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НАЦІОНАЛЬНИЙ АВІАЦІЙНИЙ УНІВЕРСИТЕТ

Кафедра менеджменту зовнішньоекономічної  
діяльності підприємств

ДОПУСТИТИ ДО ЗАХИСТУ

Завідувач кафедри

Оксана КИРИЛЕНКО

“ ” 2023 р.

# КВАЛІФІКАЦІЙНА РОБОТА

(ПОЯСНЮВАЛЬНА ЗАПИСКА)

ВИПУСКНИКА ОСВІТНЬОГО СТУПЕНЮ

“МАГІСТР”

спеціальності 073 «Менеджмент»

ОПП «Менеджмент зовнішньоекономічної діяльності»

Тема: Фінансовий стан ТОВ “Кернел”, що здійснює ЗЕД: аналіз і методи оцінки

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Консультанти з розділів:

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Київ-2023

**MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE  
NATIONAL AVIATION UNIVERSITY  
FACULTY OF TRANSPORT, MANAGEMENT AND LOGISTICS  
Management of Foreign Economic Activity of Enterprises Department**

ALLOW TO THE DEFENSE

Head of the Department

\_\_\_\_\_ *Oksana KYRYLENKO*

“ \_\_\_\_\_ ” \_\_\_\_\_ 2023

# **QUALIFICATION WORK**

**(EXPLANATORY NOTE)**

**Topic: Financial state of Kernell LLC, which performs FEA: analysis and methods of assessment**

**Performed by: Tkachenko Oleksii Yuriyovich**

**Scientific adviser: Doctor of Economics, assoc. prof. Palyvoda Olena Mikhailyvna**

**Consultants for the parts:**

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\_\_\_\_\_ / *Stanislav SERYOGIN* /

*Kyiv-2023*

# NATIONAL AVIATION UNIVERSITY

Faculty FTML Department Management of Foreign Economic Activity of Enterprises

## Department

Educational level Master

Speciality: 073 "Management"

Educational Professional Program: "Management of Foreign Economic Activity"

**APPROVED**

Head of the Department

\_\_\_\_\_ Oksana KYRYLENKO

“ \_\_\_\_\_ ” \_\_\_\_\_ 2023

## TASK

to perform Qualification work by student

Tkachenko Oleksii Yuriyovich

(surname, name, patronymic)

1. Topic of qualification work: Financial state of Kernell LLC, which performs FEA: analysis and methods of assesment

approved by the Rector order of 12.09.2023, № 1768/cm

2. Deadline of qualification work: from "02" 10 2023 to "31" 12 2023

3. Initial data for qualification work: Financial and management reports of Kernel LLC; statute of Kernel LLC, data of the State Statistics Service of Ukraine, scientific works, Internet resources.

4. The content of the explanatory note (list of issues to be developed):

Required: to analyse the essence of the financial state of enterprise, features and methods of its assessment; to classify general characteristics of Kernel LLC, to make analysis of financial and economic indicators of this enterprise; to study the financial state of Kernel LLC; to propose methods for improving the financial state of Kernel LLC and assess the efficiency of proposed measures.

The list of mandatory graphic material:

Theoretical part: tables – 2, fig. – 8

Analytical and research part: tables – 8, fig. – 15

Project and advisory part: tables – 5, fig. – 11

## SCHEDULE

№	Stages of Qualification Work performing	Deadline of stages	Comment
1.	Collection and analysis of necessary information about Kernel LLC according to the topic of the Qualification Work	02/10/2023-08/10/2023	done
2.	Study and analysis of theoretical basis of financial state of enterprise	09/10/2023-15/10/2023	done
3.	Design of the references used in the analysis of methods of assessment of financial state of the enterprise	till 17/10/2023	done
4.	Preparation and presentation of the theoretical part	till 22/10/2023	done
5.	Preparation and execution of analytical and research part of the Qualification Work	till 02/11/2023	done
6.	Developing directions of optimizing financial state of Kernel LLC	till 18/11/2023	done
7.	Design of recommendatory part of the Qualification Work	till 25/11/2023	done
8.	The final design of the Qualification Work (contents, introduction, conclusions, appendices, etc.)	till 01/12/2023	done
9.	Report and presentation preparation	till 05/12/2023	done
10.	The signing of the necessary documents in the established order, preparing to defend the Qualification Work and preliminary Qualification Work defence on graduating department meeting	till 15/12/2023	done

Student \_\_\_\_\_(Oleksii TKACHENKO)

Scientific adviser of Qualification Work \_\_\_\_\_(Olena PALYVODA)

## **LIST OF SYMBOLS**

EBITDA – Earnings before Interest, Taxes, Depreciation and Amortization

EVA- Economic Value Added

EU – European Union

FEA – Foreign economic activity

FY – Financial year

GDP – Gross Domestic Product

LLC – Limited Liability Company

TNC- Transnational Corporation

UN – United Nations

WSE- Warsaw Stock Exchange

## АНОТАЦІЯ

Кваліфікаційна робота присвячена дослідженню фінансового стану ТОВ “Кернел”.

У вступі визначено актуальність обраної теми кваліфікаційної роботи, об’єкт, предмет, мету та завдання дослідження.

У першому розділі досліджено сутність та складові фінансового стану підприємства, визначено основні методи фінансового аналізу.

У другому розділі визначено основні характеристики ТОВ “Кернел”, що дають уявлення про його діяльність, проведено аналіз фінансово-економічних показників розвитку ТОВ “Кернел”, досліджено рівень економічного розвитку ТОВ “Кернел”.

У третьому розділі запропоновано напрями покращення економічного стану ТОВ “Кернел” та проведено оцінку ефективності запропонованих заходів.

У висновках зазначено основні результати дослідження та надано конкретні пропозиції щодо впровадження результатів кваліфікаційної роботи.

Ключові слова: фінансовий стан, покращення фінансового стану, зовнішньоекономічна діяльність, менеджмент зовнішньоекономічної діяльності.

## **ABSTRACT**

The qualification work is devoted to the study of the financial state of Kernel LLC.

The introduction defines the relevance of the chosen topic of the qualification work, the object, subject, purpose and objectives of the study.

The first part examines the essence and components of the financial state of the enterprise, identifies the main methods of financial analysis.

The second part identifies the main characteristics of Kernel LLC, which give an idea of its activities, analyses the financial and economic indicators of Kernel LLC development, and studies the level of economic development of Kernel LLC.

The third section proposes directions of improvement of the economic status of Kernel LLC and evaluates the effectiveness of the proposed measures.

The conclusions contain the main results of the study and specific proposals for the implementation of the results of the qualification work.

Keywords: financial condition, improvement of financial condition, foreign economic activity, management of foreign economic activity.

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## INTRODUCTION

In the context of martial law in Ukraine, economic and political instability, variability of micro- and macro-environmental factors affecting the company's activities, the need to ensure sustainable development of the business entity and its financial security is growing significantly.

Financial security management of an enterprise is a system of methods and measures aimed at developing and implementing management decisions related to ensuring the protection of its functioning. That is, the economic security of an enterprise is the state of the most efficient use of its resources to prevent financial risks and create conditions for the stable functioning of all its units.

The essence of strengthening the financial security of a company is to achieve the highest efficiency and stability of its operations, which is possible as a result of timely identification of these risks so that the company can successfully overcome them. Accordingly, it is necessary to constantly monitor the situation to stay ahead of them.

The reason for the financial insecurity of any enterprise is a large number of financial risks that accompany it throughout the entire period of its operation. Therefore, one of the main tasks of the system of ensuring the financial security of an enterprise is to protect its own financial interests from the influence of external and internal factors in order to ensure the efficiency of the enterprise.

*Relevance of the research* Today, one of the most significant factors affecting the financial security of an enterprise is a full-scale war in Ukraine, which causes a decline in the economy, unemployment, significant inflation, currency fluctuations, etc., and negatively affects, first of all, the profitability and solvency of the enterprise, which in turn reduces the level of its financial security. Therefore, in the context of martial law and economic instability, it is advisable and necessary to carry out special management of the financial state of the enterprise.

Every sector of Ukraine's economy has suffered losses as a result of the Russian Federation's aggression. According to government estimates, Ukraine will lose 33.2-33.5%

of GDP in 2022. Ukraine's agricultural sector is no exception, accounting for 33.5% of GDP in 2022. Ukraine's agricultural sector is no exception, as it has also suffered significant losses of human resources, crop and livestock products, premises and equipment, fuel and fertilisers. Therefore, it is necessary to study the processes taking place in the agricultural sector of Ukraine, determine financial losses during the hostilities, and find diversified ways to ensure the financial security of enterprises in this sector as soon as possible.

The essence of financial security of an enterprise has been studied in the works of many domestic and foreign scholars, such as Blakita G.V., Hanushchak T.L., Krasnokutska N.S., Kopteeva G.M., Grishchenko I.V., Grinchuk T.P., Melikhova T.O., Vysocina V.V. and others. Some researchers, including O. Mohylnyi, T. Ostashko, N. Verkhoglyadova, B. Moskvyn, and O. Gerasymova, have tried to determine the impact of martial law, introduced on 24 February 2022, on the economic activities of the enterprise.

*The purpose of the study.* The purpose of the qualification work is to assess the financial condition of an enterprise engaged in foreign economic activity under martial law and to develop practical recommendations for its improvement.

To achieve this goal, the following tasks need to be completed:

- to study the theoretical aspects of financial security of an enterprise;
- systematise methodological approaches to analysing the financial state of the enterprise;
- determine the methods of financial state analysis;
- Suggest ways to improve the financial state of the company;

*The object of the study* is the financial state of the enterprise performing foreign economic activity.

*The subject of the study* is a set of theoretical, methodical and applied aspects of financial analysis of Kernel LLC.

*Research methods.* To achieve the goal and solve the problems of the work, a wide range of tools and methods of scientific research were used: dialectical and abstract-logical

– in generalization of theoretical and methodical provisions of resource potential; economic and statistical – to analyze quantitative and qualitative indicators of the state and development of the resource potential; graphic – in the study of the dynamics and structural changes in the development of enterprises, in the reflection of the results of comparisons, etc.

## **PART 1. 1 THEORETICAL ASPECTS OF ASSESSMENT OF THE FINANCIAL STATE OF THE ENTERPRISE**

### **1.1 The economic essence of the financial state of the enterprise**

Since the beginning of the development of the country's market economy, the point of liability has been imposed on enterprises and other market participants. Inflationary processes, rather complicated organizational and legal conditions of functioning, reliability of counterparties, competition, risks, losses, energy stability, psychological factors, social and environmental factors - all of these affect the economic activity of enterprises. Therefore, the assessment of the financial condition of enterprises is quite important, both on the part of the enterprise and the public. Because, sustainable financial condition of enterprises determines the living standards of the population, its peace and harmony in society, and as a result of bankruptcy and unstable unemployment, low standard of living and social of life and society in general.

The study of the definition of "financial condition of an enterprise" was conducted using three approaches. These approaches are: detailed, performance and systemic.

According to the detailed approach, the financial position is considered as a structure of capital, assets and liabilities of an enterprise, their efficiency of use in in the process of financing its activities. This approach has one drawback - a narrow interpretation of the concept, which does not take into account the impact of exogenous and endogenous factors.

The performance approach presents financial position as a set of indicators that show the extent to which an entity can keep its under control its financial resources, while carrying out stable and and profitable business activities.

Financial condition in the systemic approach is defined as a complex concept in which all financial relations interact with each other, which contributes to credit and solvency of the enterprise. Information about the financial position of an entity is used by by many users. Examples of such users include participants in economic relations, i.e., business owners,

financial institutions investors, business partners, shareholders, insurance companies, the government, etc.

The subjects of using the analysis of the financial condition of the enterprise in a detailed approach will be banking institutions, as it is important for them to know how timely the object will fulfil its obligations.

Owners and management consider a performance-based approach. After all, they see the enterprise as a profit object and evaluate the results of activity, and only then make management decisions on them for the future expansion, growth and development of the enterprise. All other subjects of economic relations use a systematic approach to determining the approach to determining the financial position depending on the goals of the users of information. The financial condition of an enterprise is a complex concept that is the result of the interaction of all elements of the system of financial relations, and also represents a characteristic of the enterprise's activity in a certain period, which reflects financial resources of the enterprise, its competitiveness and ability to finance business activities.

The reasons for this interpretation are as follows:

1) Every enterprise or business entity in a market economy operates in a certain environment. This environment includes enterprises, suppliers of materials, consumers of products and services, competing firms, banks, and government and international organisations. All of these are elements of the system of financial and economic relations of the enterprise, and therefore occupies an important place in the financial condition of the enterprise in a certain period;

2) Enterprises that are financially stable are able to release financial resources and use them rationally, create cash funds, and establish close economic relations. It is this affects the characteristics of the enterprise, its availability, distribution and use of funds, competition and financing of activities.

The financial state is the most important indicator of a reliable reputation of a of the company, its development and position in the competitive environment. Financial state can

be divided into satisfactory and unsatisfactory. Fig. 1.1 shows the characteristics of the type of financial state according to the Regulation "On the Procedure for Analysing the Financial Condition of Enterprises Subject to Privatisation".

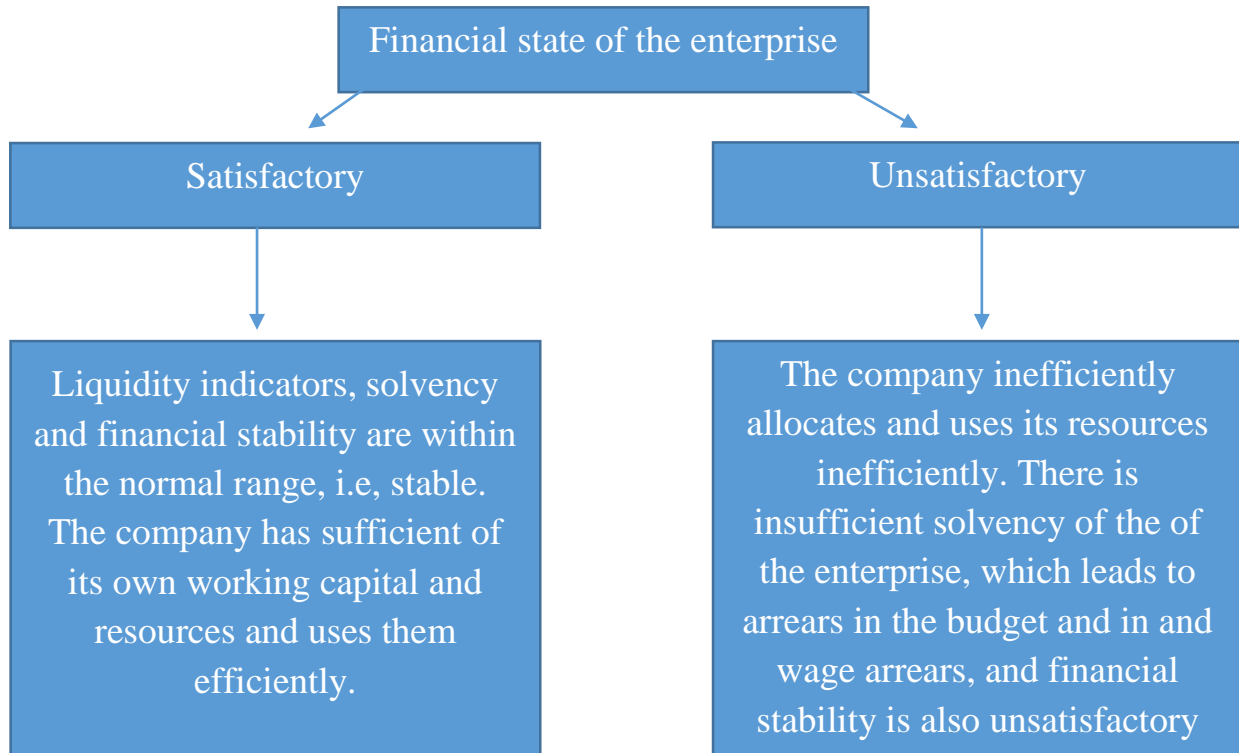


Fig.1.1” Characteristics of the type of financial state”

\* Source: compiled by the author

Thus, the correct definition of the essence of financial condition allows to improve the assessment of the real state of enterprises, taking into account the factors that factors that influence it[7].

The information base for assessing the financial condition of an enterprise is data from:

- balance sheet (Form №1);
- the income statement (form №2);
- cash flow statement (Form №3);
- equity statement (Form №4);
- statistical reporting data and operational data.

The information used to analyse the financial condition of enterprises can be divided into open and closed (secret) according to its availability. The information contained in accounting and statistical reports goes beyond the boundaries of the enterprise and is therefore public.

Each enterprise develops its own planned and forecast indicators, rules, regulations, tariffs and limits, a system for their evaluation and regulation of financial activities. This information constitutes a commercial secret. Under the current Ukrainian legislation, a company has the right to keep such information secret. The list of such information is determined by the head of the company.

All balance sheet and reporting indicators are interconnected. Their value for timely and qualitative assessment of the financial position of the company depends on their reliability and the date of the report.

In general, a balance sheet consists of assets and liabilities and shows how assets and liabilities are distributed over time and how assets are financed with equity and debt. From the point of view of financial analysis, there are three main requirements for financial statements.

It should make it possible:

- Assessment of the dynamics and prospects of the company's profit;
- Assessing the financial resources available to the company and the efficiency of their use;
- Making informed management decisions in the field of finance to implement the investment policy.

Financial analysis is a method of assessing and forecasting the financial position of an enterprise based on its accounting and financial statements and operational data. The income statement reflects the effectiveness (ineffectiveness) of the company's activities for a certain period. While the balance sheet reflects the financial position of the company as at a

particular date, the income statement provides a picture of the financial results for the relevant period (quarter, half-year, 9 months, year).

The income statement contains data on income (revenue) from the sale of products (goods, works, services); other operating income; financial results from operating activities (profit or loss); income from equity participation; other income and financial income; financial results from ordinary activities before taxation (profit or loss); extraordinary income or expenses; net profit or loss. Thus, compared to the previous reporting form, the company's revenue and profit indicators have been significantly expanded.

The financial statements of enterprises also contain other information on the state of the company's finances. Based on the analysis of the reported data, the main trends in the formation and use of the company's financial resources, the reasons for the changes, the strengths and weaknesses of the company and the reserves for improving the company's financial position in the future are identified.

It is impossible to overestimate the importance of complete and reliable information on the financial position and performance of an enterprise for solving current and future financial and business problems. In order to make proper financial management decisions at the enterprise level, it is necessary to use data that comply with certain rules, requirements and norms, and are understandable and acceptable to users. In particular, to compare financial results achieved in the previous and current reporting periods, only comparable relevant indicators should be used, i.e. those determined according to a single methodology using the same calculation bases, criteria and rules.

To this end, an entity must develop its financial accounting policies that are tailored to the needs of internal management. However, as a rule, in order to make effective management decisions, managers do not limit themselves to purely internal financial information, but compare it with the relevant indicators of similar enterprises, competitors or business partners. Therefore, there is a natural need to unify the requirements for financial information within the industry, region, and the entire economic system of the country.



The process of such unification is called accounting standardisation. Accounting standardisation is the process of developing and consistently applying uniform requirements, rules and principles to the recognition, measurement and presentation of certain accounting items in financial statements. General requirements to financial statements are set out in Accounting Regulation (Standard) 1 (hereinafter - "Accounting Regulation 1"), approved by Order of the Ministry of Finance of Ukraine No. 87 dated 31.03.99. This provision defines:

- the purpose of the financial statements;
- their composition;
- reporting period;
- qualitative characteristics and principles that should guide the the preparation of financial statements;
- - requirements for disclosures in financial statements.

Accounting Regulation 1 should be applied to the preparation and submission of financial statements by enterprises, organisations, institutions and other legal entities (hereinafter referred to as enterprises) of all forms of ownership (except banks and budgetary institutions). However, it does not address the rules for preparing consolidated financial statements. The basis of Accounting Regulation 1 is International Accounting Standard 1 (revised in 1997) issued by the International Accounting Standards Committee[2].

Financial statements are defined by Accounting Regulation 1 as accounting reports that reflect the financial position of an enterprise and the results of its operations for the reporting period. The purpose of such statements is to meet the general information needs of a wide range of users who rely on them as the main source of financial information. To make economic decisions, users of financial statements need information about an entity's financial position, performance and changes in financial position. These information needs have determined the composition of the financial statements. According to Accounting regulation 1, it includes:

- Balance;

- Income statement;
- Statement of cash flows;
- Statement of equity;

Other reports (board of directors' address to shareholders, management report, auditor's report, etc.) included in the company's accounts are not financial statements. The new reporting structure complies with International Accounting Standards.

The components of the financial statements reflect various aspects of business transactions and events for the reporting period, relevant information of the previous reporting period, disclosure of accounting policies and their changes, which makes it possible to retrospectively analyse the company's activities.

Table 1.1

## Components of financial statement

Components of financial statements	Contents	Use of information
Balance sheet	Availability of economic resources controlled by the entity at the balance sheet date	Assessment of the structure of the company's resources, their liquidity and solvency; forecasting future borrowing needs; assessment and forecasting of changes in economic resources that the company is likely to control in the future
Statement of financial results	Income, expenses and financial results of the company for the reporting period	Evaluation and forecast; profitability of the enterprise; structure of income and expenses

## Continuation of the table 1.1

Statement of equity	Changes in equity during the reporting period	Estimation and forecast of changes in equity
Statement of cash flows	Cash generation and use during the reporting period	Assessment and forecasting of the company's operating, investment and financial performance

Source: compiled by the author

The components of the financial statements, such as the balance sheet, income statement, statement of equity and statement of cash flows, consist of items that are grouped into the relevant sections. The forms, the list of financial statement items and their content are set out in Accounting regulation 2-5. However, an entity shall include information in a particular item of the relevant financial report only if: there is a probability of an increase or decrease in future economic benefits associated with the item; and the item can be measured reliably.

