Ministry of Education and Science of Ukraine
Ukrainian-American Concordia University
Department of International Economic Relations, Business & Management

Bachelor's Qualification Work

Role of financial management in the management of the business

(based on Business Media Network case)

Bachelor's student of
Field of Study 07 – Management **Diana Makar**
Specialty 073 – Management
Educ. program – Management

Research supervisor Amalian N.D.
Ph.D. in Economics

Kyiv - 2023

Abstract

The work is devoted to analysis of financial management in business management. The work summarizes theoretical and practical information about role of financial management, its objectives, scope, as well as practical case of the existing company, and other small and medium businesses in Ukraine operating during war. Author identified the main aspects of financial management, such as financial decisions, financial statements, planning, budgeting, and financial control of all business activities. A comparative analysis of financial activities of small and medium businesses during war crisis in Ukraine based on surveys was conducted.

Keywords: financial management, profit maximization, wealth maximization, financial decisions, financial statements, financial planning and control, financial crisis during war.

Анотація

Робота присвячена аналізу фінансового менеджменту в управлінні підприємством. У роботі узагальнено теоретичні та практичні відомості про роль фінансового менеджменту, його цілі, масштаби, а також практичні приклади діяльності існуючих компаній, інших суб'єктів малого та середнього бізнесу в Україні, що працюють під час війни. Автор визначив основні аспекти фінансового менеджменту, такі як фінансові рішення, фінансова звітність, планування, бюджетування та фінансовий контроль усієї господарської діяльності. Проведено порівняльний аналіз фінансової діяльності малого та середнього бізнесу під час воєнної кризи в Україні на основі опитувань.

Ключові слова: фінансовий менеджмент, максимізація прибутку, максимізація багатства, фінансові рішення, фінансова звітність, фінансове планування та контроль, фінансова криза під час війни.

PHEE-institute «Ukrainian-American Concordia University»

School of Management and Business
Department of International Economic Relations, Business and Management

Educational level: **bachelor degree**
Specialty: 073 "Management"
Educational Program "Management"

APPROVED
Head of Department: Prof. L. Zharova

____
"____" ________________202___

TASK
FOR BACHELOR'S QUALIFICATION WORK

________________________________**Diana Makar** __________________________
(Name, Surname)

1. Topic of the work:

Role of financial management in the management of the business

(on the basis of Business Media Network company**)**

Supervisor of the work ***Natalia Amalian, Ph.D. in Economics***.
(surname, name, degree, academic rank)

Which approved by Order of University from
"22" September 2022 № 22-09/2022-3c – **Management**

2. Deadline for bachelor's qualification work submission "***23" April 2023***
3. Data-out to the bachelor's qualification work_
Materials from internship received during consultation with representatives of the company. Information from open resources in the Internet, official reporting of financial and economic activities of the enterprise.

4. Contents of the explanatory note (list of issues to be developed).

There are three main topics a student should develop in this work:

1. ***Fundamentals of financial management.***
2. ***Practice of financial management (case study of BMN Company)***
3. ***Propositions for financial management improvement.***

5. List of graphic material (with exact indication of any mandatory drawings)

Graphs and figures for analysis of economical and statistical information on the company and its development, visualization of mechanism of development, etc.

6. Consultants for parts of the work

Part of the project	Surname, name, position	Signature	
		Given	Accepted
1	*Natalia Amalian, Ph.D. in Economics*		
2	*Natalia Amalian, Ph.D. in Economics*		
3	*Natalia Amalian, Ph.D. in Economics*		

7. Date of issue of the assignment

Time Schedule

№	The title of the parts of the bachelor's qualification work	Deadlines	Notes
1.	I chapter	*31.12.2022*	*In time*
2.	II chapter	*20.02.2023*	*In time*
3.	III chapter	*11.04.2023*	*In time*
4.	Introduction, conclusions, summary	*23.04.2023*	*In time*
5.	Pre-defense	*27.04.2023*	*In time*

Student

(signature)

Supervisor

(signature)

Conclusions:

The Bachelor's qualification work is designed at the sufficiently high level, and its content and structure fully meet the methodological requirements. The study provided a meticulous analysis of financial management and its role in the management of the business. The paper was written on the basis of thorough analysis of specific aspects of the operations of Business Media Network company, which provided the student with the opportunity to suggest sound recommendations for start-ups and for companies functioning in war times in general. *The work contains all the necessary parts of scientific research with empirical and theoretical recommendations. The paper includes a well-developed theoretical approach to the problem of overcoming financial difficulties. The practical recommendations were formulated correctly, focusing on the main goal and tasks of the work.*

Supervisor

(signature)

Table of contents

INRODUCTION

Financial management is vital for the overall success for any company. Managing money is at the root of all major decisions in business. Financial management is strategic planning, organising, directing, and controlling of financial undertakings in organizations. It includes applying management principles to the financial assets of business, while also playing an important part in fiscal management. This paper is dedicated to dive into what is financial management, its objectives and features, main principles, and how financial decisions affect overall business activities.

