми, 2020.

У роботі досліджено вплив управління фінансовими потоками на розвиток та функціонування українського підприємства з іноземними інвестиціями. Аналіз управління фінансовими потоками та капіталом здійснювався на базі підприємства АТ "Технологія". Проведений аналіз сучасного фінансового стану підприємства, та методи управління фінансами, капіталом та ризиками у проведенні господарської діяльності підприємства. Основною метою цього

Continuation of Annex A

дослідження є розробка рекомендацій щодо поліпшення системи управління фінансами та залучення додаткового інвестиційного капіталу.

Ключові слова: фінансовий потік, управління, підприємство, управління ризиками, капітал, господарська діяльність підприємства.