Financial statements must provide understandable, relevant, reliable and comparable information about the financial position, results of operations, cash flows, and changes in equity.

In order for financial statements to be understandable to users, Accounting Regulation 1 requires that they contain information about:

- enterprise;
- reporting date and reporting period;
- the reporting currency and its unit of measurement;
- relevant indicators (items) for the reporting and previous periods;
- the company's accounting policy and its changes;
- analytical information on financial statement reports;
- consolidation of financial statements;

- termination (liquidation) of certain types of activities;
- restrictions on asset ownership;
- participation in joint ventures;
- other information.

Financial statements are required to be prepared and made available to users within certain timeframes specified by applicable law. In case of excessive delays in the provision of reporting information, it may lose its relevance[4].

The financial statements are the basis not only for evaluating the results of the reporting period, but also for forecasting them. Thus, information on financial position and results is often used as a basis for forecasting future financial position. In preparing the financial statements, each entity is treated as a legal entity that is separate from its individual owners. Thus, the personal property and liabilities of owners should not be reflected in the financial statements of an enterprise. Therefore, the financial statements (in particular, the balance sheet) should only reflect the liabilities of the owners in respect of their contributions to the capital and the mandatory distribution of part of the income to the owners (in the form of interest, dividends, capital withdrawals, etc.). This principle is called the principle of enterprise autonomy.

Thus, if an entity's owner deposits its own funds with a bank to increase the entity's share capital, this transaction will be recognised in the financial statements. If the owner's goal is to earn interest on his or her own funds and use them for his or her own needs, such a business transaction will not affect the financial statements.

The financial statements are also prepared on the going concern basis, which is the recognition that the entity has neither the intention nor the need to liquidate or significantly reduce the scale of its operations (at least during the next reporting period). In other circumstances, if events after the balance sheet date indicate that the entity intends to cease its operations or that it is unable to continue, the entity may not use Accounting Regulation 1 as the basis for preparing its financial statements (paragraph 6 of Accounting Regulation 6).

In this case, the division of its assets and liabilities into non-current and current (long-term and short-term) loses its meaning.[5] In the process of liquidation, the company must cover all its liabilities (first to creditors, then to owners). Therefore, all assets become current and liabilities become short-term. The predominant valuation of balance sheet items at cost cannot be used, they must be revalued at market value. In effect, almost all principles of financial reporting for a going concern are cancelled. The principle of periodicity implies that an entity's activities are divided into certain periods of time (reporting periods) for the purpose of preparing financial statements.

According to Accounting Regulation 1, the reporting period is a calendar year. However, for a newly established company or a company in liquidation, the length of the reporting period may be different. Interim reporting (quarterly and monthly) is also required to be prepared on a cumulative basis from the beginning of the year. Assets, businesses (work in progress, finished goods, property, plant and equipment, intangible assets) will now be valued at production cost, including direct and production overheads.

The cost of acquired assets will include:

- purchase price;
- taxes, duties, fees (except for those that are subsequently refunded to the company);
- costs of their delivery, loading and unloading;
- costs of bringing assets to a condition suitable for use (sale);
- other costs directly attributable to the acquisition of these assets.

The accrual basis of accounting means that the results of business transactions are recognised when they occur (rather than when cash is received or paid) and are reported in the accounting and financial statements of the periods to which they relate. This provides users with information not only about past transactions involving the payment or receipt of cash, but also about future cash obligations and resources to be received in the future. Such information about past transactions is most useful for users to make economic decisions.

Accounting Regulation 1 states that the accrual principle should be applied simultaneously with the matching principle, according to which expenses are recognised in the income statement based on a direct relationship between them and the income received. To be reliable, the information in financial statements must be complete, taking into account its importance to the user and the costs associated with obtaining that information. Therefore, financial statements are not limited to the balance sheet, income statement, statements of equity and cash flows.[3]

It contains notes that provide information about the company's accounting policies and additional explanations to certain items in the financial statements. In addition, the notes disclose events of significance to the users of the financial statements that occurred after the balance sheet date. However, the information provided in them only marginally satisfies the needs of users for retrospective and prospective analysis of enterprises' activities in order to make forecast financial and economic decisions.

As for unforeseen events after the balance sheet, they previously did not affect the financial statements and were not disclosed in the explanatory note. Now, according to the newly adopted Accounting Standard 6, such events are divided into two groups and certain reporting items are adjusted or explained in the notes. In order to prepare the financial statements, management establishes accounting policies, i.e. selects accounting principles, methods and procedures that enable the fair presentation of the financial position and performance of the entity and enable comparability of the financial statements. Providing information to users about the accounting policies that an entity has consistently applied in the preparation of its financial statements, any changes in those policies, and the effect of those changes on the financial statements is a requirement of the consistency principle. Adherence to this principle is a prerequisite for comparability of financial statements. It enables users to identify differences in the accounting policies used by the entity itself or by different entities during different reporting periods.

Under Accounting Standard 1, an entity will have to disclose its accounting policies in the notes, describing the valuation principles and methods of accounting for certain reporting items. Now the company will have the right to choose and make these decisions independently.[4]

As for changes in accounting policies, Accounting Standard 6 states:

- when such changes are possible;
- which is not considered a change in accounting policy;
- how changes in accounting policies affect the financial statements;
- what notes should be provided in case of changes in accounting policies.

Uncertainty is inherent in a number of business transactions, such as the settlement of doubtful debts, determining the possible useful lives of property, plant and equipment, etc. Therefore, the principle of prudence should be applied when preparing reports so that assets or income are not overstated and liabilities or expenses are not understated. The substance of a transaction or other event may not always be the same as the legal form. For example, an entity may transfer an asset to another party in such a way that the entity retains the right to continue to use the future economic benefits embodied in the asset. In such circumstances, presenting the transaction as a sale would not be consistent with its substance. Therefore, management should give preference to the economic substance of business transactions over their legal form. The principle of a single monetary measure implies measuring and summarising all transactions of an entity in its financial statements.

In preparing financial statements, an entity should endeavour to reconcile all of the above principles so as to achieve the appropriate qualitative characteristics of financial statements. Comparing Accounting Standard 1 with the requirements of the Regulation on the Organisation of Accounting and Reporting in Ukraine, approved by the Cabinet of Ministers of Ukraine No. 250 (April 1993), as amended, and the Instruction on the Procedure for Completing Annual Financial Report Forms, approved by the Ministry of Finance of Ukraine No. 139 of 18 August 1995, as amended, we see that the differences between them

relate to both the composition of the financial statements and the methodological basis for their presentation.

The methodological differences between the previous instructions are primarily that: the qualitative characteristics of financial statements were considered from the perspective of a user of the reports, such as the state; the principles of going concern and substance over form were not used; the principles of accrual and matching of income and expenses, full disclosure, consistency, and prudence were used partially and inconsistently.

## **1.2 Evaluating the efficiency of use of financial resources**

Optimisation and improvement of the efficiency of financial resources and financial stability are correlated concepts, since the maximum achievement of economic performance in a particular area will depend on the quality of the enterprise's capital structure, and, accordingly, the state budget will receive better indicators. However, optimisation of financial resources is a rather complicated and at the same time important task that is solved in the process of managing the company's activities, but if this process is properly organised, the results will be implemented in the budget revenues of the company.

That is why I propose to focus on the factors that ensure the conditions for financing the growth of an enterprise. With this in mind, let's turn to the models of financial system organisation established in the world theory and practice. P. Milgram and D. Roberts, Economics, Organisation and Management, distinguish two models of financial system organisation:

1. Anglo-Saxon or stock market model, which is represented by the USA, the UK, Canada, Singapore, Hong Kong, and Malaysia. This model is characterised by a high level of stock market development, which leads to the presence of a significant number of companies whose shares are listed on the stock market, frequent changes of ownership ensure high liquidity of the securities market, which plays a major role in attracting additional funds for the enterprise. Therefore, in this model, a significant share of borrowed



funds is obtained by enterprises through the placement of long-term corporate bonds, the demand for which is generated by financial intermediaries.

2. Continental or bank-based, represented by Germany, France, Italy, Japan, Thailand, and South Korea. Direct bank lending is important for this model.

Since the early 1990s, the growth rate of borrowed capital has decreased as a result of the fact that previously accumulated debt obligations reduced the rate of investment in technology upgrades and new products, i.e. the level of competitiveness, and led to the reduction of activities and bankruptcy of the enterprise. A significant share of the company's own funds was formed as a result of the issue of securities. In the UK, the main source of companies' development was the reinvestment of profits as a desire to prevent the dilution of property, the growth of general expenses, which prompted the issue, and insurance of the risks of selling the securities. In France, as of the year-end, total borrowings amounted to 2/3 of total assets, as external financing was provided by bank loans, which were distributed between bond issues in a 3:1 ratio.[11]

The nationalisation of banks, which led to an increase in equity capital, contributed to the decline in lending. This resulted in a decrease in borrowed capital and bank capital. At that time, the issue of shares increased 6 times, but the buyers of shares were banks and mutual funds owned by the same banks.

In Germany, most of the external financing was provided through bank lending, but this process does not allow for equity capital growth, due to the limited liability of most firms for debt, and most share issues are placed through private placement. Funds were raised through the international financial market, and later through the issuance of convertible bonds, so that companies began to pay off their loans to banks and began to accumulate cash.

Since the 1990s, the clear distinction between the two financial systems has been blurred due to the active globalisation of economic development. The advantages of one system are offset by the disadvantages of the other and vice versa.

Ensuring Financial Growth of Enterprises: Analysis of International Experience and Optimisation in the National Economy", that the main factors influencing the choice of an external source of financing are the desire to ensure financial flexibility, credit rating, the required amount of profit flows and their stability, and long-term financial stability. In most cases, large companies are interested in maintaining a specific debt-to-equity ratio, as it is important for them to ensure a high investment credit rating and market attractiveness of the company's securities. When making a decision to raise additional funds through bonds, the priority factors are low cost, undervaluation of shares, and prevention of property dilution. Bank lending is not considered at all in this case, as it is not considered a significant source of long-term development.

As for Ukraine, it is worth noting that the domestic stock market today exists as a market for corporate control and does not serve as a source of financing, and is characterised by low liquidity and capacity. Therefore, bond loans, which are attractive in terms of cost and profitability for borrowers and lenders, are limited in use due to the lack of legal regulation of bonds, low confidence, lack of rights to use the securities market, high risks and high costs of placing and servicing them. These disadvantages lead to companies turning to lending.

At the moment, there is no single universal method of optimising financial resources, using which a multinational corporation would determine the optimal ratio between external and internal financial resources. It is impossible to determine a single effective structure, but it is possible to determine the most effective and rational ratio of indicators, which is calculated on the basis of factors of influence, risks and practical experience[12].

With this in mind, it is necessary to pay attention to the optimal proportions of debt and equity capital, as well as to attract the necessary amount of equity and debt capital to achieve the goal. Analysis of this ratio between equity and debt will help to create the necessary level of financial security of the company in the future, as well as to withstand

threats that will lead to financial losses, changes in the capital structure or liquidation of the company.

Therefore, it is worth paying attention to the formation of equity capital and various sources of attracted capital of large TNCs in the international market. The effective capital structure of such companies is a balanced ratio of borrowed and equity funds, which gives TNCs great advantages over other companies. TNCs use their equity capital rationally and this is the basis for the effective operation of the enterprise, observing the proportions of equity and debt capital, they maintain financial independence, support the market value and profitability of the enterprise.

International companies understand capital as free property from liabilities, which is a reserve that creates conditions for the company's development. Companies are financed by external and internal sources. Internal sources include profits and depreciation charges.

External sources of financing for TNCs are divided into short-term and long-term. This division of sources of capital financing is important from the point of view of the cost of attraction, since short-term resources are cheaper than long-term ones. This determines the directions of TNCs' management, which are primarily focused on the cost of capital.

Short-term sources include domestic loans - direct loans, back-to-back loans, parallel loans; non-bank borrowings and foreign loans - term loans, credit lines, revolving loans, bank overdrafts; and funding through euro-denominated financing instruments - euro notes, euro commercial paper[24].

The current economic situation in Ukraine creates a special range of problems of formation and use of financial resources of enterprises in terms of rational choice of sources of investment financing, determination of ways to form the structure of financial resources and assessment of the efficiency of their use. This necessitates a review and rethinking of the existing experience in the field of formation and optimisation of financial resources at enterprises of the real sector of the economy.

A systematic approach to management of financial resources of an enterprise requires building a model of formation of the optimal structure of their financing on the basis of business processes. Highlighting this problem as a crucial element of improving the efficiency of an enterprise's activities contributes to increasing competitiveness by building an effective policy of managing the financial resources of an enterprise, enhances financial stability, liquidity and solvency, and allows timely identification of the causes of deterioration of the financial condition in order to eliminate adverse effects.

The main objectives of managing the optimal structure of financial resources are to determine the limit of financial resources and compare them with the limitations in the long term, to increase the structure of financial resources in order to increase the success and efficiency of the enterprise development, to identify factors affecting the financial results and efficiency of the enterprise development[35].

One of the main objectives of enterprises in terms of efficient operation is to maintain sustainable production and stabilise financial performance. An enterprise that operates efficiently and is financially stable is characterised by the following features:

- high profitability (profitability that allows the company to develop effectively);
- high liquidity (the ability of an enterprise to cover its liabilities with its assets);
- high solvency (ability to meet obligations independently);
- high creditworthiness (the ability to repay loans by paying interest on them).

The main problems that lead to a decrease in financial stability can be identified, on the basis of which ways to improve the efficiency of the use of financial resources are built. One of the main problems is the lack of cash working capital. This shortcoming can be compensated for by the growth of the company's property, plant and equipment, which makes up a significant part of its assets.

However, the ability of enterprises to meet their cash needs through bank loans is hampered by their unstable financial position. However, the deterioration in the working capital of enterprises as a result of the decline in lending was one of the reasons for the

decline in their financial stability. It is important that the capital structure corresponds to the type of activity and requirements of the enterprise. Thus, for the efficient use of financial resources, it is necessary to calculate the condition of financial equilibrium, which creates a regulatory framework for the sustainability of the enterprise and its solvency, which does not allow the enterprise to increase borrowed funds and inefficiently use the already accumulated fixed assets. Thus, the ratio of borrowed funds to capital should be such as to ensure a satisfactory return on investment.

This equilibrium also imposes certain restrictions on the size of the company's liabilities to the budget, investors, employees, creditors, and banks. An enterprise must always adhere to this equilibrium if it wants to achieve financial sustainability.

The active support of the state is very important in solving the problems of ensuring the required level of financial stability. One of these areas is the creation of concessional lending programmes. Small businesses in particular need such support, as they often do not have enough of their own funds and find it difficult to obtain loans from banks.

Another important tool for improving the efficiency of financial resources is the management of fixed and intangible assets. To do this, you need to choose the most appropriate depreciation method.

It is also necessary to monitor the calculated ratios and, if necessary, adjust the company's activities. For example, the organisation should aim to reduce the financial risk ratio to a minimum level. To do this, it is necessary to reduce borrowed capital and increase equity. This will increase the coefficient of manoeuvrability and funding. In addition, financial dependence will decrease and the company's autonomy will increase. In order to increase solvency and liquidity indicators, it is also recommended to reduce borrowed capital, in particular, debt.

Thus, the main areas for improving the use of financial resources are: the ratio of borrowed funds to capital should be optimal to ensure a satisfactory return on investment; in

many cases, government support is required, for example, through preferential lending, and the choice of the most rational depreciation method.

The model is developed in the resource strategy, based on the composition of the necessary resources to achieve strategic goals. In the general scheme of the model presented in the figure, the external environment of the enterprise, which formulates the requirements for financial management, is shown on the left and right, and the internal environment, which ensures the fulfilment of the requirements for financial resource management, is located in the centre.

To assess the effectiveness of the use of financial resources, it is recommended to analyse the financial position, including indicators of financial stability, liquidity and profitability. In order to assess the rationality of the financial resources structure, it is recommended to build a cross-analysis matrix that identifies the most significant factors of the external and internal environment for the formation of the financial resources structure. The external environment is represented by the macro environment, micro environment and meso environment. The macro environment is the factors that the company's management cannot influence, but must take into account in order to make the right decisions in the area of the structure of the company's financial resources.[12]

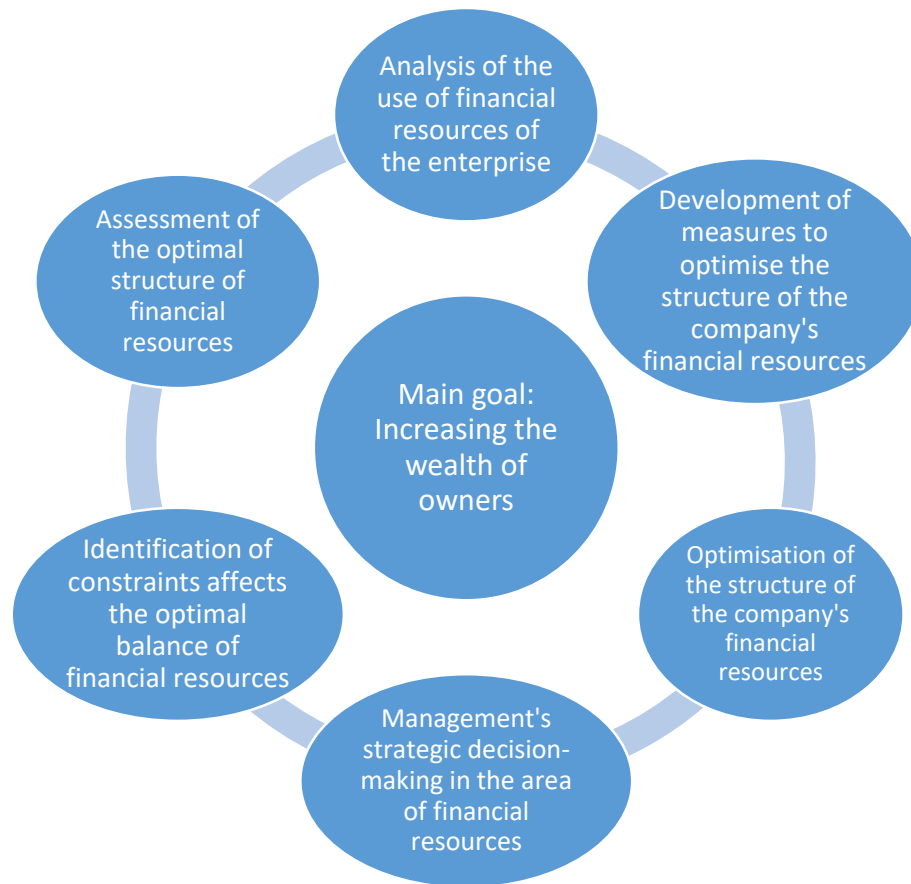


Figure 1.2 General model of formation of the optimal structure of financial resources of an enterprise

Source: compiled by the author

The macro environment includes the following key factors:

- financial;
- legal;
- technological
- socio-cultural;
- sectoral;
- the level of competition.

Accounting for the financial position of business entities helps to reduce the degree of influence of financial factors. The financial leverage differential can reach a negative

value when the cost of borrowed capital increases significantly, and borrowed capital will lead to a decrease in profitability and even loss.

Thus, when the cost of borrowed capital decreases, the efficiency of using long-term borrowed capital decreases sharply (unless the interest rate on loans is adjusted). Financial market conditions affect the cost of raising equity capital from external sources: investors' requirements increase with the growth of the interest rate.

The owner and management of the enterprise should influence the microenvironment (a set of factors) in order to establish and maintain the optimal structure of financial resources at the enterprise. Shareholder control is necessary because the issuance of shares dilutes the ownership interests of their holders. The company's dividend policy should be aimed at ensuring that the amount of reinvested funds meets investment needs and that investors' interests in receiving the expected return on investment are met.

The effective operation of any enterprise is impossible without attracting borrowed capital, which emphasises the importance of developing and managing the company's credit policy. Borrowed funds are needed to cover the part of investment needs that is not financed by own sources of financing, as well as to increase the efficiency of the company's capital use, taking into account the effects of financial leverage.

Internal factors are aimed at maintaining an optimal structure of financial resources. Regardless of the fact that most of the value drivers are uncontrollable, the company still has the opportunity to influence them indirectly. To assess the influence of factors on the optimal ratio of financial resources, it is necessary to conduct a questionnaire survey of the company's specialists. Thus, based on the survey of experts, it was found that the financial and legal factors, the taxation system, the availability of a credit rating, financial flexibility and the capital management strategy have the greatest impact on the optimal structure of financial resources. After identifying these factors, it is necessary to consider the impact of constraints on attracting funding sources and develop measures to reduce these constraints.



It is proposed to evaluate the optimality of the structure of financial resources by three criteria:

- maximising profitability;
- minimising the cost of financial resources;
- minimising the level of financial risks.

Optimisation according to the first criterion involves the development of financing options taking into account the return on equity and the effect of financial leverage.