The aim of my research is to draw on what others have to say about this topic and engage the sources in order to thoughtfully find and present a unique perspective on the issue hand.

In order to achieve this aim, the following **tasks** were set:

- to examine the scope and objectives of financial management
- to analyze theories and basic principles based on financial literature
- to investigate financial decision-making : investment decisions; financing decisions; and dividend decisions
- to figure out the role and responsibilities of financial manager
- to dive into main financial statement and principles of bookkeeping (case of Business Media Network company)
- to analyze essence of capital budgeting
- to examine the process of financial control and how it is conducted
- to identify financial management during crisis (in our case it is war)
- To figure out elements of financial management for startups companies
- to analyze ways how to overcome financial difficulties

The **methodological basis** for this work is comprised of peer-review journal articles, acclaimed internet publications, and personal data analysis and calculations.

The **research objects** is financial management, its objectives and features, main principles, and how financial decisions affect overall business activities.

The **research subject** of the paper is financial management in Business Media Network company. I described in detail financial aspects of the company, provided financial statements and analysis of accounting, budgeting, financial controls.

Why is financial management important? I chose the following reasons:

- Helps organisations in financial planning and acquisition of funds;
- Aids organisations to effectively utilise and allocate the funds received or acquired;
- Supports organisations in making critical financial decisions;
- Helps in improving the profitability of organisations;

- Increases the overall value of organisations;
- Provides economic stability.

I selected relevant literature, processed data, conducted analyses, made critical assessments about role of financial management and its main aspects.

We will talk how financial management is used to achieve business goals; the role of financial management, which includes planning, directing, monitoring and controlling organisational funds in order to make effective financial decisions. In essence, it seeks to apply management principles to the financial structure of a business. While ensuring a business is both successful and profitable are the main aims of financial management, it also seeks to:

- support compliance and regulation adherence
- maximise profits, stakeholder returns and overall company value
- track liquidity and cash flow
- provide economic stability
- enable up-to-date financial reporting and supplies financial information and data to inform KPIs
- develop financial scenarios to support forecasting
- uphold risk management efforts

This paper consists of three chapters; chapter I " Basic framework of financial management", chapter 2 " Practical case study of my internship in Business Media Network company", and chapter 3 " Strategic ways to improve financial management". Work is carried out on 71 sheets, containing 8 tables, 9figures. References include 50 literature sources used in a proper way.

CHAPTER 1. FUNDAMENTALS OF FINANCIAL MANAGEMENT

1.1 Theory and models in financial management

Every kind of the business activity depends on the finance. Whether the business concerns are big or small, they need finance to fulfil their business activities. The entire business activities are directly related with making profit. The economics concept of factors of productions include rent for property owner, wages for labour, dividends for investors, and profit for shareholders and owners. Finance may be called as capital, investment, fund, but each term has different meaning and characters.

Financial management concerned with the duties of the financial managers; is an integral part of overall management. Solomon defined the term financial management, concerned with the efficient use of an important economic resource namely, capital funds.

Financial management refers to applying management concepts to budgeting, forecasting, managing, and controlling a company's financial resources to achieve its objective. It aims to maximize investors profit by optimizing the firm's money usage. It deals with all the areas connected to profitability, expenses, cash, and credit.

Financial management is one of the most important responsibilities of owners and business managers. Business decisions on profits, cash flow and on the financial condition of the company are being considerate by owners and managers. Every activity of each aspect of a business has an impact on the company's financial performance and has to be analyzed and controlled by the business owner.

Many companies had losses during their start up period. Managers must know fundamentals and more of financial management; have to have enough cash on hand to pay paychecks for employees and suppliers even through they have more expenses and little profit. This means that the manager needs to make some financial forecast of these negative cash flows so he/she knows how much capital needed to fund a start-up.

As a business becomes more profitable and mature, more funds and investments are required for company's growth. Planning and budgeting for these financial needs are vital. Next step for owners and managers is to decide if company wants to expand internationally or borrow from outside lenders. Financial management is finding reliable investors and other sources of funds at the lowest cost, without having lots of unnecessary liabilities and debt.