When assessing the optimality of the structure of financial resources by the criterion of minimising the level of financial risks, it is necessary to determine the policy of managing current liabilities based on the indicator of own working capital. If the company's inventories are not covered by its own working capital together with long-term liabilities, such a policy will be considered aggressive, if the inventories are covered, then it is moderate, if only by its own working capital or close to it, then the policy of current liabilities management is conservative, i.e. with minimal financial risks.

The degree of validity of the current liabilities management policy can also be confirmed by calculating the effect of financial leverage. The process of optimising the structure of an enterprise's financial resources should be based on the following principles:

- The principle of comprehensiveness involves joint consideration and consideration of the factors influencing the financial performance of the enterprise and related changes;
- The principle of flexibility is to ensure that plans can be changed in response to unforeseen circumstances;
- The principle of purposefulness means that any transformation must have a clearly defined goal that determines the choice of solutions and the sequence of their development, and integrates activities in their most complex variants;

- The principle of systematicity involves the search and definition of connections, integrity, comparison of properties, finding the boundaries of the internal and external environment.

Table 1.2

Matrix of cross-analysis of factors influencing the process of optimising the structure of financial resources

Name of the factor		Necessary measures to reduce the impact of the factors
Macroenvironment	Financial factors	Accounting for the state of the financial market of business entities
	Legal/legislative factors	Availability of experienced lawyers
	Technological factors	Developed infrastructure
	Socio-cultural factors	Conducting an advertising campaign
	Industry dynamics	Business development
	Degree of competition	Developing your niche
Mesoenvironment	Regulatory framework	Tracking changes in legislation
	Taxation system	Optimising profits
Microenvironment	Control of shareholders	Determining the dividend policy
	Credit rating	High rating
	Financial flexibility	Access to various sources of funding
	Competitive position	Developing your niche
	Consumers	Capital growth
Internal environment	Capital management strategy	Choosing the optimal strategy
	Professionalism of managers	Improving your skills
	Degree of management automation	Use of modern infarction technologies

Source: compiled by the author

In the process of implementing the methodological approach under consideration, a number of stages are repeated, each of which is associated with overcoming one or more limitations and assessing the achieved structure of funding sources.

In this case, the company will either achieve the selected optimal ratio of own and borrowed funds or face general restrictions on the formation of financial resources, after which the process of forming the ratio of funding sources is completed and the strategy for the formation and management of financial resources based on the EVA model is developed.

The choice of this indicator is explained by the fact that it allows assessing the efficiency of both the enterprise as a whole and its individual units, combines simplicity of calculation and the ability to determine the value of the enterprise, and is an indicator of the quality of management decisions: a constant positive value of this indicator indicates an increase in the value of the enterprise, while a negative value indicates a decrease.

EVA is calculated based on the formula:

$$EVA = NOPAT - IC \times WACC$$

where, NOPAT - *net operating profit after tax*;

WACC - *the weighted average cost of capital*;

IC - *invested capital*.

Maximising EVA growth through effective asset management comes down to identifying the factors that make it possible:

- growth in operating profit (NOPAT);
- minimising the cost of capital used (with an optimal ratio of own and borrowed funds).

The purpose of building a strategy for the formation and management of financial resources based on the EVA model is to maximise the value of the enterprise through continuous growth of economic value added. And the way to manage value is to manage the factors that affect the value of the enterprise[31].

Managers must come to understand the ideology of EVA. Quite often, they focus on short-term objectives, such as increasing profits in the current period. At the same time, they do not monitor the efficiency of using the resources in which the fixed capital of the company's owners is invested.

It is necessary that the company's management is clearly aware of the fact that shareholder capital, which has a certain value, is used in operating activities. Its value should not be lower than the average market return. It is necessary to strive to ensure that in all cycles of business activity the return on invested capital is not less than the cost of its attraction.

In developing an optimal strategy for the formation of financial resources aimed at achieving the main strategic goals, i.e. maximising economic added value, it is necessary, first of all, to focus on those aspects of financial activity that can be managed by financial management in the long and short term.

### **1.3 Assessment of the financial state of the enterprise and its indicators**

This stage of the market economy development is characterized by unstable conditions for its development. Enterprises are affected by, as mentioned above: inflation, competition, and difficult organizational and legal conditions of their operation. For this reason, special attention is paid to the assessment and ways to improve the financial condition of enterprises. Most Ukrainian enterprises are characterised by unstable activities, in many cases due to inadequate capital structure and the need for working capital. inadequate capital structure and the need for working capital and investments. To eliminate such problems, an important factor is the assessment of the financial condition of the enterprise. Its study allows to identify the strengths and weaknesses and positions of the company, as well as its financial reserves. When assessing the financial condition of a company the efficiency of management of a business entity is increased and the negative impact of external and internal factors is reduced. The financial assessment analyses the financial viability of the enterprise, develops and implements measures to rapidly modernise solvency and financial stability, helps to find possible ways for economic activity and trends for the development of the enterprise, ensures profitability and production growth and makes management and management decisions. It characterises the entire economic activity of an enterprise, and therefore cannot be can be

carried out by only one indicator. The most important feature of evaluation is complexity, i.e., there are many indicators that form a certain complex, which can be used to examine in detail the state of the enterprise.

Another feature of the assessment of the financial state of an enterprise is cyclicity, because it examines the past activities of the enterprise, its current state and further future activities and their development. Thus, it can be concluded that the analysis and assessment of financial state is carried out for a certain number of years, the minimum number of which is number of which is not less than three, as well as by a set of economic categories shown in Fig. 1.3.

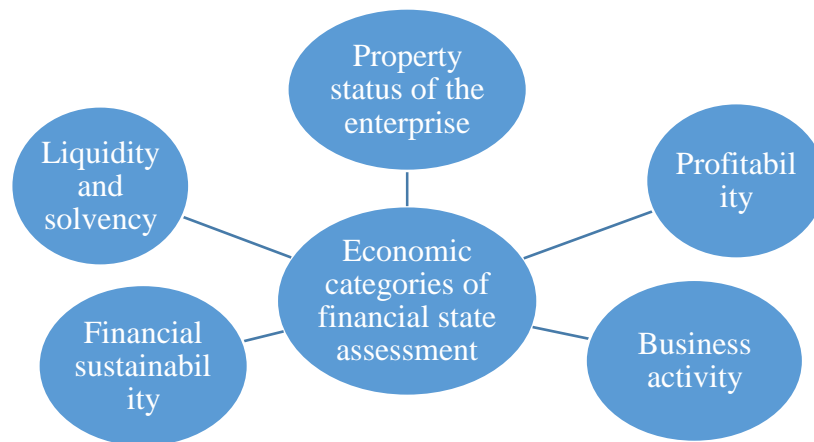


Figure 1.3 "Economic categories of financial state assessment"

\* Source: compiled by the author

The assessment of financial position is carried out sequentially, according to certain stages, namely:

1. The information provided in the financial statements is used to calculate the values of the indicators for all periods under review.
2. The obtained indicators are compared with normative values.
3. Analyse each coefficient obtained and draw conclusions, indicating the reasons for the change in the coefficient.

4. Determine the statistical characteristics of the change in the indicator.
5. Identify the factors influencing the value of the indicator for the reporting period.
6. After analysing each subsystem of indicators, taking into account conclusions, analytical notes are drawn up, which provide a detailed characteristics of the company's activities in each area of analysis.
7. Based on the indicators that have been studied, a certain scenario of measures to improve their condition is drawn up.
8. The assessment of the entire system of indicators is summarised, indicating a complete comprehensive description of the enterprise and its financial condition.

Each indicator of the economic category, 65 in total, has its own value for assessing the financial state of an enterprise. For example, property valuation indicators:

- The amount of the company's economic assets provides an estimate of the value of the assets on the company's balance sheet. If this indicator increases, the property potential of the enterprise increases;
- The share of the active part of fixed assets is machinery and equipment, vehicles. The growth of this indicator is a positive trend for the company;
- Depreciation ratio is the proportion of the cost of fixed assets without writing off expenses for subsequent periods. If this ratio increases, the condition of fixed assets deteriorates;
- The fixed assets renewal ratio shows the share of new fixed assets at the end of the reporting period in the existing ones;
- The disposal rate of property, plant and equipment describes the share of property, plant and equipment disposed of due to obsolescence at the end of the reporting year.

The next assessment indicators are liquidity and solvency indicators. At the moment, there are about 19 of them, but we will consider the most important ones:

- Current liquidity ratio (coverage ratio) shows how much current assets are accounted for per UAH 1 of current liabilities. A company can operate successfully only when its current assets exceed its current liabilities;
- Quick ratio predicts the company's ability to pay if settlements with debtors are made on time. It shows whether the company is solvent in the period of the average receivables turnover;
- Absolute liquidity ratio shows how quickly cash and cash equivalents can meet short-term liabilities.

Let's consider the financial sustainability of the enterprise. It characterises the ability to operate effectively in the long term, which means maintaining an optimal ratio of own and borrowed resources that will maximise profits and ensure the well-being of the company's owners and employees.

Table 1.3

## Types of financial sustainability of an enterprise

Types of financial sustainability	Economic justification
Absolute financial stability	Own working capital fully ensures the formation of stocks and expenses
Normal financial stability	Inventories and expenses are covered by the sum of own working capital and long-term borrowings
Pre-crisis financial state	Inventories and expenses are covered by the sum of own working capital and long-term and short-term borrowings
Crisis financial state	Inventories and expenses are not covered by the sources of their formation and the company is on the verge of bankruptcy

Source: compiled by the author

Business activity indicators include:

- The invested capital turnover ratio is a reflection of the number of complete production and turnover cycles that took place in the analysed period or how many monetary units were generated from each unit of assets;
- The equity turnover ratio shows the extent to which the company's activities are financed by its own capital;
- Accounts receivable turnover ratio is an indicator that reflects how much of the sales revenue in a period is covered by the average balance of debt rights;
- Accounts payable turnover ratio determines how quickly settlements with suppliers and creditors for inventory are made;
- Inventory turnover ratio shows how many times inventories were replenished during the year. If this indicator tends to grow, the structure of current assets improves and the financial stability of the company increases;
- Fixed assets turnover ratio or asset efficiency reveals whether fixed assets are being used efficiently.

Profitability indicators determine the ratio of an enterprise's income and profit to the cost of funds or property as a percentage. return on assets ratio. The main indicators are:

- return on assets ratio;
- return on equity ratio;
- profitability ratio;
- product profitability ratio.

Table 1.4

#### Profitability indicators

Return on assets	It is defined as the ratio of net profit to the average annual value of all assets, i.e. shows how much profit falls on UAH 1 of assets, characterises the efficiency of enterprise asset management
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## Continuation of the table 1.4

Return on equity ratio	Calculated as the ratio of net profit to the average annual value of equity, it shows the amount of profit received per UAH of equity
Profitability ratio	Characterises the amount of profit received by the company from each UAH of product sales, calculated as the ratio of gross profit to net sales revenue
Product profitability ratio	It is calculated as the ratio of gross profit from sales to the cost of production and shows how much profit the company received per 1 UAH of expenses incurred
Net profitability	Calculated as the ratio of the company's net profit to the average annual value of the company's property

Source: compiled by the author

### 1.4 Methods and techniques of financial analysis

The content and main objective of financial analysis is to assess the financial position and identifying opportunities to improve the efficiency of the entity's functioning through a rational financial policy. This goal is achieved by using the method inherent in this science.[24]

The method of financial analysis is a system of theoretical and cognitive categories, scientific tools and regulatory principles of research financial activities of business entities, i.e. the triad:

$$M = [K, I, P],$$

Where  $K$  is a system of categories;

$I$  - scientific tools;

$P$  - system of regulatory principles.

The first two elements describe the static component of the method, and the last element describes its dynamics.

The categories of financial analysis are the most general, key concepts of this science. They include: factor, model, rate, interest, discount, option, cash flow, risk, leverage, etc. Scientific instruments (apparatus) of financial analysis is a set of general scientific and specifically scientific methods of studying the financial activities of business entities. The general principles of financial analysis are as follows: consistency; comprehensiveness; comparison of indicators; use of scientific tools; systematicity.

Comparison of indicators is a way to study the dynamics of financial indicators. Comparison allows you to assess any financial indicator for the actual (reporting) period in relation to the base period or another company or a set of companies.

The main element of the method of any science is its scientific apparatus. At present, it is almost impossible to separate the techniques and methods of any science as inherent to it exclusively - there is an interpenetration of scientific tools from different sciences. Financial analysis may also use various methods originally developed within the framework of a particular economic science. In financial analysis, methods of economic research methods are used in financial analysis, the classification of which is shown in the figure 1.3

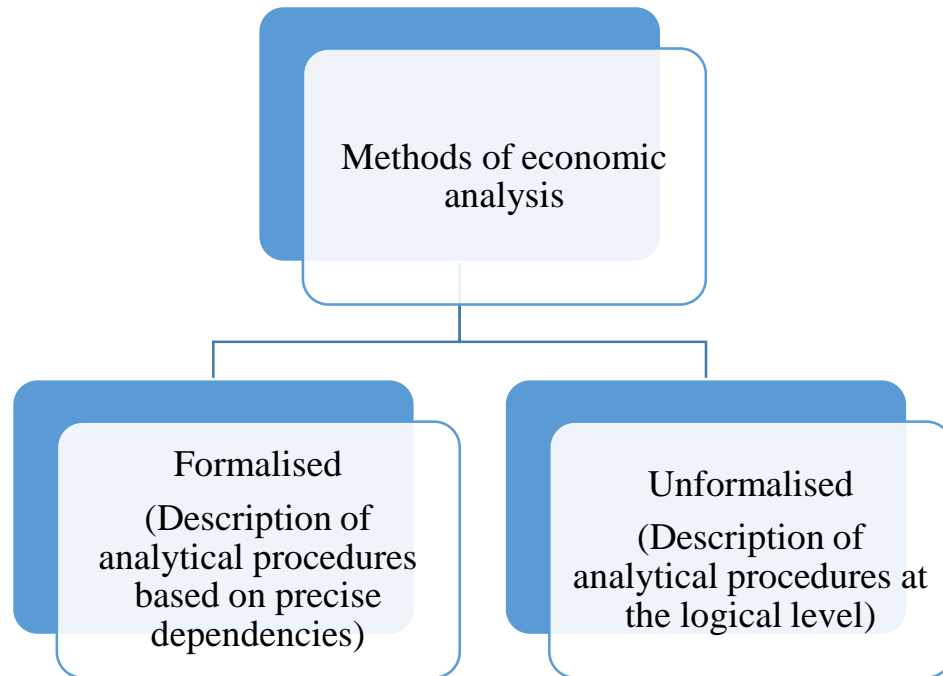


Fig. 1.4 Classification of economic analysis methods

\* Source: compiled by the author

Methods of economic analysis are divided into formal and informal. Formalised methods include the following:

- Classical methods of business and financial analysis - chain substitution, arithmetic differences, balance sheet, percentage numbers, differential, logarithmic, integral, simple and compound interest, discounting.
- Traditional methods of economic statistics - averages and relative values, grouping, graphical, index, elementary methods of processing indicators in dynamics.
- Methods of mathematical statistics for studying relationships - correlation, regression, discriminant, variance, factor, covariance, etc.
- Econometric methods - matrix, inter-industry balance theory.
- Methods of economic cybernetics and optimal programming - system analysis, linear, nonlinear, dynamic programming, etc.

Informal methods (description of analytical procedures at the logical level) are well known and require no comment. Informal methods include include methods of expert

assessment, simulation modelling, comparison, systems of indicators, analytical tables. Informal methods of analysis are based on the description of analytical procedures at the logical level rather than on rigid analytical relationships and dependencies[37].

The method of financial analysis is a systematic, comprehensive, interconnected study, processing and use of financial information in order to identify and mobilise reserves for better use of financial resources and establish the optimal structure of their sources. The characteristic features of the financial analysis method are use of a system of indicators that comprehensively characterise the company's activities, study of the causes of changes in these indicators, identification and measurement of the relationship between them in order to improve efficiency.

Financial analysis is carried out using various models that allow us to structure and identify the relationships between key indicators. There are three main types of models:

Descriptive models (of a descriptive nature) are the main ones for assessing the financial condition of an enterprise. They include:

- Building a system of balance sheets; presenting financial statements in various analytical sections;
- Vertical and horizontal analysis of reporting;
- Trend analysis; analysis of relative indicators and ratios;
- Comparative analysis;
- System of analytical coefficients.

Descriptive models are based on the use of accounting information.

Predictive models are models of a predictive nature. They are used to forecast a company's income and expenses and its future financial position. The most common ones are:

- Calculating the critical sales volume (break-even) point;
- Preparation of forecast financial statements;
- Dynamic analysis models;

- Models of situational analysis.

Normative models are models that make it possible to compare the actual results of the company's operations with the normative ones. These models are mainly used in internal financial analysis. their essence is to set standards for each cost item for the relevant technological processes, types of products and to find out the reasons for deviations from these standards.[14]

Financial analysis is a way of assessing the financial position of an enterprise in the future on the basis of its accounting and financial statements and operational data. The traditional practice of analysing the financial position of an enterprise has developed certain techniques and methods for its implementation. There are six main methods of analysis, which are presented in Table 1.5.

Table 1.5

Methods of analysing the financial state of an enterprise

Horizontal analysis	Comparing each reporting item with the the previous period
Vertical analysis	Determining the structure of financial indicators with an assessment of the impact of various factors on the final result.
Trend analysis	Comparing each reporting item with a number of previous periods and determining the trend, i.e. the main trend in the dynamics of indicators, cleared of the influence of individual characteristics of certain periods.
Analysis of relative indicators	Calculating the relationship between individual items of the report or items of different reporting forms, determining the interrelationships of indicators. Financial ratios are the starting point for the subsequent factor analysis of the company's financial condition.

## Continuation of the table 1.5

Comparative analysis	Intra-enterprise analysis of consolidated reporting indicators by individual indicators of the enterprise and its subsidiaries (branches), as well as inter-enterprise analysis of the company's indicators in comparison with those of competitors or with industry and average indicators
Factor analysis	Determination of the influence of individual factors on the resultant indicator of deterministic (separated in time) or stochastic (not in a certain order) research methods

Source: compiled by the author

In the process of financial analysis, traditional methods of economic statistics, as well as mathematical and statistical methods, are widely used. Among the traditional statistical methods and techniques used for analytical processing, the most common ones include: the use of absolute and relative values; the use of averages; comparison and grouping; construction of dynamics series; balance sheet method; index method.

The use of types, techniques and methods of financial analysis for specific purposes of studying the financial condition of an enterprise in the aggregate constitutes the methodology and methodology of analysis. Summarizing the possibilities of applying methods and techniques of financial analysis, it should be noted that the scientific apparatus of financial analysis is a set of general scientific tools to study the efficiency of business entities. The principles of financial analysis that regulate the procedural aspects of its methodology and techniques include systematicity, comprehensiveness, regularity, consistency, and objectivity.[23]

## PART 2. ANALYSIS OF THE FINANCIAL STATE OF THE ENTERPRISE

### 2.1 General description of financial and economic activities of Kernel LLC

Kernel LLC is a diversified agricultural company, the world's leading and Ukraine's largest producer and exporter of sunflower oil, a key supplier of agricultural products from the Black Sea region to the world markets. The company exports its products to more than 60 countries.

Since November 2007, the shares of KERNEL LLC have been traded on the Warsaw Stock Exchange (WSE). In 2015, KERNEL LLC entered the TOP-10 most technologically advanced agricultural holdings in the world.

Table 2.1

#### History of Kernel LLC

Year	Event
1995	Starts trading Ukrainian agricultural products with international traders. Acquisition of the first grain elevators, which become key assets for grain logistics
2002	Kernel Trade LLC acquires the first oil production plant in Ukraine, located in Poltava. It is developing elevator capacities.
2004	Acquisition of the “Shchedryi Dar” sunflower oil brand (bottled sunflower oil) and an oil processing and extraction plant in eastern Ukraine
2008	The company acquires the second largest port terminal in the Black Sea port and increases exports of grain produced in Ukraine. The amount of leased land increases to 80 thousand hectares.
2010	Kernel LLC acquires the assets of a competitor, Allseeds, and launches a new multi-grain plant in northern Ukraine.

## Continuation of the table 2.1

2017	Expands its operations by acquiring the assets of the Ukrainian Agrarian Investments holding and Agro Invest Ukraine. The land area of Kernel LLC exceeds 600 thousand hectares. The international rating agency Fitch assigned a credit rating of "B+" to the company's securities, and S&P assigned a credit rating of "B+".
2018	In 2018-2019, Kernel exported 6.1 million tonnes of grain for the first time. This is an absolute record for the company and Ukraine.
2023	The company is planning to build a new transshipment multimodal terminal, Reni Terminal Development, on a leased plot in the port of Reni on the Danube River by the end of the year. The company will be able to receive 2,000 tonnes of grain cargo per day and store about 7,700 tonnes at the same time.

Source: compiled by the author

Kernel-Trade LLC meets modern management standards, having a clearly defined strategy, vision, mission and values. The agricultural company has identified three key sections of values: financial stability, strong business reputation, and a professional leadership team. Management guidelines were developed for each section:

- Strategic system management - this principle ensures the transition from quantitative to qualitative growth. Strategy and goals are cascaded down to the operational level, and their implementation is transformed into the daily work of managers.
- Synergy of business integration - the business segments are closely linked by strategic unity and alignment of goals, and their mutual integration creates additional value and has a favourable impact on the overall financial result.
- Effective asset management - every employee is responsible for the rational, efficient use and protection of the company's resources.



- Changes and innovations - Kernel is flexible in decision-making: changes are perceived as new opportunities for development. The company improves the quality of its assets, builds modern technological enterprises, improves processes, and trains its staff using modern methods.
- Transparency and honesty. Kernel LLC is a public company. Transparency and honesty are the key to success in relations with colleagues, shareholders, investors and partners for the company.
- Responsible Leadership - The company promotes the development of the agricultural sector, shapes the business culture of doing national business; responds to partner requests in a timely manner, is responsible for its obligations, and fulfils the terms of contracts.
- Compliance with laws and regulations - Kernel-Trade LLC complies with applicable laws and international legal standards. The company respects corporate values and guidelines, and acts in accordance with internal policies and procedures.
- Sustainable development and social responsibility - The owners are building the company with a long-term perspective, so sustainable development is considered one of the main principles of the business.
- Partnership and unity of purpose. Kernel LLC is a professional team of like-minded people that drives the company, a global leader in agribusiness, forward. Each employee demonstrates the right model of behaviour and teamwork.
- Mutual respect and trust. This principle means understanding and acceptance of the company's vision, values and guiding principles.
- Developing people's potential. Thanks to the right strategy, dynamic growth and a balanced HR policy, every employee of the company has the opportunity to acquire new knowledge and realise their ambitions and potential.

The company's business model consists of seven segments, as shown in Figure 2.1.

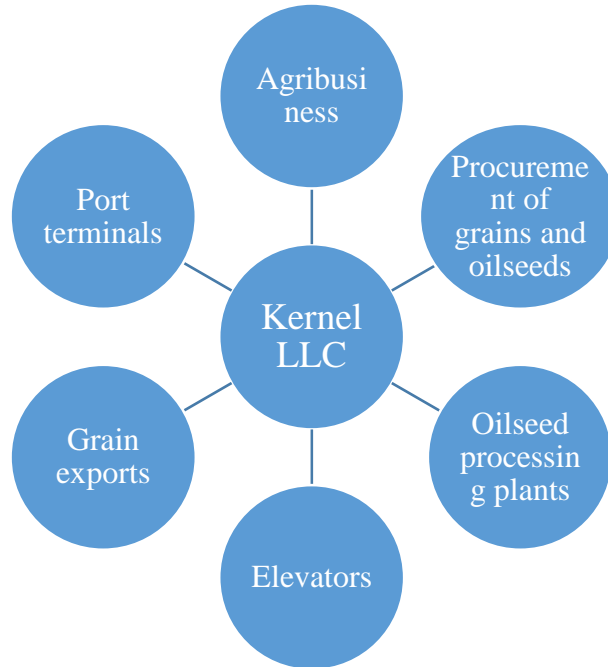


Fig. 2.1 Business model of Kernel LLC

\* Source: compiled by the author

**Agribusiness.** Kernel LLC cultivates about 560 thousand hectares of black soil in Ukraine. Its strategic crops are corn, wheat, sunflower and soybeans. The company implements a wide range of innovative solutions in production: GPS-controlled soil sampling and agrochemical soil analysis, weather monitoring, the use of drones and quadcopters, satellite monitoring of field conditions, agricultural dispatching, yield mapping, etc.

**Procurement of grains and oilseeds.** Kernel has the largest and most efficient grain and oilseeds procurement network in the region. The company cooperates with more than five thousand agricultural producers on the basis of strategic partnership. The company knows each of its partners, takes into account their needs and offers unique integrated solutions.

**Elevators.** The company's network of elevators ensures timely logistics of the harvested crops and purchased goods, as well as provides high-quality grain storage services to our partners - agricultural producers. The company invests in the development of its elevator infrastructure.

**Oilseed processing plants.** Kernel's plants are state-of-the-art facilities capable of processing several oilseeds. High-tech equipment and European standards of quality management, labour protection and environmental protection ensure that production meets the best international practices. Total processing capacity is 3.5 million tonnes of sunflower seeds per year.

**Export of oil.** Kernel, the world's leading and Ukraine's largest producer and exporter of sunflower oil. The company supplies its products to more than 60 countries, demonstrating a high level of fulfilment of export contracts.

**Grain exports.** Kernel is a reliable link between thousands of grain producers in the Black Sea region and international markets. It exports over 5 million tonnes of corn, wheat, soybeans, rapeseed and barley. Around 80% of its products are exported to the Middle East, North Africa, and the European Union, with the remaining 20% going to East Asia and Southern Africa.

**Port terminals.** The port terminals have a transshipment capacity of 6.5 million tonnes of grain and meal per year. Efficient reception and shipment, modern elevator facilities and a deep-water berth allow us to load Panamax vessels of up to 80,000 tonnes.

Agricultural production is concentrated in the central and western regions of Ukraine. Regions of operation: Ternopil, Odesa, Mykolaiv, Kirovohrad, Cherkasy, Poltava, Sumy, Chernihiv, Kharkiv, and Dnipro, Khmelnytsky regions that are part of the clusters: "Druzhba-Nova, Kharkiv, Prydniprovskiy, Poltava-South, Central, and Western.[11]

Table 2.2

Distribution of agricultural production of Kernel LLC

Cluster	Region	Locaiton
Western	Ternopil, Khmelnytskyi	c. Khmelnytskyi
Central	Vinnytsia, Mykolaiv, Odesa	c. Uman, Cherkasy region

Continuation of the table 2.2

Prydniprovsky	Cherkasy, part of Poltava region	c. Zolotonosha, Cherkasy region.
"Poltava-Pivden"	Poltava	c. Poltava
"Druzhba-Nova"	Chernihiv, Sumy	Varva village, Chernihiv region
Kharkivskyi	Kharkiv region	c. Lozova, Kharkiv region

Source: compiled by the author

The main crops are corn, soybeans, wheat and sunflower. Cereals account for about 60% of the company's acreage, with the remainder allocated to oilseeds and fodder crops.

Trademarks owned by Kernel LLC: "Shchedryi Dar", "STOZHAR", "Chumak", "QLIO", "MARINADO", "Le Blanc", "KERNEL", "Premi".

Kernel is characterised by the organisational structure shown in Figure 2.2.

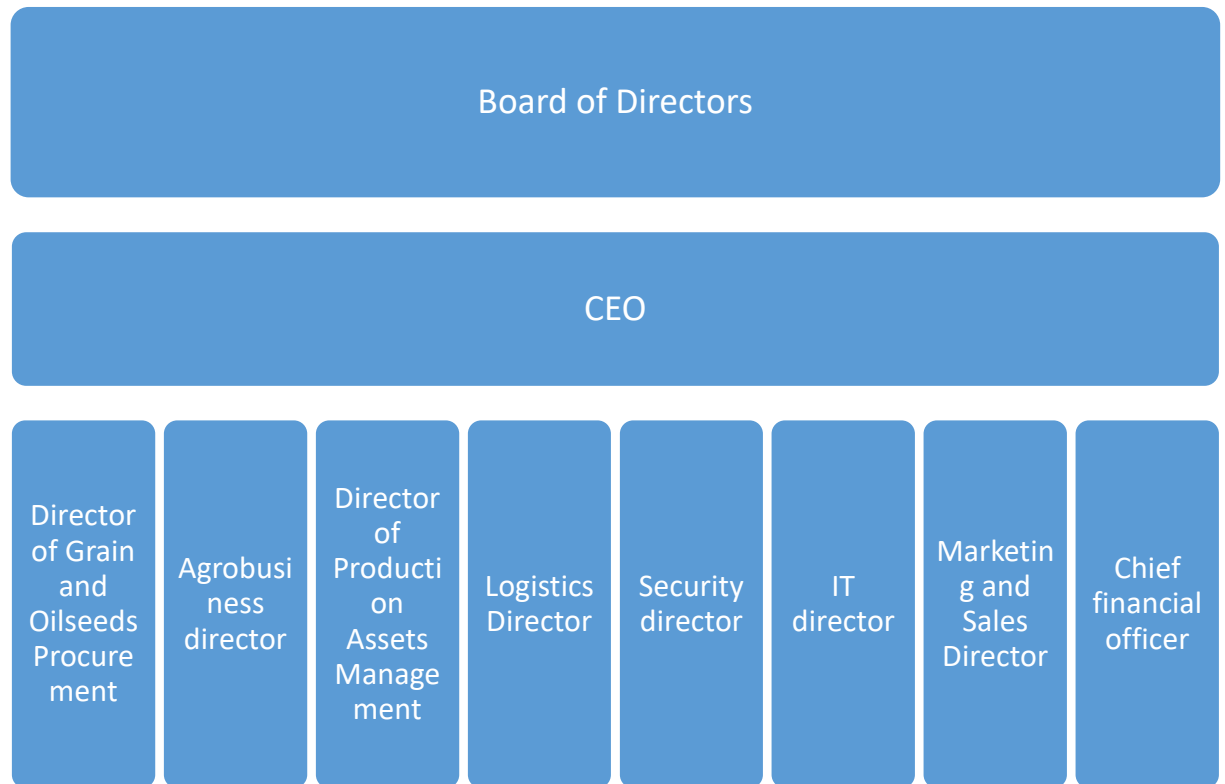


Fig. 2.2 Organizational structure of Kernel Trade LLC

\* Source: compiled by the author

An interesting feature of Kernel is that production stocks are accumulated and distributed to oil extraction plants by the management company, and the latter in turn provide tolling services for the company.

Let's look at the technological process of oil production at Kernel's plants. Refined sunflower oil is produced by extraction at the oil extraction plant. The essence of this method is the extraction of oil with an extractant (solvent) using special machines - extractors. This results in the production of lard (a solution of oil in a solvent) and meal (a defatted solid residue from sunflower).[28]

Sunflower seeds are subject to several stages of processing:

- seed cleaning;
- drying;
- separating the sunflower husk from the kernel;
- heating the seeds in a frying pan ( $t=100^{\circ}$ ) to improve the quality of the press;
- core pressing at the rolling mills;
- molasses distillation (separation of liquid and solid substances by evaporation and subsequent condensation without air);
- removing solvent from the meal in a desolvent toaster;
- supply of oil obtained as a result of pressing to vibrating screens, where particles that have passed through the press with the oil are filtered out;
- refining of pressed and extraction oil (transformation of aromatic sunflower oil into refined or odourless deodorised oil) in oil refining and deodorisation shops.

Today, Ukraine is the largest supplier of sunflower oil in the world and exports about 5.2 million tonnes of oil to the international market, or 40% of the total volume. In the last season of 2022-2023, global consumption of vegetable oils increased by 2.5%, crossing the 198 million tonnes mark.

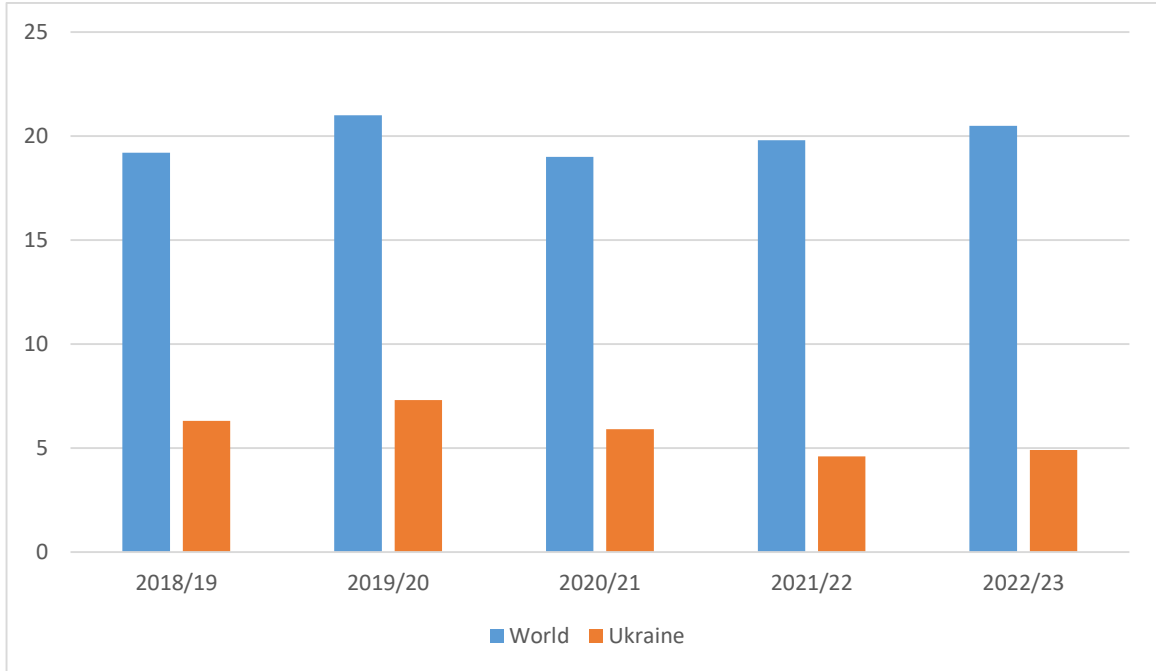


Figure 2.3 World consumption and volume of Ukrainian export of sunflower oil

\* Source: compiled by the author

Despite the decline in production and exports, Ukraine remained the world's largest exporter of sunflower oil in 2021/22 with 4.5 mln tonnes (5.3 mln tonnes in 2020/21), Russia exported 3.1 mln tonnes, and other exporters together exported 3.5 mln tonnes. The main importing countries are the EU, India and China.

As for global sunflower oil prices, they usually move in line with general global trends for other commodities such as soybeans, grains and palm oil. Prices rose significantly in 2020 and the first half of 2021, followed by a correction, which was followed by a rapid increase from the beginning of 2022, driven by the full-scale Russian invasion of Ukraine.

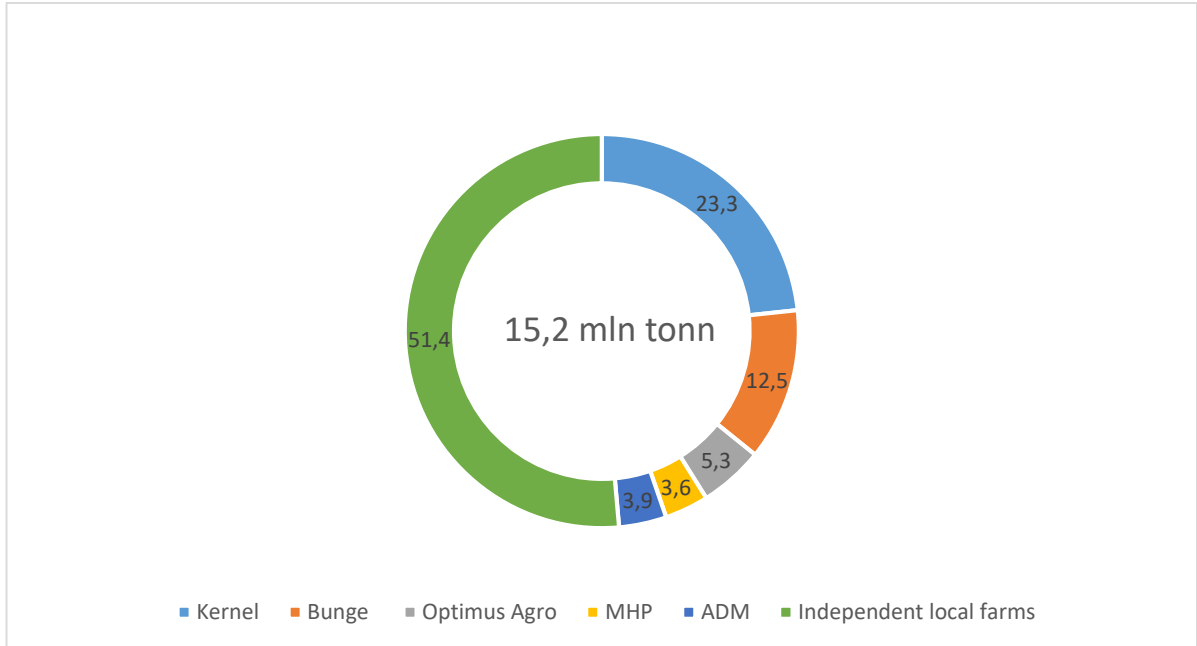


Fig. 2.4 Production capacity of sunflower seed processing in Ukraine

\* Source: compiled by the author

The table below shows the area under sunflower in Ukraine, its yield and the total sunflower harvest since 2015:

Table 2.3

Sunflower harvest in Ukraine

Year	Area, thousand hectares	Yield, tonnes/hectar	Harvest, thousand tonnes
2015	5 105	2,19	11 234
2016	6 074	2,24	13 592
2017	6 042	2,03	12 529
2018	6 143	2,32	14 513
2019	5 969	2,57	15 263
2020	6 424	2,03	13 110
2021	6 653	2,46	16 392
2022	4 817	2,17	10 832

Source: compiled by the author

Over the past fifteen years, sunflower has been one of the most profitable crops for Ukrainian farmers. It is also more resistant to soil moisture deficits than other crops. It is not surprising that the area under sunflower has been growing almost continuously, reaching 6.6 million hectares in 2021. Historically, the southern and eastern regions of Ukraine have been the main areas for sunflower cultivation. In these regions, the share of sunflower in farmers' crop rotation is consistently over 30%. In 2021, the share of the top 5 regions (Kirovohrad, Dnipro, Kharkiv, Zaporizhzhia and Mykolaiv) in the total sunflower acreage in the country was more than 40%.[29]

The historical high of sunflower yields in Ukraine was reached in 2019 (2.57 t/ha), while the highest total sunflower harvest in Ukrainian history was harvested in 2021 (16.4 million tonnes according to official data). The full-scale Russian invasion in 2022 had a significant impact on the planted area and total sunflower harvest in Ukraine. The total planted area was reduced from 6.6 mln ha in 2021 to 4.8 mln ha.

In terms of regions, the statistics of changes in sunflower acreage in 2022 compared to 2021 were as in table 2.4.

Table 2.4

## Sunflower harvest, by region

Region	Area 2021, thousand hectares	Area 2022, thousand hectares	Change, thousand ha
Dnipropetrovska	608	553	-52
Kirovohradska	608	603	-5
Kharkivska	582	240	-342
Zaporizhzhya	535	71	-465
Mykolaivska	518	364	-154
Luhanska	442	0	-442
Odeska	416	399	-17



Continuation of the table 2.4

Poltavska	388	434	46
Donetska	358	99	-259
Khersonska	349	0	-349
Others	1818	2059	199
Total	6622	4825	-1840

Source: compiled by the author

As we can see, the loss of sunflower acreage actually only applies to those regions that were fully or partially occupied by Russia in the first half of 2022 (-2 million hectares of acreage in six regions). Other regions of Ukraine, on the contrary, increased the area under sunflower. Given the current (as of early 2023) shortage of nitrogen fertilisers in Ukraine, we can expect some farmers to reduce corn plantings (which is the most demanding crop in terms of nitrogen fertilisers) in the new season, while soybean and sunflower plantings should increase compared to 2022.[33]

Ranked 2nd in the world in terms of grain exports, Ukraine still retains significant potential to increase grain production by adopting more efficient crop production methods and achieving higher yields, which are currently 20-40% lower than those of developed world producers. Provided domestic consumption is stable, productivity gains should directly reflect export growth.

With a leading position in grain trading and storage infrastructure, Kernel is the best platform to benefit from further growth in exports in Ukraine.

## **2.2 Analysis of the level of economic development of the Kernel LLC**

The analysis of economic indicators is carried out to compare activities for specific years. With its help, the company can find out how efficiently it carries out its activities. This analysis of Kernel-Trade's performance was conducted for the 2019-2023 financial years.

As the company is a leader in the production of sunflower oil not only in Ukraine but also globally, it is clear that the bulk of its processing and sales are made from sunflower.

In addition, from 2019 to 2021, the company increased sales of sunflower oil by 7% annually, but sales of other oilseeds had a different trend: in FY19, the company reduced sales of this oil, and in FY20, it increased sales. 18%.

Table 2.5

## Sales and revenue data of Kernel LLC

Indicator	2021	2022	2023
Processed oilseeds crops, thousand tonnes, thous. tonns	3212	2800	3450
Sales of sunflower oil, thousand tonnes	1680	1310	1927
Sales of other oilseeds, thousand tonnes	1652	1492	1428
Costs of sunflower oil sales, mln USD	220	210	56
Costs of sales of other oilseeds, mln USD	80	170	113
Revenue from sales of sunflower oil, mln USD	1360	1210	1877

Continuation of the table 2.5

Revenue from sales of other oilseeds, mln USD	1462	1465	1868
Total revenue, mln USD	5595	5332	3445
Taxes, interest and depreciation expense, thousand USD	2516	2527	3113
EBITDA, mln USD	806	220	544
EBITDA margin, %.	14,4	4,1	15,8

Source: compiled by the author

An important indicator is the total revenue from oil sales, which shows that the company has successfully sold its products on the market, as we can see its growth dynamics. The decline was in 2022 caused by Russian invasion, but as we can see company recovered quickly.