In its normal operations, a company manufactures a product or services, makes a sale, collects money and continues this process over and over. Financial management includes managing the turnover ratios of raw materials and finished goods inventories, collecting receivables on a timely basis. Regularly the business pays its bills to suppliers and employees. All of this has to be done with cash, so financial management is for making sure that these funds flow efficiently. Organizations must plan to have enough liquidity to weather economic downturns and recessions, otherwise they may need to shut their doors up for lack of cash.

In order to operate the business legally, companies are required to provide reports of its operations. Shareholders need regular and reliable information about the return and security of their investments. Local government needs report for collecting taxes. Managers also need other types of reports with key performance indicators, which measure business activities. As well, a comprehensive financial management is able to produce a various type of reports for different needs. Financial management plans how company can pay its taxes on a timely basis.

Theories in financial management:

1) Agency theory explains the relationships between shareholders and company executives directors; the relationship between 2 parties , the principal and the agent. Agent is hired by principal to perform a service and to make important financial decisions. Agency theory assumes that the interests and risk aversion of executives and shareholders may be different, are not always in alignment, so principal-agent problems arise.

For example, risk aversion can arise when a director of a company wants to expand a business into new, high risk market, but shareholders are interested in long-term growth of earning and share price appreciation. Proponents of agency theory found ways to resolve disputes between agents and principals, to reduce agency loss. One of the way is proposing incentives to corporate managers to maximize the profits of the shareholders. Other practices include tying executive compensation in part to shareholder returns. In the results: long-term company growth is to boost short-term profits. These concerns create a compensation scheme in which company's directors' pay is deferred and to be depended on long-term goals. Managers (directors) can be encouraged to act is shareholders' best interest through incentives, constrains, and punishment. However, the positive result will be only if shareholders observe all the actions taken by managers. A moral hazard problem, when directors make decision for their own self-interests. To reduce the moral hazard problem, shareholders (stockholders) have to incur agency costs. Agency problem may also arise when executives are considering which finance source they can use to raise money for investments. One of the cheapest source is debt, but they are in a risk of losing their jobs if company is unable to pay its bills on time. On the other hand, shareholders may prefer debt financing, as it puts pressure on management to perform at a high level.
Agency costs are hard to measure, but occasionally their effects on the company's share price can be seen. There are few measures how to mitigate agency costs:

- Compensations plans (rewards) for managers when they satisfy shareholders needs.
- The board of directors keep an eye on managers' actions and keep pressure on them to act in the interest of shareholders.
- Financials players (bankers, auditors, credit agencies) monitor management

and company’s performance, also security analyst provide deep analysis of company’s health.

- Companies which performance is low, may see their price share fall and their team management is in risk to be replaced.

A good example is case of NFL football player Edgerrin James. James was a running back for the Indianapolis Colts playing in a game against Detroit when he was told by his coach to get a first down and then fall down and run the clock out. That way, the Colts would not be accused of running up the score against the team they were already beating badly. However, James acted in self-interest and ran for as touch down on the very next play.

In addition to monitoring, the following mechanisms encourage managers to act in shareholders' interests: (1) performance-based incentive plans, (2) direct intervention by shareholders, (3) the threat of firing, and (4) the threat of takeover. In the past, in the large companies management team being ousted by its shareholders was so remote and had little threat. Ownerships of most companies was widely distributed, management control and voting mechanism were so strong, in the result it was almost impossible to obtain enough votes required for remoting the mangers. Nowadays, the chief executives officers at General Motors Corp., and American Express Co. have all resigned in the midst of opposition and speculation, and poor performance.

Hostile takeovers occur when a company’s stock is undervalued relative to its potential because of inadequate management. In a hostile takeover, in the acquired company the top managers are dismissed, so the threat of this occasion disciplines managerial behavior and make managers maximize shareholder value.

2) Expectation theory

Expectation theory, also known as unbiased expectations theory, predicts future short-term interest rates based on current long-term interest rates. This theory believes that an investor earns the same profit by investing in two consecutive one-year bond investments versus investing in one two-year bond today. Investors use this theory to make decisions based upon a forecast of future interest rates. For example, buying a ten year old bond is equal to buying two five year bonds in succession; investors are safe in a ten-year as in a five-year bond. The market is a perfect predictor of future supply and demand. It is assumed that a perfect market environment is where expectations are just about the only determinant of future prices. A contract on a three-year term serves exactly the same purpose as one on 3-months aside from the difference in interest rates, and as such, it is valued as if made of successive contracts combined to form the rate on the third year.

However, expectation theory is not always reliable, it might overestimates future short-term rates, making it easy to end up with not accurate predictions. Also there are many external factors that have an impact on short-term and long-term bond yields, such as fundamental macroeconomic factors that drive interest rates and bond yields.

3) Modern portfolio theory

Modern portfolio theory of investments is aimed to maximize portfolio expected return for a given amount of portfolio risk, or in another way to minimize risk for a given level of expected return, by wisely choosing the proportions of assets. The creator of this theory won a Nobel prize, making it to be widely known. MPT (modern portfolio theory) describes an importance of selecting a collection of investment assets that has lower risk collectively than each asset individually. For instant, it is vital to consider how each asset changes in price relative to how every other asset in portfolio changes in price. Generally, assets with high expected return are riskier. So, for given expected return, MPT explains how to select a portfolio with the lowest possible risk (the targeted expected return cannot be more than the highest-returning available security, of course, unless negative holdings of assets are possible.)

Another main idea is that through diversification across a wide variety of security types and values. If an investor is presented with two portfolios that offer the same expected return, the rational decision is to choose the portfolio with the lower amount of total risk. One of the investment rule , an investor can reduce portfolio risks simply by holding combination of instruments, which are positively correlated. In other words, investors reduce their exposure to individual risk by having a diversified portfolio of assets.

The other side of this theory, the risk is reduced, but the cost is increased; diversification forces the portfolio manager to invest in assets without analyzing their fundamentals. In the result, whole portfolio becomes more expensive and, the probability of positive return decreases. The modern portfolio theory can be useful to investors trying to construct efficient and diversified portfolios using ETFs.

4) Trade-off theory of capital structure

This theory refers to the idea how much debt financing and equity finance does the company need to balance the costs and benefits. The important message is to explain the fact that most corporations are financed partly with debt and with equity. It says that there are advantages to financing with debt, the tax benefits, and also cost of debt including bankruptcy cost of debt (example : employee leaving, suppliers demanding payment terms, shareholder infighting, etc). Using debt financing, the company optimizes its overall value, focus on this trade-off , and balance the sum of debt and equity. Companies substitute debt with equity or equity with debt until the value of the firm is maximized. Trade-off Theory is the dominant theory of corporate structure, and suggests a company can lower its weighted average cost of capital through a capital structure with debt over equity.

5) Pecking order theory

This theory tries to solve the same problem as Trade-off theory of capital structure. It states that companies and corporations prioritize their sources of financing (does not matter if it is internal or external) according to the Principle of least effort. Preferring to raise equity as a financing means of last resort. Pecking Order theory uses asymmetric information as directors and managers know more about their company’s strengths, opportunities, risks and value than outside investors. The pecking order theory states that a company should prefer to finance itself first internally through retained earnings. If this source of financing is not available at the moment, then debt financing is an option.

Finally, and as a last resort, a company should finance itself through the issuing of new equity. The pecking theory shows how the company's health. If a company finances itself internally, that means it is strong. If a company finances itself through debt, it is a signal the management's confident.

Scope of Financial Management

In the beginning of this century, corporate finance became the separate field of study; before it was considerate as a part of economics and accounting. Nowadays and a financial manager plays a key role; is a dynamic member of the top management team. The manger oversees the future of the business and is actively involved in the most important decisions of investment, relationships with shareholders and budgeting. To achieve the best results, he has to have a clear understanding and knowledge of the techniques and methods of financial management. The traditional approach of financial management consists of record keeping, managing the cash flow, keeping track of company's activities and performance. In this role, the financial manager is responsible of obtaining, controlling funds, mostly during merger, expansion, reorganization etc.

The manager is responsible with keeping a financial book, in which topics covered such as: profit determinations, promotion, securities flotation consolidations, readjustment and re-organizations. The Financial Policy of corporations are shown in the early editions of Charles W. Gerstenberg's Financial Organization and Management of Business (Richard L. Norgaard, 1981). The big emphasis was on economical institutions and descriptive materials on stocks, bonds, securities.

In the traditional approach, which had evolved during the twenties and thirties, outside players such as : investor an lender did not emphasize decision making within the company, however a greater emphasis on cash flows of the company and not on planning and controlling of these flows.

In the fifties, there was a great interest in capital budgeting, it has been criticized because it seems the problem of fiancé from the investment banker's point of view rather than finance decision maker.