EBITDA indicates that the total inflow of funds received by the firm during the reporting period means that the firm has more cash to cover its expenses. The higher the firm's EBITDA, the more favourable it is for the firm's overall financial position. Calculating a company's EBITDA margin is useful in assessing the effectiveness of a company's cost-cutting efforts.[29]

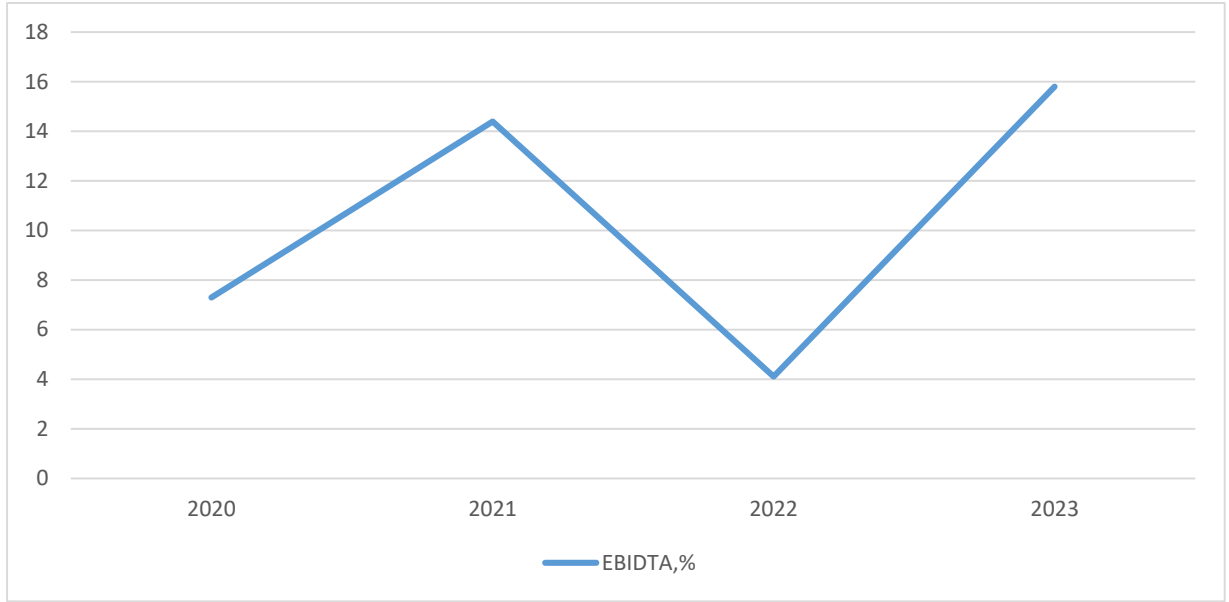


Fig. 2.5 EBIDA dynamics

\* Source: compiled by the author

As for the EBITDA margin, it can be said that the higher the company's EBITDA margin, the lower its operating expenses are in relation to total revenue.

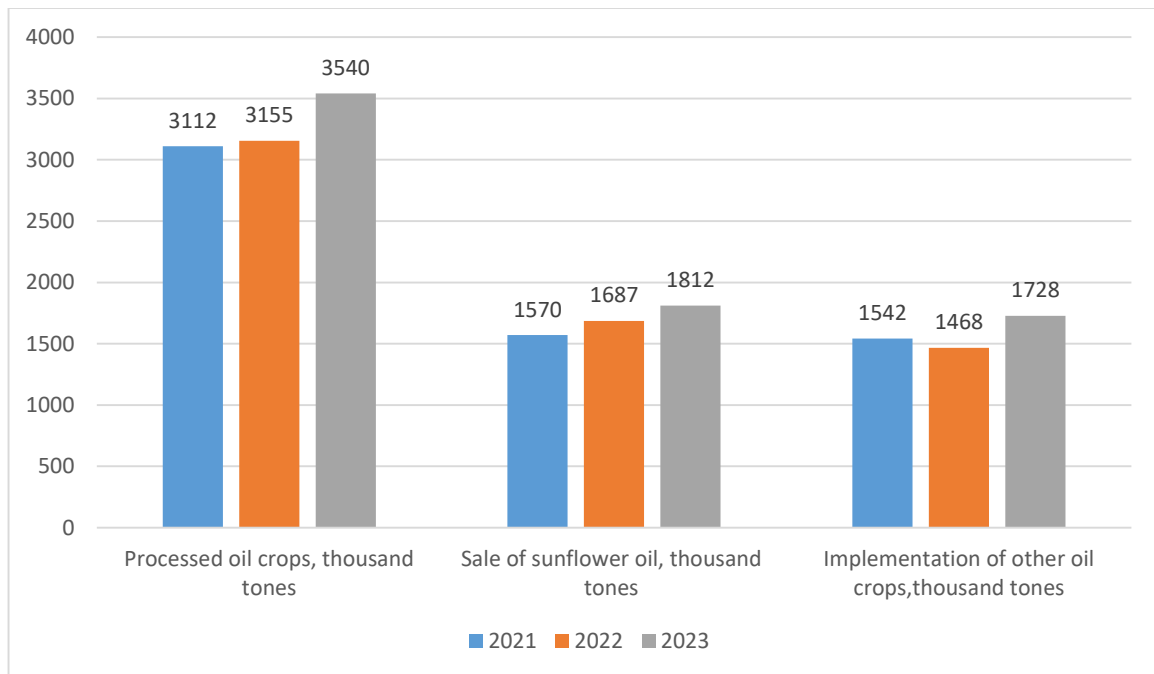


Fig. 2.6 Dynamics of the main indicators of the volume of processing and sale of oil crops

\* Source: compiled by the author

Since Kernel Trade owns a larger share of acreage, no surprisingly, grain exports have grown, increasing in FY21 year and in FY23 compared to previous years.

Table 2.6

## General sales and revenue data

Indicator	2021	2022	2023
Volumes export grains, million	6730	4678	5755
Number of export terminals	54	45	51
Throughput capacity of export terminals, million tons	5325	3956	4205
Number of elevators	69	64	65
Reception volumes grain and oil crops at elevators	3845	3675	3976
Tax expenses, interest and , thousands of US dollars	2830	2506	2605

Source: compiled by the author

As for the capacity indicator of export terminals, growth is observed due to an increase in the number of these terminals that allow transporting grain, As for the indicator of the volume of receipt of grain and oil crops in granaries, a change is observed due to the increase in the number of granaries that process grain and oil crops from the fields. The main indicators of operational activity in the agribusiness segment are presented in the table. 2.7

TABLE 2.6

## Main indicators of operational activity in the agribusiness segment

Indicator	2021	2022	2023
Net Revenue, million US dollars	506	-41	299
Income per hectare, USA/ha	1215	-82	823
Cost of production from USD/ha	515	718	810
Collected areas, thousand hectares	501	499	363
EBITDA per hectare, USD/ha	920	440	609

Source: compiled by the author

The indicator of the cost of production can be found by counting all costs product cultivation per 1 ha:

- wages of machine operators (for technological operations, which performed in the field);
- salary of other employees (agronomists, assistants);
- provisions on wages (tax and other provisions);
- the cost of PMM, based on the calculation of consumed liters per hectare;
- fleet value, t/km;
- cost of seeds (sown);
- fertilizer costs;
- own fleet of grain harvesters, if the equipment is rented– cost of rental services;
- the cost of water and other consumables (if available).

This indicator has an upward trend, which is associated with growth dollar exchange rate. The indicator of income per hectare also shows a tendency to growth due to cost growth.

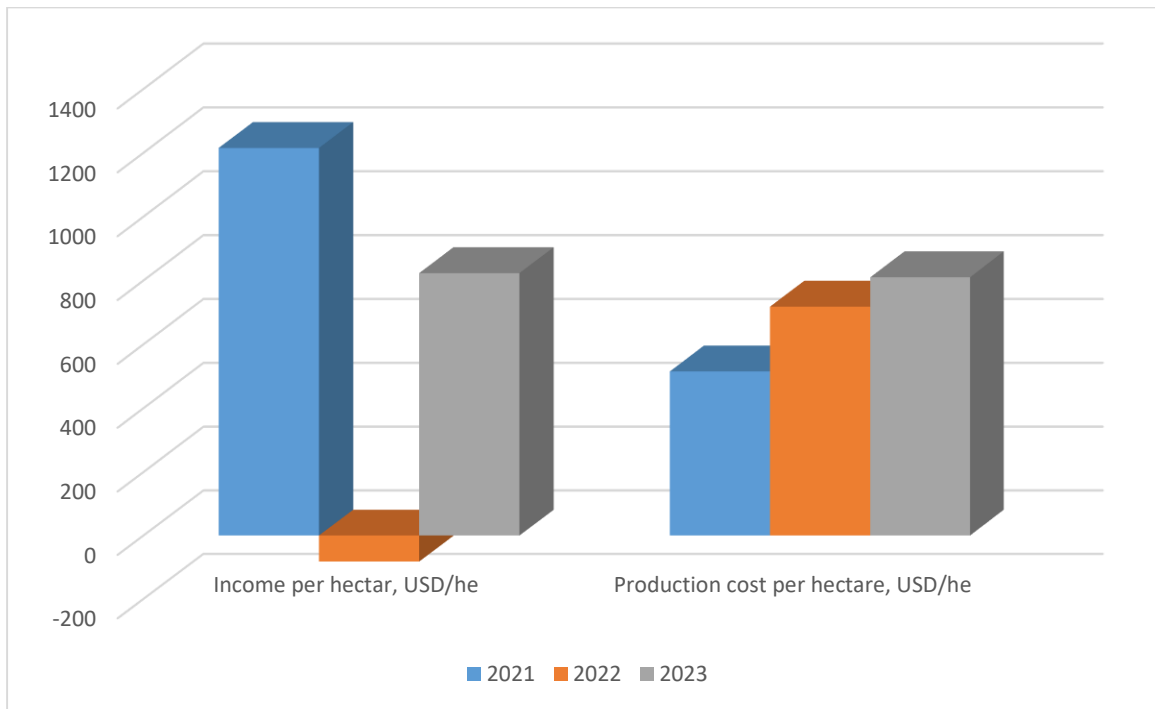


Figure 2.7 EBITDA indicator per hectare

\* Source: compiled by the author

The EBITDA indicator per hectare has positive dynamics, which depends on income per hectare and expenses for taxes, interest and depreciation.

The author has conducted a SWOT matrix analysis and identified the strengths and weaknesses of the company in its international activities, as well as highlighted opportunities and threats in its future activities.

Table 2.7

## SWOT analysis of Kernel LLC

Strengths	Weaknesses
A business model that allows the company to operate at the expense of its own facilities Waste-free production Innovativeness Stable demand for products on the international market Pricing policy in the foreign market Leading positions in all segments	Outdated equipment Dependence on weather conditions Dependence on changes in world prices High staff turnover
Opportunities	Threats
Expanding or entering new markets Increased demand for niche products due to the growing number of people who are healthy and vegan Expansion due to growing demand in foreign markets Growth in demand for unrefined and olive oil in the global market	Changes in legislation in countries of sale Substitute products Increased competition in the global market Inflation Decrease in demand for vegetable oil

Source: compiled by the author

The company's strengths lie in the fact that its business model includes the purchase of raw materials, their further processing and transportation, and export through elevators. As a result, the company has reduced the risks of dependence on other counterparties and modernised the entire system to suit its capacities and needs.

The main weakness of the company is the difficulty of updating and maintaining equipment in a suitable technical condition, which requires large investments. Some of the

companies in the holding have outdated equipment, which reduces the efficiency of the enterprise as a whole. Weather conditions are an external factor that is not easy to overcome. But to solve this problem, the innovative Open Agribusiness programme was created.

Opportunities for the company. The study of the global oilseeds and grains market revealed that the market for unrefined and olive oils is growing due to the trend towards healthy eating, so it is promising. It is also possible to increase exports to countries such as Turkey, Egypt and India due to population growth without increasing domestic production of these products.

The main threat to the company is the decline in demand for vegetable oil, which correlates with the opportunity to expand the market for unrefined and olive oils described above. The trend towards a healthier lifestyle may reduce demand for sunflower oil, which is high in fat.

As the largest exporter of agricultural products from Ukraine, the company connects more than 5,000 grain producers in Ukraine with global markets, supplying 3.8 million tonnes of grain for export. The company operates in the most efficient integrated value chain in Ukraine, which includes the largest network of private elevators, one of the largest sea terminals and a wide procurement network.[41]

Grain exports are divided into traditional types, such as barley, corn, wheat; and niche types of grain: millet, buckwheat, beans, lentils, etc.



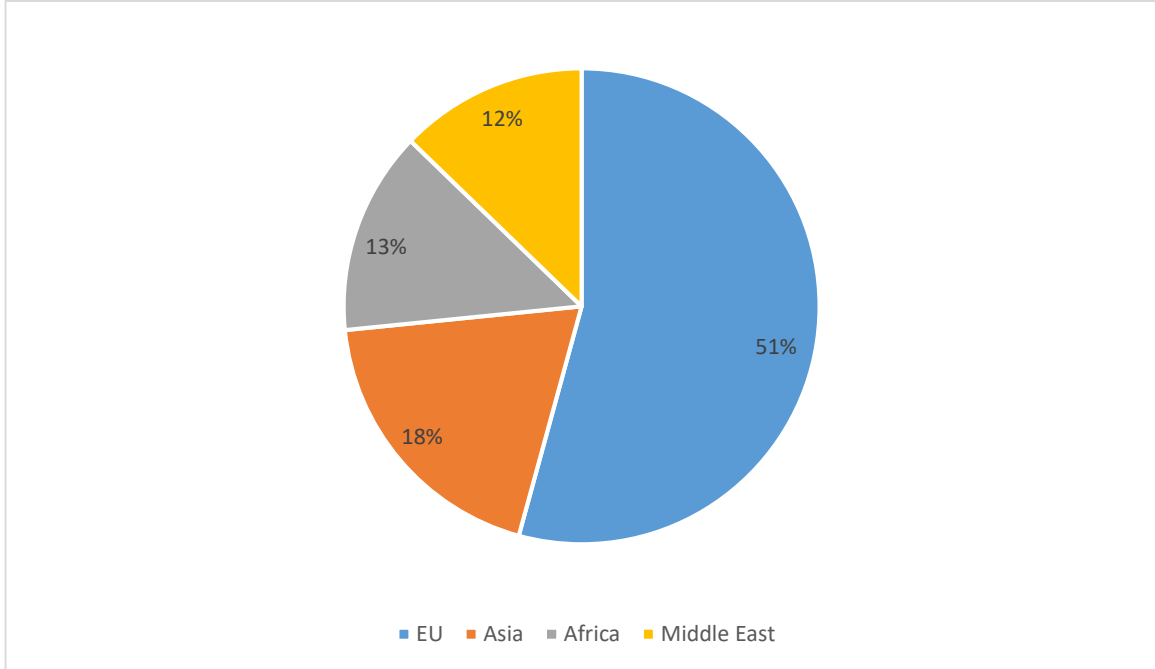


Fig. 2.8 Key export markets for the company's grain in 2022

\* Source: compiled by the author

As oilseed processing is an export-oriented business, over 90% of produced sunflower oil is exported in bulk, with India, China, Europe, and Iraq being the key markets. Kernel's customers mainly include processors of soft commodities who refine and bottle sunflower oil, and big international traders. The largest customer in FY2023 was the Kaleesuvari Refinery Private Limited in India with a 9% share in our total bulk oil sales. Other big customers include Etihad Food Industries, Beijing Grain & Oil Co., JDI Brokers Sàrl, and Parakh Food & Oils taking 7%, 5%, 5%, and 4% of our bulk oil sales volumes, respectively.

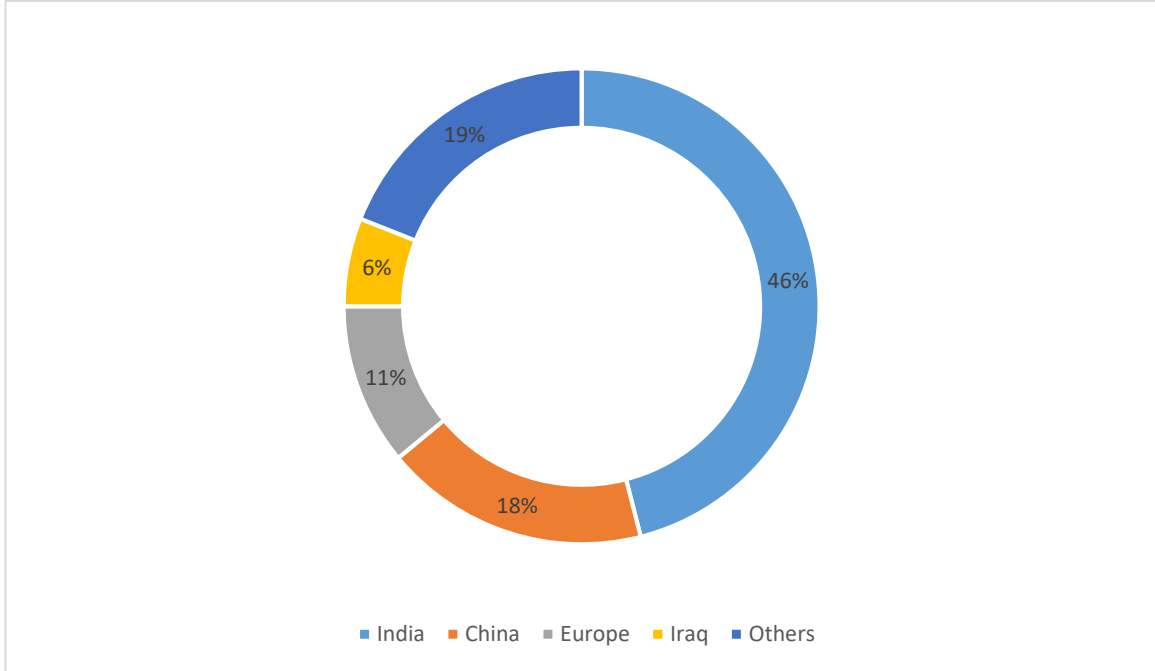


Fig.2.9 Sunflower oil sold in bulk destinations FY2023, thousand tonnes

\* Source: compiled by the author

In FY2023, 53% of the produced bottled oil was exported, mostly to Europe, the Middle East, former CIS, Asia, and Africa both under the Kernel brands and private labels. The Group had a 19% share in total refined bottled sunflower oil exports from Ukraine in FY2023, supplying products to such international retail chains as METRO, Auchan, Walmart, Maxima, and others.

Dynamics of grain exports by the company to European countries is illustrated in Table 2.8.

Table 2.8

Dynamics of changes in grain exports of Kernel-Trade LLC to the EU

Country	Quantity in 1000MT			
	2019	2020	2021	2022
Spain	3017,1	2825,5	4141,8	3102,3
Netherlands	2671,7	2462,4	3699,2	1465,5
Italy	2086,6	2086,7	1708,8	2190,8

Continuation of the table 2.8

Portugal	872,4	721,1	763,4	524,8
Germany	104,4	304,5	1525,5	494,7
Ireland	262,6	336,8	673,9	385,1
Great Britain	360,3	247,4	713,1	240,7
Belgium	473,1	149,9	202,8	95,11
Poland	171,1	149,9	202,8	479,1
Lithuania	82,4	47,6	366,1	255,1
Cyprus	258,2	118,4	82,8	52,3
Greece	163,3	105,1	30,2	8,3
Denmark	-	67,8	105,1	30,2
France	129,4	168,3	172,1	150,3
Romania	56,3	17,2	6,5	3,1

Source: compiled by the author

In general, in recent years, Kernel-Trade has increased its exports to high-potential and developed European countries: Denmark , France, Great Britain (2.5 times), Germany (5 times). The reason for this was not an increase in yields, but rather the growing reputation of Ukrainian raw materials as environmentally friendly, as well as the policy of cooperation under the Association Agreement with the EU.[39]

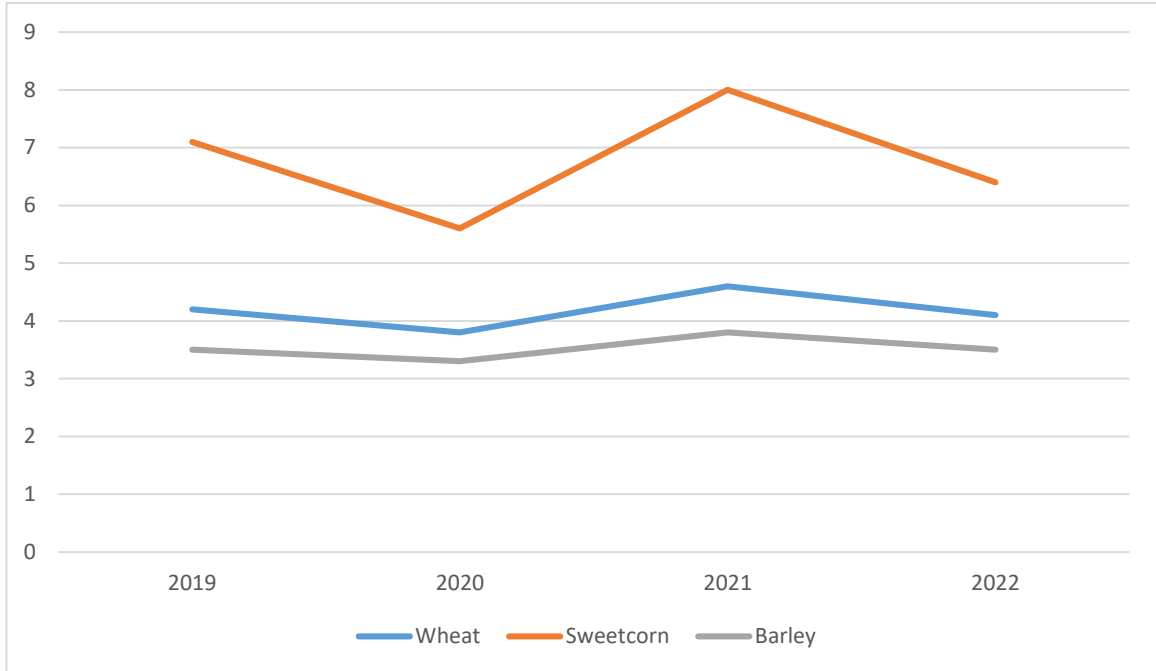


Figure 2.10 Average grain yields in 2019-2022, tones/hectar

\*Source: compiled by the author

Good grain yields have a direct impact on increasing the share of grain exports of Kernel Trade LLC in their international activities. It should be noted that the company exports most of its grain in December, which affects the price, as logistics is more expensive and highly dependent on weather conditions: 70% of grain is shipped by ship to Europe.

The dynamics of the company's exports of niche crops to European countries is illustrated in Table 2.9.

Table 2.9

Dynamics of changes in exports of niche grain crops of "Kernel-Trade" LLC to the EU

Country	Quantity in 1000MT			
	2019	2020	2021	2022
Spain	137,5	87,5	216,9	34,4
Italy	15,5	39	26,1	64,7
Poland	33,7	48,8	62,1	17,7
Germany	29,7	22,7	62,0	29,2

Continuation of the table 2.9

Netherlands	11,7	32,4	11,1	13,9
Great Britain	18,4	6,6	7,4	10,0
Lithuania	3,2	2,8	13,7	1,5
Belgium	11,1	0,7	1,8	5,8
Hungary	7,3	3,6	4,3	4,2
Romania	6,1	5,4	4,4	1,9
Portugal	5,3	1,2	2,1	-
Greece	4,5	1,3	0,8	0,8

Source: compiled by the author

In 2022, the profitability of the oil extraction industry in Ukraine reached a historic low. Low yields of oilseeds and high demand from crushers resulted in the industry's lowest ever profitability. The company's EBIDTA margin from bulk oil sales decreased by 37% year-on-year to USD 49 per tonne. The EBIDTA of the entire segment decreased by 37% year-on-year to USD 49 per tonne of oil, while the EBIDTA of the entire segment decreased to USD 77 million. Despite the fact that the company processed a record 3.1 million tonnes of sunflower seeds this year and exported the largest volume of bulk sunflower oil. The efficiency of sunflower oil exports is almost 55%. This result is due to a large difference in the price per tonne of oil. The Ukrainian market price is more than twice lower than the world price, which makes this segment economically profitable for export. The consumption of edible oils in FY 2020/21 increased by 4.0%, compared to 3.3% growth last year, reaching 191 million tonnes. This was driven by strong demand from Asia, which was caused by the growth in population and income levels, as well as the rapid development of the food industry. The volume of vegetable oil production exceeded 197 million tonnes, which led to a decrease in prices.

The sunflower oil market remained one of the fastest growing segments of the international vegetable oil market, with global consumption up 5.0% year-on-year, driven by growing demand from China and India.[39]

The share of sunflower oil in the global consumption of vegetable oils is 9.1%, slightly higher than last year. Sunflower oil production increased by 1.1% year-on-year to 18.4 million tonnes, exceeding consumption by 1 million tonnes.

Exports to the EU countries decreased by 431.8 thsd tonnes over the last year. The low sunflower seed harvest combined with strong demand from domestic processors expectedly reduced the refining margin to USD 59/tonne in FY22. USD per tonne of sunflower oil in FY2022. This is one of the consequences of the decline in oil exports. Also, some crops consume only olive oil, so there is no need for large quantities of sunflower oil. Dynamics of sunflower oil exports to European countries is illustrated in Table 2.10.

Table 2.10

## Dynamics of sunflower oil exports to European countries

Country	Quantity in 1000MT			
	2019	2020	2021	2022
Poland	1529,6	1233,6	1212,2	1327,9
France	1017,1	719,1	926,1	1205,2
Netherlands	1014,1	1508,2	906,3	705,2
Spain	1119,3	840,9	677,3	773,2
Italy	935,2	777,2	450,9	642,3
Germany	209,9	547,9	879,2	73,2
Belgium	296,9	116,4	406,1	307,8
Great Britain	192,6	218,1	203,7	221,6
Portugal	140,7	110,6	152,3	218,2
Greece	166,3	168,6	111,9	179,0
Hungary	80,8	133,0	109,5	34,9
Denmark	114,2	13,7	0,4	33,3

Source: compiled by the author

Thus, Kernel Trade LLC exports most of its products to the European Union. The trend shows that after the signing of the Association Agreement, the performance has improved significantly, although this was influenced by a number of other factors: signing partnership contracts with new foreign retail chains, purchasing new equipment that allowed us to process larger quantities of oil. To minimise potential losses, the Group uses a tool to increase operating profits. This method consists in ranking the countries to which Kernel-Trade exports its products by the level of political stability.

With the start of the unprovoked, full-scale Russian invasion of Ukraine, Kernel was forced to transform from the absolute growth-oriented leader to a company, the main priority of which is to survive. The Group's survivorship strategy is based on three main pillars: to save our employees, to save our operational activity, to save our country.

The Group's key priority is the safety and security of its employees and their families. Since February 24th, the Group has been coordinating the evacuation of employees from regions engaged in active military action and is covering associated relocation costs and providing additional assistance needed. Since the beginning of the war, almost 1,300 Group's employees joined various defense units to protect Ukraine. Kernel is focused on providing the necessary protective equipment and additional financial support to such employees and their families. The Group aims to continuously support the employees until the cancellation of the martial law in Ukraine. Additional financial aid provided by the Group to such employees amounted to US\$ 2.3 million. Conducting the evacuation from the high-risk regions, the Group facilitated the relocation of 312 employees, directing US\$ 538 thousands for such purpose

From the very first day of the full-scale invasion, the special humanitarian headquarter was created. The focus of its activities is to finance and procure tactical equipment, medicine, food, and trucks for both civilians in need and the defenders of Ukraine.

Owing to the war, Kernel temporarily set aside its growth strategy and operate in survival mode. Considering the uncertainty of the future availability of the maritime exports,

as well as the business environment in Ukraine, the Group has to put on hold its strategic initiatives and will revise its longterm strategy once the degree of the uncertainty dwindles. The analysis of the financial indicators of the company shows the state of the company, helps to assess the financial resources necessary for effective functioning.

The analysis of the sources of financial resources of Kernel LLC will be carried out on the basis of the balance sheet and the income statement for the period 2020-2022.

Expansion and development of the company's business activities require attracting additional capital from external sources. The optimal choice of the ratio of borrowed funds to equity has a positive impact on the financial position. That is why the formation of the optimal capital structure is the most difficult and important task for the company's management.

The most common alternative indicator of agricultural business performance is EBITDA. EBITDA (Earnings Before Interest, Tax, Depreciation, Amortisation) is earnings before interest, taxes and depreciation; it is a universal indicator of the performance of an enterprise.

EBITDA is equal to the addition of net profit, income tax expense, extraordinary expenses, interest paid, depreciation and amortisation of tangible and intangible assets and subtraction of the following: refunded income tax, extraordinary income, interest earned and revalued assets.

EBITDA is the main indicator used by management to assess performance. First, we calculate EBITDA for the company as a whole, and then for each of the company's export activities. This approach helps to understand in which direction the improvement engine of Kernel-Trade LLC is moving and what, on the contrary, reduces the company's operating income.

Thus, the overall EBITDA in FY 2022 is the same:  $EBITDA_{2021FY} = \text{Profit before income tax} + \text{Finance costs, net} - \text{Foreign exchange gain/loss, net} + \text{Other expenses, net} - \text{Share of profit/loss from joint ventures} + \text{Depreciation and amortisation}$ .



In 2022, EBITDA was \$220.5 million. This was down almost in 4 times compared to previous year. This was primarily due to a decline in the agribusiness and oilseeds processing segments, which was caused by russian invasion.

To assess the security and efficiency of equity capital, equity ratios were calculated.

Table 2.11

Equity indicators of Kernel Trade LLC

Indicator	2019	2020	2021	2022
Ratio of autonomy (independence)	0,66	0,58	0,53	0,55
Financial leverage ratio (equity multiple)	1,51	1,74	1,88	1,45
Equity gearing ratio	0,35	0,71	0,62	0,58
Financial stability ratio	1,95	1,36	1,14	0,9
Financial risk ratio	0,51	0,74	0,88	0,82
Long-term debt ratio	0,12	0,32	0,33	0,31
Leverage concentration ratio	0,34	0,42	0,47	0,45
Equity multiple	1,51	1,74	1,88	1,83

Source: compiled by the author

Taking into account the data on the assessment of the level of financial stability and autonomy of the enterprise, we can conclude that the financial stability of KERNEL TRADE LLC is sufficient. On average, we have the following results for the period: 55.8% of the company's assets are secured by equity, with \$0.44 of debt capital for every \$1 of equity.

The benchmark for assessing a company's financial position is its liquidity and solvency. The term "liquid" implies the free conversion of assets into cash. The shorter the time required to convert a certain type of asset, the higher its liquidity. Thus, the liquidity of an entity is its ability to convert its assets into cash to meet its current liabilities.

Table 2.12

## Liquidity indicators of Kernel LLC

Indicator	2020	2021	2022
Total current assets, thousand US\$	1,531,017	2,283,724	2,523,156
Total current liabilities, thousand US\$	412,593	916,815	2,238,186
Net working capital, thousand US\$	1,118,424	1,366,909	284,970
Current liquidity ratio	3,7	2,4	0,8
Quick ratio	2,7	2,6	0,6
Absolute liquidity ratio	0,9	0,6	0,29

Source: compiled by the author

Table 2.3 shows a significant decrease in net working capital in 2022. It is important for maintaining the financial sustainability of the enterprise, as an excess of working capital means that the company can not only pay off its short-term liabilities but also has reserves for expanding its operations. When assessing a company's solvency, we primarily look at the value of the absolute liquidity ratio. In 2022, the amount of the company's most liquid assets was quite small, and during this period the company was unable to cover its current liabilities with cash. The situation is much better when it comes to covering short-term liabilities with assets that are as liquid and realisable as possible. On average, the total value of the most liquid and quickly realisable assets exceeds the current liabilities of Kernel Trade LLC by 2.1 times. From the values of the current liquidity ratio, it can be concluded that the

company is able to pay its bills at the expense of current assets. The value of the current ratio is more than 100%, which indicates a positive working capital.

The quick and absolute liquidity ratios are below the regulatory requirements (0,6 and 0,29, respectively) in 2022. A decline in these ratios may result in the company's inability to meet its current obligations in a timely manner, and in the event of a systemic liquidity crisis, the company may be declared bankrupt.

The sustainability of an enterprise's financial position can be characterised by its business activity, which depends on the breadth of its sales markets, the company's reputation, the degree of resource use and the stability of economic growth. To determine the activity of the enterprise, let us determine the speed of turnover of its funds (Table 2.13).

Table 2.13

## Kernel business activity indicators

Indicator	2020	2021	2022
Asset turnover ratio	1,4	1,6	1,3
Duration of one asset turnover, days	257	225	278
Inventory turnover ratio	27	14	4,9
Duration of one inventory turnover, days	13,5	26	74
Equity turnover ratio	0,07	0,26	0,02

Source: compiled by the author

As we can see from the analysis, the company is actively engaged in business activities, as the business activity ratios increase its value during the period under study. From the receivables turnover ratio, we see that the company receives payments according to invoices. In 2020, the ratio of claims to value decreased, but this is not a constant phenomenon throughout the study period.

We analyse a company's solvency using liquidity indicators. Liquidity describes a company's ability to quickly mobilise assets to meet its obligations. Taking into account different levels of asset liquidity, we calculate three types of liquidity indicators: cash, settlement and financial.

The benchmark for assessing a company's financial position is its liquidity and solvency. The term "liquid" implies the free conversion of assets into cash. The shorter the time required to convert a certain type of asset, the higher its liquidity. Thus, the liquidity of an entity is its ability to convert its assets into cash to meet its current liabilities.

Table 2.14

## Kernel LLC profitability ratios

Indicator	2019	2020	2021	2022
Return on assets	5,850	4,421	4,190	-4,018
Profitability of operations	2,689	2,047	2,447	-2,004
Return on equity	18,571	13,481	13,697	-16,669

Source: compiled by the author

The profitability of KERNEL LLC has deteriorated in the last year of its operations, primarily due to the company's loss in 2022. For example, while in 2021, KERNEL LLC received 4.19 penny of net profit for every hryvnia of assets invested, in 2022 it received only -4.02 penny. Each hryvnia of own funds in 2020 brought 13.7 penny of net profit, and in 2022 - 16.7 penny.

Thus, the financial condition of KERNEL LLC during 2020-2022 was characterised by a decrease in profitability, sustainability, stability and liquidity of the enterprise.

In order to analyse the capital structure, we will analyse the capital of this enterprise by analysing equity and debt. Let's take a closer look at the own financial resources of Kernel Trade LLC, which are presented in Table 2.15.

Table 2.15

## Equity and debt capital of Kernel Trade LLC, thousand USD

Indicator	2019	2020	2021	2022
Equity capital	1157609	1177604	1346026	1494123
Borrowed capital	851474	1032910	1117574	1670580
Balance sheet	2009083	2210514	2463600	3164703

Source: compiled by the author

As we can see from Table 2.15, borrowed capital does not exceed equity in the capital structure of the analysed capital, only in 2022 borrowed capital exceeds equity. For a more visual representation of equity and borrowed capital, we present a graph of the capital structure (Fig. 2.11).

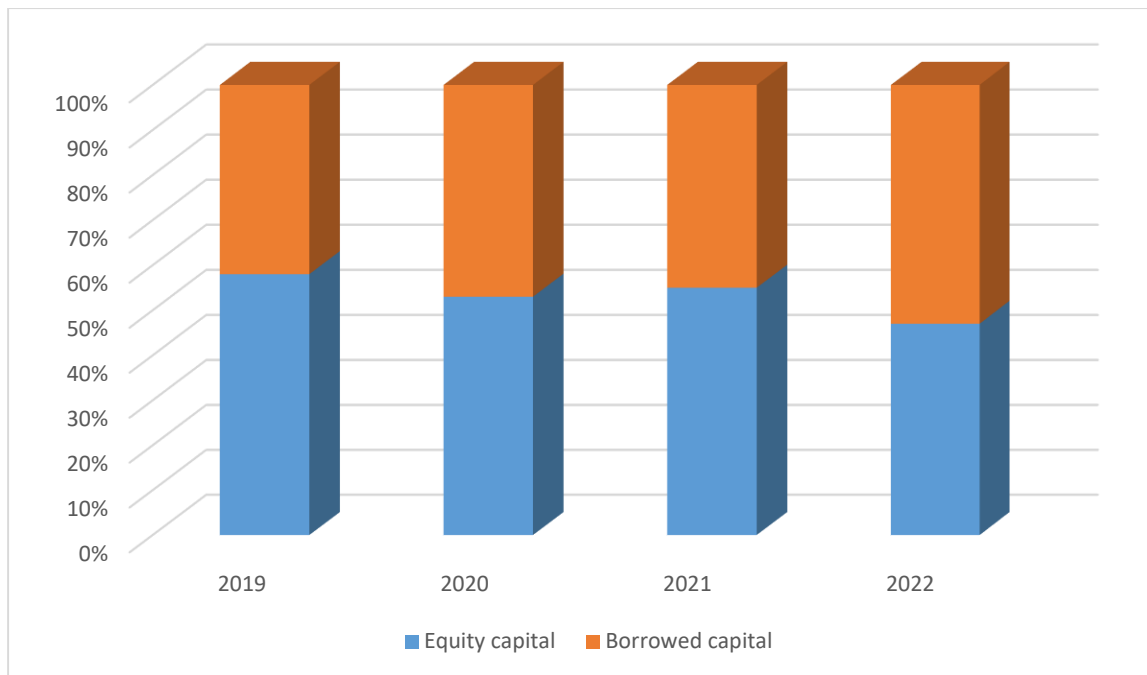


Figure 2.11 Capital structure of Kernel Trade LLC, %.

\* Source: compiled by the author

The company's capital consists mainly of 45% borrowed funds and 55% equity. In 2019, equity decreased by 8% and in 2022 by 8% in the capital structure of the company.

The dynamics of capital structure indicators shows that in 2019-2022, the main item of the equity balance sheet is retained earnings, which amounted to USD 1130890 thousand in 2019 and will increase in 2021 to USD 1584331 thousand. Equity capital Borrowed capital  
To analyse the capital structure of the company, a horizontal analysis of the company's capital for 2019-2022 was carried out. During the research period 2019-2022, the company's share capital amounted to USD 2104 thousand in 2019, increased by 2.9% in 2019-2021 and amounted to USD 2164 thousand in 2020, the share capital increased by 2.5% and amounted to USD 2219 thousand.

The additional capital item has not changed and amounts to USD 3,944 thousand. Retained earnings are increasing over the period of 2016-2020, in 2016 by 22.2% and in 2019 by 13% compared to the previous years. The increase in the value of the indicator is a positive phenomenon, which indicates that the company's equity capital and the effective work of management are increasing, the upward trend in the percentage value of retained earnings for 2018-2022 indicates that the management is able to fulfil its tasks and increase the profitability of its activities.

## **PART 3. IMPROVEMENT OF FINANCIAL STATE OF THE ENTERPRISE**

### **3.1 Analysis of financial resources of Kernel LLC**

Financial resources of an enterprise refer to the capital, funds, or assets available to the organization for conducting its operations, investing in projects, managing expenses, and sustaining growth. These resources are crucial for the functioning and development of a business. Effective management and allocation of financial resources are critical for the sustainable growth and success of an enterprise. Businesses must strike a balance between maintaining adequate liquidity, investing in growth opportunities, managing risks, and ensuring profitability to optimize their financial resources.

At the present stage of economic development, the issue of analysing the financial resources of an enterprise is very relevant, since an enterprise is a complex production and economic system, and the efficient use of financial resources ensures sustainable development. The financial condition of the enterprise and the success of its activities depend on the efficient use of financial resources, and in a market economy, the enterprise independently determines the directions of its activities and the use of financial resources. Financial resources are used for production, development and maintenance of non-production facilities. If financial resources are used efficiently, this has a positive impact on the financial condition of the company. This is because one of the important components of financial sustainability is the availability of financial resources, their sufficient volume for production, their efficient use, search for reserves to increase own financial resources and their efficient use, and thus increase the efficiency of the enterprise as a whole.

Lack of financial resources has a negative impact on the company's operations: debts to partners, employees, investors, financial institutions, and the state are growing. As a result, it negatively affects the company's image, further activities and reduces the likelihood of increasing production capacity

To analyse the financial resources of Kernel, we will use horizontal analysis. The horizontal method of financial analysis involves the examination of financial statements over a series of reporting periods to identify trends, changes, and patterns in a company's performance. This method compares line items on the financial statements, such as balance sheets, income statements, or cash flow statements, across multiple periods (usually consecutive years) to assess how specific items have changed over time.

The analysis involves calculating the absolute change and percentage change between the corresponding line items in different periods. Horizontal analysis serves as a fundamental tool for assessing an entity's financial health, identifying trends, and providing a snapshot of how key financial metrics have evolved over time. When used in conjunction with other financial analysis methods, it offers valuable insights into a company's performance trajectory and aids in decision-making processes.

Table 3.1 Horizontal analysis of equity of Kernel LLC

Indicator	Year	Authorised capital	Additional capital	Revaluation reserve	Foreign exchange reserve	Retained earnings	Total equity
Absolute deviation	2018	0	0	4359	-106712	205329	105585
	2019	60	0	0	-15573	153821	157199
	2020	0	0	0	-16569	33201	18205
	2021	0	0	18434	-10342	171074	185813
	2022	55	0	0	1431951	99885	141177
Relative deviation	2018	0	0	11	18	22,2	11,9
	2019	2,9	0	0	2,3	13,7	15,8
	2020	0	0	0	2,3	2,6	1,5
	2021	0	0	42,1	1,4	13	15,4
	2022	2,5	0	0	-195	6,3	10,5

Source: compiled by the author



The company's equity capital increased in 2018-2022, with a 10.5% increase in this balance sheet item in 2022 indicating an increase in the company's protection from threatening factors of the economic market and an increase in investment attractiveness.