The basic concept of traditional approach may be summarized as follows:

1. The scope of the finance function is restricted to "procurement of funds by corporate enterprise to meet their financial needs. The term 'procurement' refers to raising of funds externally as well as the inter related aspects of raising funds.
2. The emphasis in the traditional approach is on raising the funds. The subject of finance is treated from investors' point of view. The point of view of financial decision -maker is given no importance.
3. It places of emphasis on topics of securities and its markets promotion, expansion, merger and consolidation etc.
4. Emphasis on the long problems and ignores the importance of working capital management. Certain traditional authors initiated discussion on day-to-day financial problems together with the decision on episodic financial

events.

5. The traditional approach gives insignificant attention to the financing problems or non-corporate enterprises. The reason is depression of the thirties attracted the attention of the academicians as well as practitioners towards the preservation of liquidity and towards bankruptcy, liquidation and reorganization.

The Modern Approach

Since the mid-1950s the development of a strong corporate sector, technological changes, persistent inflation, marketing growth, healthy business competition, government regulation and influence on companies, and growing importance of international relations made the management system optimize the use of available resources for its continued survival. According to modern approach, the finance function covers both acquisition of funds as well as their allocations.

Some unique characteristics of modern approach (stage) are:

1. The main focus of financial management was on proper utilization of funds so that wealth of current share holders can be maximized.
2. The techniques and methods used in modern stage of financial management were analytical and quantitative.

In this period, fields of capital budgeting, dividend policy, option pricing theory, behavioral finance were developed and started to be implemented into practice.

As the result, the approach and scope of financial management changed; the new approach contains conceptual and analytical theories of financial problems. Now financial management is considerate to be a vital part of overall management. The financial policy includes wise distribution of funds, a rational matching of advantages of potential uses against the cost of alternative potential sources; in order to achieve the broad financial goals of enterprise. Also the basic financial function is to decide about the expenditure decisions and to determine the demand for capital funds in long-term objectives.

The modern approach arises next questions to management team relates to three broad decision areas such as: the investment decision (including working capital and capital budgeting management), the financing decisions and the dividend decision.

1. What steps can be taken to increase the value of the company?
2. Which new proposals for employing capital should be accepted by the company?
3. How much working capital will be needed to support the company operations?
4. Where should the enterprise go to raise long term funds and how much will it cost?
5. Should the enterprise declare dividends on share capital, if yes, then how much dividend should be declared and in what form?

These financial decisions directly relate with acquiring assets, company’s investment and dividend decisions influence on every business function (manufacturing, marketing …) and affect the size, growth, risk and value of the business. In addition, although the financial manager must perform his traditional function of raising funds and shareholder's value, but his greater concern determines the size of technology.

Capital budgeting is the most financial decision for a company; it relates to the selection of an asset or investment proposal, to the choice of the new asset out of available alternatives or the reallocation of capital when the chosen asset fails to justify the funds committed. The next element of the capital budgeting decision is the analysis of risk and uncertainty. The return from capital budgeting decision has to, therefore, be evaluated with the risk accompanied with it. Briefly, the main elements of capital budgeting decisions are: the long term assets and their composition, the risk with capital and investing, and concept and measurement of the cost of capital.

Working capital management deals with current assets, and is an integral part of financial management as short-term survival for long-term success. If the company does not have adequate working capital, it does not invest in current assets, it may not have the ability to meet its current obligations, thus, in consequences the risk of bankruptcy. The ideal management of working capital needs an overview of working capital management as a whole, and an effective usage and distribution of current assets such as cash, receivables and inventory.

One of the major decision of financial management is the decision relating to the dividend policy. There are two alternatives dealing with the profits: they can be distributed to the shareholders in the form of dividends or they can be retained in the business itself. The dividend decision depends on the dividend payout ratio, means which part of net profit should be paid out to the shareholders. Also the final decision depends upon the preference of the shareholders and investment opportunities available.

To sum up, this new approach stresses the acquisition and wise use and distribution of funds, broadened to include profit planning long-term functions. The term profit planning refers to operating decision made by top managers in the areas of pricing, the company's selection of product lines; involves the solution of three major decisions: investment, financing and dividend. The traditional approach had a narrow perception and has been discarded in current academic literature.

Three types of business organization

There are three legal forms of business organization: the sole proprietorship, the partnership and the corporation. The financial management is different in each form of business.