To evaluate the structure of borrowed capital, let us analyse its structure

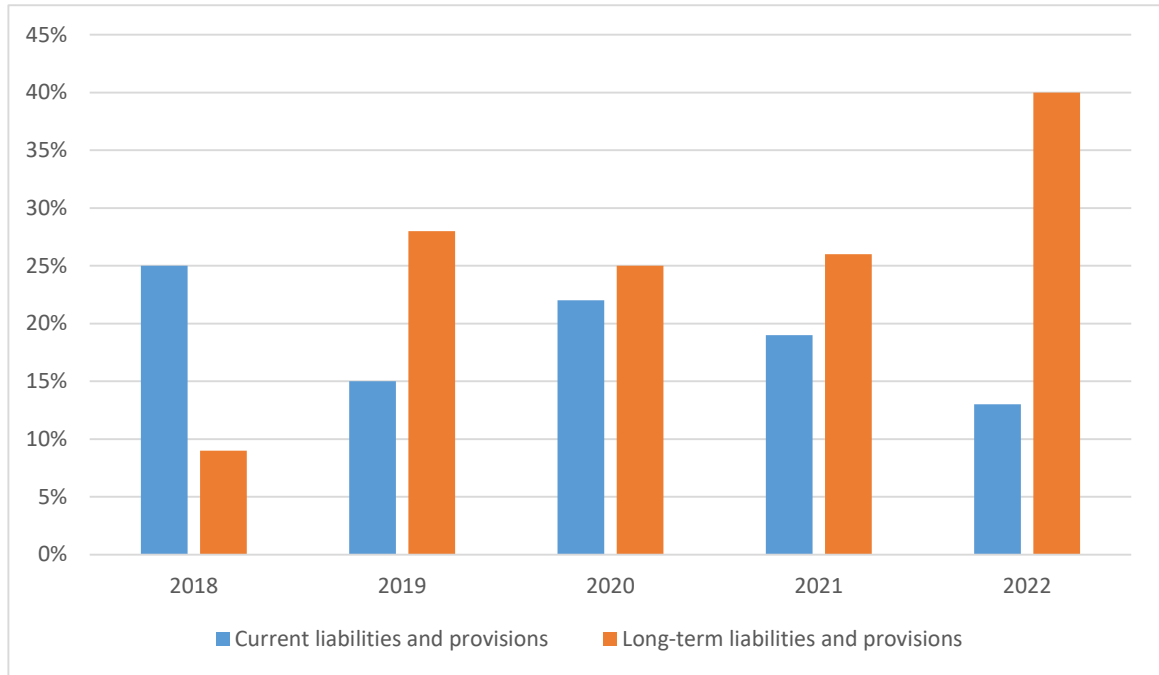


Figure 3.1 Structure of borrowed capital of Kernel LLC, %.

\*Source: compiled by the author

The main item in the structure of the company's borrowed capital is long-term liabilities of banks: in 2022, the figure was 40%.

For a better assessment of the structure and features of the capital structure of Kernel LLC, a horizontal analysis of the company's borrowed funds was also carried out. After all, the borrowed funds are used to finance the development of the company's business activities, but they must be returned and it is necessary to pay for the use of the borrowed resources. The borrowed capital is used in a targeted form, which is one of the conditions for its effective use. Management of borrowed funds is an important part of financial management at an enterprise. Borrowed funds can be long-term and short-term. Long-term liabilities are characterised by the fact that they are to be repaid in more than 12 months.

Over the period 2019-2020, we have seen an increase in long-term loans from banks from 2019 - 2164.6%, and in 2020 - 170.7% in 2018. The growth of this balance sheet item was driven by the targeted borrowing in 2018 to purchase the plant and elevators. In subsequent years, the decrease in this balance sheet item reflects the repayment of the loan and interest on the loan.

Table 3.2

## Horizontal analysis of long-term liabilities

Indicator	Year	Long-term loans from banks	Corporate bonds issued	Deferred tax liabilities	Long-term liabilities and provisions
Absolute deviation	2018	-7070	-4002	-2580	22325
	2019	-76279	627	7722	-93,2
	2020	-2750	4808	-5295	-49,4
	2021	60968	-2480	9550	2175,6
	2022	108723	-5230	-4561	170,7
Relative deviation	2018	-7,9	-63,8	-12,6	19,1
	2019	-93,2	27,6	45	301,2
	2020	-49,4	176,7	-21,3	0
	2021	2164,6	-32,3	48,2	14,4
	2022	170,7	-100	-15,7	97,2

Source: compiled by the author

The company actively attracts long-term borrowed funds from the bank. The availability of long-term funds makes it possible to pursue an active financial policy. Current liabilities are characterised by the fact that they are to be repaid within 12 months. A horizontal analysis of current liabilities and provisions is presented in the table 3.3.

At the beginning of the period under review, in 2018, we observed a decrease in short-term loans compared to the previous period. In 2021, this balance sheet item decreased by 18.28% compared to the previous period, and in 2022, short-term loans in the bank

decreased by 75.73%. The bank's short-term loans have been changing their dynamics during the period under review, this trend is associated with the repayment of long-term loans.

Table 3.3

## Horizontal analysis of current liabilities and provisions

Indicator	Year	Accounts payable debt	Accounts receivable	Short-term loans	Current share of long-term borrowings	Current liabilities
Absolute deviation	2018	14636	13766	-119490	5500	-84799
	2019	10976	11720	-47936	-72164	-79454
	2020	20963	16233	93094	29	182775
	2021	62514	78	-41081	-1688	4244
	2022	-48535	65558	-139111	5638	-67177
Relative deviation	2018	53,05	21,4	-39,71	7,8	-18,5
	2019	25,92	15,22	-26,92	-96,27	-21,27
	2020	39,51	18,31	70,7	1,3	61,82
	2021	84,7	0,08	-18,28	-56,14	0,89
	2022	-35,68	62,45	-75,73	458,26	-14,1

Source: compiled by the author

Accounts payable on non-current liabilities during the period under review increased in 2018-2021, and in 2022 decreased by 35.68% compared to the previous year.

In general, current liabilities and provisions increased by 61.85% in 2021 compared to 2020, and in 2020 there was an increase of 0.89% compared to 2019. Current liabilities decreased by 14% in 2022 compared to 2021. The liabilities of the company under study arise from loans: bank loans, which were borrowed for the purchase of new equipment and plants and elevators. Data on the company's assets can be seen in the table 3.4

Table 3.4

## Composition and structure of property of Kernel LLC

	2018	2019	2020	2021	2022
I. Non-current assets	788888	888395	1006245	1207168	1633686
Fixed assets	538728	569714	588127	764686	984368
Intangible assets	36818	104861	104466	114942	68085
Goodwill	121912	114110	103691	107735	123487
Other non-current assets	11049	31733	134562	155732	101298
II. Current assets	720467	1120688	1204269	1256432	1531017
Cash and cash equivalents	60372	143392	132018	76801	369117
Receivables for goods, works and services	75207	87192	92355	183196	215279
Receivables from advances issued	52983	82701	113342	129822	148916
VAT receivables	130378	135257	114695	118575	132748
Inventory	200213	386660	368453	357610	303402
Current biological assets	190312	256247	289436	309030	252184
Balance sheet	1509355	2009083	2009083	2463600	3164703

Source: compiled by the author

Based on the data presented in Table 3.4, it can be noted that the company "Kernel " LLC has on its balance sheet financial resources by type for the period 2018-2022: 2018 - 1509355 thousand USD, 2019 - 2009083 thousand USD, 2020 - 2210514 thousand USD, 2021 - 2436600 thousand USD, 2022 - 3164703 thousand USD. For a more detailed analysis

of financial resources by type (non-current assets, current assets), let's calculate the share of the main items of the asset balance sheet.

In 2018, non-current assets accounted for 52% of the total assets of Kernel LLC, with fixed assets accounting for 36% of the total assets, intangible assets accounting for 2% and goodwill accounting for 8%. In 2018, current assets amounted to 48%, cash - 4%, receivables for goods, works and services - 5%, receivables for advances - 4%, VAT receivables - 9%, inventories - 13%, current biological assets - 13%.

Table 3.5

## Share of the property structure of Kernel Trade LLC

	2018	2019	2020	2021	2022
I. Non-current assets	52%	44%	46%	49%	52%
Fixed assets	36%	28%	27%	31%	31%
Intangible assets	2%	5%	5%	5%	2%
Goodwill	8%	6%	5%	4%	4%
Other non-current assets	1%	2%	6%	6%	3%
II. Current assets	48%	56%	54%	51%	48%
Cash and cash equivalents	4%	7%	6%	3%	12%
Receivables for goods, works and services	5%	4%	4%	7%	7%
Receivables from advances issued	4%	4%	5%	5%	5%
VAT receivables	9%	7%	5%	5%	4%
Inventory	13%	19%	16%	15%	11%
Current biological assets	13%	13%	13%	13%	8%
Balance sheet	100%	100%	100%	100%	100%

Source: compiled by the author

In the subsequent periods of 2019, the share of non-current assets decreased by 8% compared to 2018. In 2019, non-current assets accounted for 44% of the total assets of Kernel Trade LLC, with fixed assets accounting for 28% of the total assets, intangible assets for 5%, and goodwill for 6%. In 2019, current assets amounted to 56%, cash - 7%, receivables for goods, works and services - 4%, receivables for advances - 4%, VAT receivables - 7%, inventories - 19%, current biological assets - 13%.

Accordingly, in 2020, non-current assets accounted for 46% of the total assets of Kernel Trade LLC, with fixed assets accounting for 27% of the total assets, intangible assets for 5%, and goodwill for 5%. In 2021, current assets amounted to 54%, cash - 6%, receivables for goods, works and services - 4%, receivables for advances - 5%, VAT receivables - 5%, inventories - 17%, current biological assets - 13%.

In 2021, non-current assets accounted for 49% of the total assets of Kernel Trade LLC, with fixed assets accounting for 31% of the total assets, intangible assets for 5%, and goodwill for 6%. In 2019, current assets accounted for 51%, cash - 3%, receivables for goods, works and services - 7%, receivables for advances - 5%, VAT receivables - 5%, inventories - 15%, current biological assets - 13%.

In 2022, non-current assets accounted for 52% of the total assets of Kernel Trade LLC, with fixed assets accounting for 31% of the total assets, intangible assets for 2%, and goodwill for 4%. Current assets in 2021 amounted to 48%, cash - 12%, receivables for goods, works, services - 7%, receivables for advances - 5%, VAT receivables - 4%, inventories - 10%, current biological assets - 8%.

As we can see, non-current assets and current assets changed their share in the structure of financial resources during the period under review. To illustrate the property structure more clearly, we present the graph of changes in non-current and current assets.



Figure 3.2 Structure of property of Kernel Trade LLC, %

\*Source: compiled by the author

As can be seen from the figure above, in the period from 2018 to 2022, non-current assets and current assets change their share, as the company is actively engaged in production activities.

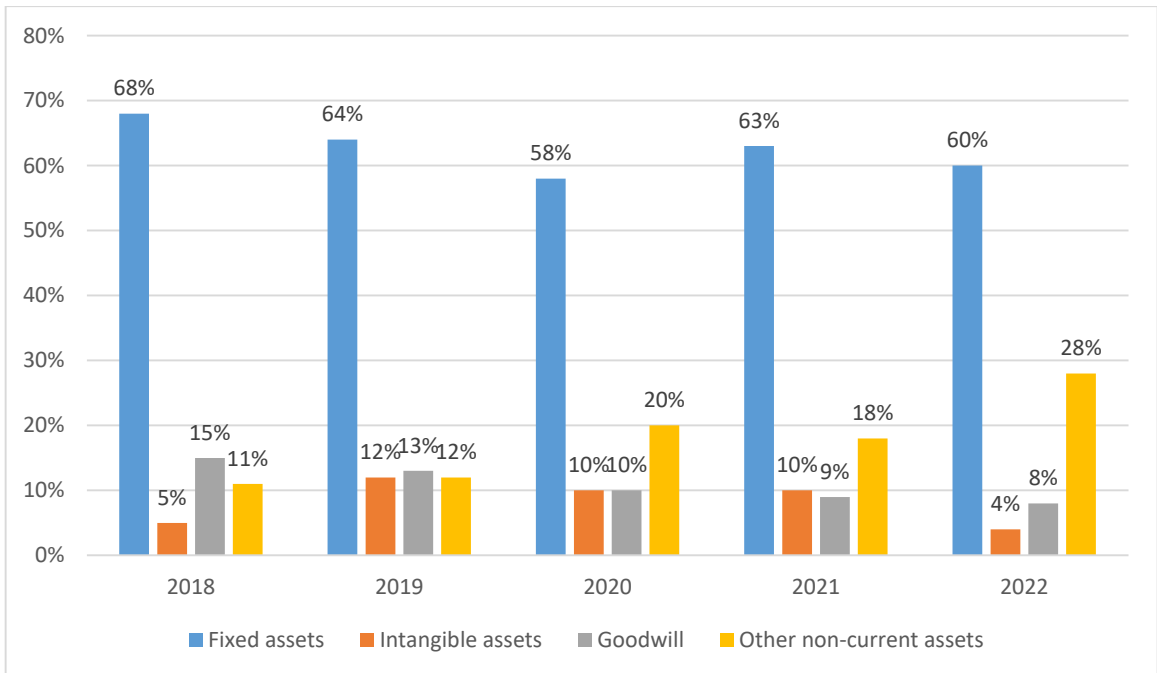


Figure 3.3 Structure of non-current assets of Kernel Trade LLC, %.

\*Source: compiled by the author

The largest share in non-current assets is fixed assets in 2022 - 68%, in 2019 - 64%, 2020 - 58%, 2021 - 63%, 2022 - 60%, intangible assets in 2018 - 5%, 2019 - 12%, 2020 - 10%, 2021 - 10%, 2022 - 4%, goodwill in the structure of non-current assets in 2018 - 15%, 2019 - 13%, 2020 - 10%, 2021 - 9%, 2022 - 8%.

According to Table 3.6, the total value of property increased by 3% in 2018, while in 2019 it increased by 33%, in 2020 it increased by 10%, in 2019 by 11%, and in 2022 by 28%. In general, the increase in the balance sheet currency in 2018-2022 is assessed positively, as the company's production capacity has increased.

Table 3.6

## Horizontal analysis of non-current assets

Indicator	Year	Non-current assets	Fixed assets	Intangible assets	Goodwill long-term borrowings	Balance sheet
Absolute deviation	2018	-18172	3551	-15754	2470	43737
	2019	99507	30906	68154	- 7802	450828
	2020	117960	18413	-395	- 10419	201541
	2021	201033	176559	10476	4044	254186
	2022	427618	219682	- 46857	15752	702203
Relative deviation	2018	-2,25%	0,66%	-29,97%	2,07%	3%
	2019	12,61%	5,75%	185,81%	-6,40%	33%
	2020	13,27%	3,23%	-0,38%	-9,13%	10%
	2021	19,97%	30,02%	10,03%	3,90%	11%
	2022	35,33%	28,73%	-40,77%	14,62%	28%

Source: compiled by the author

Let us consider the reasons that influenced the change in the balance sheet currency. Thus, according to the analysis, the increase in the company's property was caused by changes in non-current assets and current assets. In 2018, they decreased by 2.25%, in 2019



they increased by 12.61%, in 2020 they increased by 13.27%, in 2021 they increased by 19.97%, and in 2022 they increased by 35.33%.

The structure of current assets is shown in Figure 3.4. In 2018, the main items in the structure of current assets were cash and cash equivalents - 8%, receivables for goods, works and services - 10%, receivables from advances - 7%, VAT receivables - 18%, inventories - 28%, current biological assets - 26%, in 2019 - cash and cash equivalents - 13%, receivables for goods, works and services - 8%, receivables from advances - 7%, VAT receivables - 12%, inventories - 35%, current biological assets - 23%, in 2020 cash and cash equivalents - 11%, receivables for goods, works and services - 8%, receivables for advances - 9%, VAT receivables - 10%, inventories - 31%, current biological assets - 24%, in 2021 - cash and cash equivalents - 8%, receivables for goods, works, services - 10%, receivables for advances - 7%.

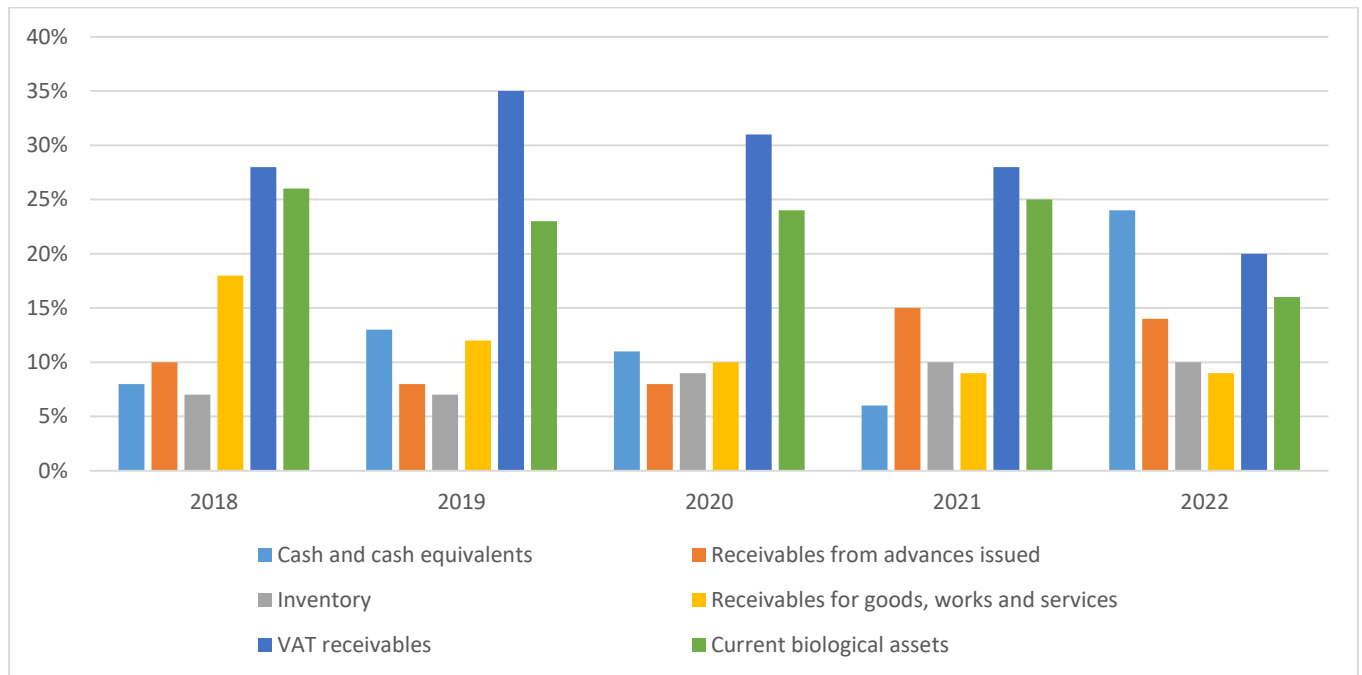


Figure 3.4 - Structure of current assets of Kernel LLC, %.

Source: compiled by the author

As mentioned above, the company's property grew during the period under study, let us examine the changes in current assets that affected the change in the balance sheet. In

2018, current assets increased by 9.40%, in 2019 they increased by 55.55%, in 2018 they increased by 7.46%, in 2020 they increased by 4.33%, in 2022 they increased by 21.85%.

Table 3.7

### Horizontal analysis of current assets

Indicator	Year	Current assets	Cash	Accounts receivable (Gross)	Receivables from advances issued	VAT receivables	Inventory	Current biological assets
Absolute deviation	2018	61909	-68749	19072	-7664	42132	41457	43741
	2019	400221	83020	11985	29718	4879	186447	65935
	2020	83581	-11374	5163	30641	-20562	-18207	33189
	2021	52163	-55217	90841	16480	3880	10843	19594
	2022	274585	292316	32083	19094	14173	-54208	-56846
Relative deviation	2018	9,40%	53,24%	33,98%	-12,64%	47,74%	26,11%	29,84%
	2019	55,55%	137,51%	15,94%	56,09%	3,74%	93,12%	34,65%
	2020	7,46%	7,93%	5,92%	37,05%	-15,20%	-4,71%	12,95%
	2021	4,33%	41,83%	98,36%	14,54%	3,38%	-2,94%	6,77%

Source: compiled by the author

Since the company's property increased during the research period, which is an indicator of growth in production potential and efficiency of financial resources, we will analyse the efficiency of managing the company's production potential. The calculations are presented in Table 3.7.

Table 3.7

### Assessment of the efficiency of production potential management

Indicator	2018	2019	2020	2021	2022
Return on equity	3,70	3,91	4,15	5,90	4,70
Capital intensity	0,27	0,26	0,24	0,17	0,21
Return on property, plant and equipment	3,69	3,81	4,09	5,22	4,17
Constancy coefficient	0,52	0,44	0,46	0,49	0,52

Continuation of the table 3.7

Depreciation ratio of fixed assets	0,11	0,10	0,14	0,10	0,11
Mobility factor	0,48	0,56	0,54	0,51	0,48

Source: compiled by the author

Based on the analysis of production potential assessment coefficients, it can be concluded that the efficiency of production assets management is satisfactory

Table 3.8

#### Evaluation of the efficiency of working capital management

Indicator	2018	2019	2020	2021	2022
Turnover of current assets	2,88	2,36	2,07	3,24	2,95
Duration of one turnover of working capital	124,83	152,80	174,15	110,95	122,17
Inventory turnover	11,08	7,39	6,36	11	12,43
Duration of one inventory turnover	32,49	48,70	56,56	32,74	28,97
Receivables turnover	8,58	7,70	7,68	10,62	8,85
The duration of one turnover of accounts receivable	41,96	46,78	46,86	33,91	40,70
Production cycle time	32,49	48,7	56,56	32,74	28,97
Operating cycle time	74,46	95,49	103,42	66,64	69,67
Length of the financial cycle	131,85	141,30	141,44	104,72	106,41

Source: compiled by the author

The assessment of the efficiency of current asset management allowed us to evaluate the level of financial management at the enterprise during the period under review. From

2018 to 2022, we can observe an increase in the current assets turnover rate, so the level of management of defensive assets is unsatisfactory, and the company needed to attract more financial resources to finance current assets.

Thus, we can conclude that the efficiency of managing production potential and financial resources is satisfactory, but in 2021 and 2022 we observe a decrease in the indicator, which indicates inefficient management, the company needs fewer resources to finance its current assets, which in turn will free up part of the financial resources. Which can be used to reduce the volume of liabilities.

Analysis of financial resources of an enterprise is an important element of the overall management system of an enterprise, a system of methods of accumulation, processing, transformation and use of information to ensure its competitiveness. The classification of financial resources according to the degree of necessity of analysis is given by a number of features. Analysis of financial resources of an enterprise consists in solving two interrelated tasks. The first one is to obtain a small number of key (most informative) parameters that give an objective picture of the financial condition.

The second task involves analysing the factors influencing the financial condition of the enterprise and the possibility of their changes based on the results obtained. The basis of an effective methodology for analysing the financial resources of an enterprise is the implementation of procedures in the appropriate sequence and in full, which will allow to fully assess the efficiency and quality of the processes of formation, use and allocation of financial resources of the enterprise. The analysis of the financial indicators of the enterprise shows the state of the enterprise, helps to assess the financial resources necessary for its effective functioning.

The analysis showed that "Kernel Trade" LLC is financially independent from borrowed funds, which will not lead to a decrease in the financial stability of the enterprise. The company effectively conducts its business activities and increases production rates due

to the growth in demand for its products. The company is also liquid and able to meet its obligations.

### **3.2. Reserves for improving the financial state of the enterprise**

Capitalisation is a complex and multifaceted economic category. For transformational economies in the early twenty-first century, the concept of capitalisation was relatively new.

Modern economic conditions, which orientate industrial production towards achieving high quality economic growth based on innovations, put forward new requirements for research and development of mechanisms and tools for managing their competitive potential, including by increasing the level of capitalisation of economic resources of the enterprise.

In the era of the global economy and open market, capitalisation of territorial resources is becoming the most common factor in the development and economic growth of an enterprise of any level. At the same time, capitalisation is most often understood as the process of increasing the value of capital owned by an entity of a certain level of management as a result of growth of its economic potential and efficiency.

Capitalisation is a method of distribution and use of profits, which provides for their allocation for the development of an enterprise; an accounting method of recognising expenses as assets; the value of an organisation's net assets or the amount of share capital; a method of determining the value of property based on its profitability; and the transformation of value added into capital.

The requirements of the innovative development of the national economy increase the importance of finding new approaches and mechanisms for the formation of modern industrial production in Ukraine that meets the world level. In this regard, the issues of managing the resource potential of industrial enterprises should also be addressed with due regard to the changes that are taking place in the context of the transition to a new

technological method of production. Accordingly, there is a need to consider the problem of finding and implementing reserves for increasing the competitiveness of domestic production, primarily through the effective linking of economic resources of the enterprise in the areas of modernisation and innovation projects.

The analysis of modern scientific literature allows us to identify the following main results of the impact of post-industrial economy factors on production systems: globalisation of economic relations and increased competition in the markets of goods and services; reduction of the life cycle of goods and services, acceleration of the pace of change of production objects; emergence of new technologies and acceleration of innovation processes; rapid development of information and communication technologies and their penetration into the sphere of production and management activities, growth of the importance of intangible.

Under these conditions, the task of managing the competitive development of industrial enterprises arises not only on the basis of efficient and rational use of internal and external economic resources, as presented in the currently dominant concepts, methods and tools for managing the innovative development of an enterprise, but also in the direction of linking them to implement innovative development projects.

In this regard, the traditional methods and models of managing the development of industrial enterprises, focused mainly on achieving a certain level of its economic sustainability, should be supplemented by new ones, including those aimed at strengthening the competitiveness of the enterprise as a result of effective capitalisation of resources for the purpose of innovative development. This requires an appropriate understanding of the content of the process of capitalisation of resources of an industrial enterprise as the economic basis of its innovative development.

It should be noted that in relation to capitalisation of resources of industrial enterprises the most important are those institutional mechanisms that provide economic entities with effective "binding" of resources with their further conversion into an innovative

product. In this regard, it seems necessary, when considering the essence of capitalisation of resources of an industrial enterprise, to pay attention to the managerial aspect, since increasing the capitalisation of resources is crucial for the development of innovation processes at the enterprise, and therefore, management of capitalisation of resources becomes an important element of the management system of informatisation of its activities.

In view of the above, it is possible to offer the author's definition of the concept of "capitalisation of resources of an industrial enterprise" as a set of multi-level institutional processes and managerial influences that ensure effective linking of economic resources with the aim of modernisation through introduction of innovations of reproduction processes at an enterprise.

The existing Ukrainian and foreign experience in managing the development of industrial enterprises in various fields and sectors of the economy convincingly demonstrates that the most effective way to link resources (investment, financial, production, etc.) in order to focus them on the implementation of innovations is through the integration of the resource potential of enterprises in the form of cluster formations.

The development of each specific economic and industrial system is closely linked to some local points, poles, which, due to their special position, specific infrastructure, social and cultural profile, become the centres of development of the entire economic system. Growth poles, according to his definition, are the territorial concentration of industrial enterprises in certain places where economic growth, entrepreneurial activity, and the innovation process are most intense.

From the point of view of the possibility of capitalising resources for the implementation of industrial innovation projects, the following essential features of the cluster can be identified:

- the presence of advanced firms capable of having a significant share in the domestic and foreign markets;
- concentration of cluster members in a limited area, which offers unique advantages;

- interaction of cluster members with each other to produce products that are competitive in the domestic and foreign markets;
- accelerated dissemination of innovations through a well-developed information transfer network.

By combining competitive cooperation of interdependent enterprises based on a common infrastructure and integrating the economic potential of its members, the cluster, as a result of the synergistic effect, ensures that enterprises are more interconnected through the faster dissemination of technologies, professional skills, and information. This means the possibility of converting the economic resources of an enterprise into innovative products and services, which strengthens the strategic advantages of the enterprise itself and stimulates the development of competition in the industry. The main arguments in favour of capitalising enterprise resources within the framework of cluster projects include the following:

- The possibility of complementing the resource potential (both in terms of one and different types of resources) is ensured, which allows implementing a project that was previously unavailable due to limited innovative resources;
- Increasing accessibility to specialised and productive human resources; facilitated flow of information through the formation of a network of both formal and informal relationships, including in the transfer of market and technological information, knowledge and experience;
- The possibility of accumulating specialised information (knowledge) increases, with access to it becoming more organised and requiring less cost; the efficiency of using enterprise resources increases as a result of an increase in the efficiency of the supply system for raw materials, components and assemblies, and the availability and quality of specialised services;
- Increased access to previously unavailable financial resources (e.g., sources of risk financing for new technology companies in the IT cluster);



- The company's resources are being used for research and development.

It should be noted that these opportunities are primarily determined by economies of scale, which can be both static and dynamic. The static effect is associated with more economical and rational use of resources. The dynamic effect, or learning effect, is due to a decrease in average costs as cumulative output increases.

Mechanisms for capitalising resources based on the dynamic effect are both simple and complex. First of all, it is the possibility of realising reserves for the development of industrial production through the creation of consumer networks, technological networks, and the use of geographical proximity.

In this case, the economic effect is formed through the rational exchange of market knowledge and technologies, as well as modification of motivations and quality of human capital in the region, which improve the innovation climate in the region. Thus, the new conditions for the functioning of Ukrainian business, characterised by high dynamism of the external environment, increasing consumer demands, and intensified competition, have brought to the fore the problems of innovation in the activities of industrial enterprises, which is directly related to the most important task of capitalising resources, including through the creation of highly integrated structures by industrial enterprises.

The structural and functional interrelationships of cluster relations that determine the capitalisation of resources are shown in Figure 3.5.



Fig.3.5 Structural and functional interrelationships of cluster relations' subjects that determine the capitalisation of resources

\* Source: compiled by the author

Obviously, in order to ensure capitalisation of resources of industrial enterprises in the cluster structure, it is necessary to develop effective tools and mechanisms for mobilisation and rational use of integrated resources of economic entities. In this regard, as the existing experience of a number of industrial sectors (in particular, oil and gas, transport, electricity, etc.) shows, public-private partnership projects can be positively assessed. Practice shows that it is the direct involvement of public authorities that administratively regulate the business environment that determines the institutional conditions for the cluster's functioning and the development of the investment climate.

Thus, it is obvious that in the modern economy it is the cluster form of organisation of interaction of industrial enterprises that is able to ensure capitalisation of resources in the areas of innovative development. At the same time, capitalisation of resources of an industrial enterprise appears as a set of multi-level institutional processes and managerial

influences that ensure effective linking of economic resources with a view to modernisation and innovation of the enterprise's economy.

Effective management of an enterprise's economic potential is the basis for its performance. The process of economic potential management is planning, organisation and control of all its components, namely, the potential of fixed and current assets, labour resources, finance, investment and innovation activities. Economic potential management is designed to create conditions for successful functioning in all areas of the enterprise's activity.

As we have already established, Kernel operates in the agricultural sector, producing and selling oil and grain crops, providing grain storage and transshipment services at elevators and port terminals, and owning grain carriers. Each of the business segments is a leader in the Ukrainian market, but like every company, there are areas for potential development. Table 3.9 shows examples of possible improvements in the economic situation of an enterprise.

Table 3.9

#### Areas of improvement of Kernel's financial potential

Problem	Solution	Possible result
Logisitcs		
Significant time spent on creating similar applications and contracts with carriers of finished products	Creating an automated application that could also filter carriers by price and reliability, remembering past transportations	Reduced time and use and other important features
Significant time spent on tenders		Reduced time, reduced risks
Not automated order data for bottled oil		Automation, reduction of risks associated with the human factor
Risks associated with carriers of finished products, as most of them are private companies	Investing in the acquisition of your own vehicle fleet	Reduced risks and costs. Improved product quality and the ability to track products anywhere in the world

Continuation of the table 3.9

Manufacturing and Agribusiness		
Significant wear and tear on agricultural equipment	Investments in the purchase of new equipment	Saving maintenance costs, increasing labour productivity
Losses of small entrepreneurs who are suppliers of raw materials	Financial support, provision of an advance in the spring for planting seeds	Sourcing raw materials from small entrepreneurs of appropriate quality
Significant maintenance costs for old elevators	Modernising them or selling them	Reduced costs, the ability to buy new, better, more powerful ones
Inconvenient location of old elevators	Sale of them	Possibility to build in a convenient location
The risk of low yields	Diversification of land bank, risk insurance	Risk reduction, confidence in continuous production
Land degradation	Implementation of automated systems to improve soil quality and crop rotation	Obtaining long-term prospects for soil fertility
Inadequate quality of raw materials provided by small entrepreneurs	Create a programme to support and improve the efficiency of agribusiness	Improving the quality of raw materials, focusing on future benefits
Significant costs for hiring additional staff during the planting and harvesting season	Purchase of new labour tools to reduce the number of seasonal workers	Increase labour productivity, reduce labour costs
Insufficient qualification of workers on new means of labour	Improving the skills of employees	Increase in labour productivity
Insufficient qualification of employees in working with automated systems	Training, courses, IT support	Improving the quality of work

Source: compiled by the author

Thus, a number of problems have been identified that should be studied and resolved in more depth to increase the economic potential of the enterprise. The imperfection of the logistics system at Kernel entails significant unnecessary time and financial costs. At the

same time, the risks associated with the export of bottled oil prevent the company from entering new markets, and unnecessary costs hinder the development of logistics in general.

The risk is that most carriers are private companies that cannot guarantee high quality of transportation and meeting deadlines. As a result, additional costs are incurred for late delivery of goods, arrival of goods of inadequate quality, improper transportation conditions, etc. The solution to this problem is to look for investments in the acquisition of its own fleet of vehicles, which will allow it to control the quality of transportation and the speed of delivery to any country in the world.

Another important problem is the wear and tear of agricultural equipment. This leads to additional fuel consumption, the use of seasonal workers, irrational use of land resources and reduced labour productivity. Renewal of fixed assets is important and mandatory for companies focused on high-tech crop production. Thus, the replacement of old equipment with new is inevitable for the development of Kernel's production potential.

Employee training is becoming an important issue for the continuous development of the company's potential. People are the company's most valuable asset, which can generate innovative solutions to improve competitiveness and maintain its leadership status in the Ukrainian and global markets.

Employee training is the engine that drives both the motivation to develop and the profitability of the company. Therefore, new skills are required for all employees at Kernel. Therefore, it is advisable to organise trainings to improve professional and managerial skills, knowledge and competences. For agriculture employees, this includes modular practical trainings conducted by internal and external experts for agronomists, engineers and other agricultural professionals, as well as experience exchange programmes and visits to production facilities. It also makes sense to hold regular face-to-face meetings of cluster representatives across Ukraine to share experiences and best practices. For managers, this includes training to develop professional, technical and social skills, various competencies and managerial abilities.

### 3.3 Increasing the economic potential of the enterprise

Improving the economic potential of an enterprise is the main condition for its successful and efficient operation, the basis for sustainable development and maximum efficiency.

Ukraine has strong potential and conditions for agribusiness development: the best soil quality in the world, proximity to key markets, etc. However, this industry sector is highly dependent on global grain prices and weather conditions. These are risks that the company cannot control. Therefore, it is advisable to focus on factors that can be influenced: costs and productivity.

Thus, the renewal of fixed assets will reduce the cost of repairing outdated equipment, paying seasonal workers, and fuel consumption, and increase the economic potential of the company.

Turning to the company's report, we can see that there is a significant depreciation of fixed assets at the company. In the structure of depreciation of fixed assets in this period, the following distribution is observed: 23.7% - depreciation of buildings and structures, 23.9% - production equipment, 46.7% - agricultural equipment, 5.7% - other equipment.

Seed drills are the main means of labour in the agricultural industry, so it is best to invest in new modern seed drills for crops such as wheat, soybeans, barley, corn and rapeseed. The new generation of seed drills sow seeds at a row spacing of 70 cm with absolute precision, and they also have a granular fertiliser system.

To illustrate the increased economic potential and benefits of purchasing new seeders, consider Table 3.10

Table 3.10

Comparative characteristics of the seed drills

Indicator	Old seed drill	New seed drill
Capacity, ha per day	245	927

Continuation of the table 3.10

Working time of 1 seeder during sowing (20 days), ha	4786	18574
Fuel consumption, kg/ha	5,3	2,1
Number of seeders per cluster	37	10
Required number of machine operators, people	73	21
Salaries of machine operators, USD	59514	15389
Seed drill maintenance costs, USD	19231	1923
Fuel costs, USD	243 614	96 924

Source: compiled by the author

This table shows that the characteristics of the new seeder will reduce costs and increase capacity by three times compared to the old equipment, which will increase the potential of the enterprise. All investment costs are covered by the company's own funds.

The total price of one new generation seeder is USD 113,265 (excluding VAT, delivery and initial set-up), and the number of seeders required is 10. Let's calculate depreciation using the straight-line method.

Table 3.11

Depreciation of Seed drill of new generation

Year	Initial cost, USD	Depreciation and amortisation charges, USD	The residual value, USD
1 Year	113265	11326,5	101938.5

Continuation of the table 3.11

2 Year	101938.5	11326,5	90612
3 Year	90612	11326,5	79285,5
4 Year	79285,5	11326,5	67959
5 Year	67959	11326,5	56632,5
6 year	56632,5	11326,5	45306
7 year	45306	11326,5	33979,5
8 year	33979,5	11326,5	22653
9 year	22653	11326,5	11326,5
10 year	11326,5	11326,5	-

Source: compiled by the author

Table 3.11 shows that depreciation will be made over ten years, and the annual depreciation amount will be \$11326,5. Calculate the cost savings from using the new seeders.

Table 3.12

Seeders maintenance costs, USD.

Classification of expenses	Old greel drills	New grill drills	Saving costs
Remuneration of machine operators	59514	15389	44125
Maintenance of seed drills	19341	1934	17407
Fuel costs	243614	96924	146690
Total costs	322469	114247	208222

Source: compiled by the author



As we are planning a complete replacement of equipment to increase economic potential, it is appropriate to sell the worn-out seeders. Kernel is implementing the Open Agribusiness programme, which shares best practices in the application of modern agricultural practices, providing working capital financing and access to Kernel's infrastructure, so the sale will be made to other agricultural producers who are suppliers of raw materials.

The price of one old seeder is \$21,232. Having sold all the seeders, we receive sales revenue, but to show the net profit, we need to deduct value added tax and income tax. Let's calculate the financial performance of the following measure

Table 3.13

## Results of purchasing new grill seeders

Indicator	Value
The cost of purchasing seeders, USD.	1132650
Revenue from the sale of used seeders, USD	806818
Net profit from sales, USD	645452,8
Investment costs for the purchase of new seeders, USD	482193
Service life, years	10
Net cash flow, USD	305311
Discounted net cash flow, USD	1392241
Net present value, NPV, USD	910167
Profitability index	1,9
Discounted payback period, years	1,9
Guaranteed payback period, years	3,8

Source: compiled by the author

The net cash flow is calculated as the sum of the cost savings of the project implementation and the annual depreciation charges. The net present value is calculated using the following formula:

$$NPV = \sum_{t=1}^n \frac{C_n}{(1+r)^t}$$

Where C- is the sum of net cash flows for individual intervals of the total project life;

t- project life cycle period;

n- - number of periods in the total settlement period;

r- internal rate of return.

Since the useful life of the seeders is 10 years, we also discount them for 10 years, at a discount rate of 18%.

The profitability index is calculated using the following formula:

$$PI = \frac{NPV}{\text{Initial Investment}}$$

The criterion value is  $PI \geq 1$ , so in our case the indicator is quite high. The discounted payback period is determined by the following formula:

$$DPP = \sum_{i=1}^n \frac{CF}{(1+r)^i}$$

Where CF- cash flow, generated by investing project;

r- discount rate;

n - project implementation period.

The payback period of this investment project is three years, which indicates that it is reasonable to implement such a business decision. Investing in this project has a low degree of risk, as it is financed from the company's own funds, and the equipment will have a ten-year service life.

Table 3.14

## Impact on the technical and economic performance of Kernel's agribusiness

Indicator	Unit of measurement	Before implementation of the project	After implementation of the project	Absolute Change
Number of employees	Persons	13572	13526	-46
Profit from operating activities	Usd	224 418 219	224627244	209025
Labour costs and salaries	Usd	9535921	9501096	-34825
Volume of products sold	Usd	750283593	750283593	-
Return on equity	Percent	8,03	7,99	-0,04
Profitability of property, plant and equipment	Usd	90,1	89,7	-1,4
Capital intensity	Usd	0,12	0,13	0,01
Capital equipment	Usd	9815,3	9911,7	-96,4
Labour productivity	Usd	98110	97856	-254

Source: compiled by the author

The purchase of new seeders will increase the economic potential of the enterprise, increase the competitiveness of agribusiness, reduce costs, increase labour productivity and strengthen financial state of the Kernel. In addition, the new machinery is less harmful to the environment, as it reduces air pollution and air pollution and make more efficient use of land resources.

## CONCLUSIONS

Having analysed the economic literature, it can be concluded that the concept of financial condition of an enterprise still has no single interpretation. This leads to the problem of analysing the financial condition, because even the composition of indicators and their relative importance differs.

Having studied the content and concept of the financial condition of an enterprise, it can be argued that this is a complex concept that results from the interaction of all elements of the system of financial relations of an enterprise, is determined by a set of production and economic factors and is characterised by a system of indicators that reflect the availability, allocation and use of financial resources.

The study of the definition of "financial condition of an enterprise" was carried out using three approaches: detailed (financial condition is considered as the structure of capital, assets and liabilities of an enterprise, their efficiency of use in the process of financing its activities); effective (financial condition is reflected as a set of indicators showing how an enterprise can control its financial resources, while carrying out stable and profitable economic activities); systemic (financial condition is denoted as a complex concept).

Kernel is a leader in the Ukrainian market in all segments. Kernel has a powerful modern sunflower oil production facility with an annual sunflower seed processing capacity of 3.5 million tonnes, the largest elevator network in Ukraine with a total storage capacity of 2.5 million tonnes of grain, modern full-scale machinery, rational agronomic practices, a cluster management system and an export-oriented farmland structure.

The results obtained in the course of the study solve a scientific and practical task, namely, the analysis of the financial condition of Kernel LLC.

After calculation of liquidity and solvency ratios it can be said that the company has strong financial condition.

Based on the SWOT analysis it can be said that the main threat to the company is the decline in demand for vegetable oil, which correlates with the opportunity to expand the

market for unrefined and olive oils described above. The trend towards a healthier lifestyle may reduce demand for sunflower oil, which is high in fat.

The analysis revealed a number of problems that should be addressed to improve the financial condition of the company.

One of the problems identified is the wear and tear of agricultural equipment. This leads to additional fuel consumption, the use of seasonal workers, irrational use of land resources and reduced labour productivity. Renewal of fixed assets is important and mandatory for companies focused on high-tech crop production.

The proposed project to purchase new seeders will increase the economic potential of the company, increase the competitiveness of agribusiness, reduce costs and increase labour productivity. In addition, the new machinery is less harmful to the environment, as it reduces air pollution and makes more efficient use of land resources.

It is found that the renewal of fixed assets is appropriate and necessary to ensure continuous production in the agricultural sector. The purchase of seeders will reduce unnecessary costs and generate profits. Non-financial indicators include improving certification and quality, as well as maintaining reputation.

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