The *sole proprietorship* is a business owned by a single individual, who is in charge of all of the firm's profits and is responsible for all of the company's debt. So, there is no separation between the business and the owner when it comes to debts and liability. Any business related expenses come directly out of owner's personal finance. This form of business may appeal to those who have no interest in running a large enterprise. If sole proprietors are sued, they can lose invested funds and their personal assets. Sole proprietorships are often used in the initial stages of company's life cycle. The advantage of this form is that , decision-making authority is clear-cut; the earning and profits of the business enterprise are taxed only once, the owner has to pay personal taxes on these profits.

There are three basic disadvantages of the sole proprietorship:
The first is that the owner has unlimited liability (responsibility) for debts of the business. As it was mention above, if the business suffers a loss, the owner is personally liable and stands to lose personal wealth accumulated over the years in paying off the debts. Second disadvantage is limited capital, limited ability to raise capital. The owner can use his personal wealth to invest in the company, or he can borrow money from friends and relatives, lending institutions (banks). The ability to borrow is determined by owner's earning capacity and personal wealth. The thirds disadvantage is that business's life period depends on owner; since the company does not have a permanent existence, it is not easy to find reliable employees.

A *general partnership* is an association of two or more people, who are co-owners for making profits. In general, the maximum number of partners is 20, although some types of professional partnership have different limits. Partners equally share all debts and profits; just as in the case with sole proprietorship, the profits of the partnership are taxed as personal income.

The advantage of partnership is that it provides access to equity, as well as financing from each owner in return for partnership shares. Disadvantages of general partnership : unlimited liability, partners are unprotected from any lawsuits against the business and their personal assets can be taken to cover debt obligation ; each partner is liable for the actions of the others, if one partner makes an agreement without the confirming of the other partners, the other partners are still obligates for consequences the terms of agreement.

In a *limited partnership*, there are mixed of general and limited partners. The general partner running the business faces unlimited liability, whereas the limited partner is liable only up to the amount he invested in a business. The life of partnership is the same like in sole proprietorship , is tied to the life period of general partner. One of the difficulties, partnership involve a more complicated decision-making process, than may be more complicated as number of partners grow. Also this form of business may be unstable; if disagreement over policy causes one partner to withdraw from the partnership, the partnership should be reorganized. A good point of partnership, partners who trust one another have a greater ability to raise capital, using personal funds or finding external source of capital.

The corporation or the corporate form was set up to overcome some of the disadvantages of the proprietorship and partnership , and to build a large companies. The legal definition of a corporation formed by United States Supreme Court Chief Justice John Marshall : " an artificial being, invisible, intangible, and existing only in the contemplation of law". The corporation is a form of enterprise that is owned by a large of number of shareholders, it has the legal status of a fictional individual and is authorized by law to act as a single person.

Traditionally corporations are often known as C corporations, also there is S corporation. Any corporation is managed by a board of directors, which is elected by the shareholders. Opposite to sole proprietorship and partnership, a corporation exists for an unlimited period of time, the retirement and death of its shareholders do not have impact on corporation existence. The reasons for terminations are only if shareholders dissolve it, or corporation becomes bankrupt.

C-corp can have unlimited number of shareholders, and faces double taxation on its income as a separate entity. This corporation is taxed on the dividends for shareholders, and shareholders receive personal liability protection from business debts and litigation. Ownership can be easily bought and sold , and is based on stocks. C-corp raise capital by selling shares of stock, making this a common business entity for large companies.

Similar to C-corp, S-corporations and their owners have limited personal liability; however, they avoid double taxation. That is why S-corp is considerate a pass-through entity, which means all its income, credits, deductions can be passed on the shareholders to be reported and taxed on their individual tax returns instead of the company being taxed as a separate entity.

Next type of corporation is B corp, a relatively new concept. Here's the definition provided by B Lab, the nonprofit behind B Corps:

B corps are different from C corps in purpose, accountability, and transparency, but not in a way how they are taxed. B corps are driven by both mission and profit. Shareholders hold the company accountable to produce some sort of public benefit in addition to a financial profit.

A closed corporation – also known as a private company, family corporation or incorporated partnership – is a private company owned by a few shareholders. In the result, shares are not publicly traded, which makes it not as easy to raise capital; the owners still have benefit of limited personal liability.

Last type of corporation is a nonprofit corporation for religious, charitable, educational, scientific, political purposes. Certain states in US have strick requirements for nonprofit corp. The main characteristic is that it is prohibited from distributing profits to members, directors or officers; however, this does not preclude nonprofit corporations from paying wages or reasonable compensation for services rendered. Also nonprofits have special tax advantages, including tax-exempt status with the state and federal governments.

Shareholders of corporation have limited liability; if corporation becomes bankrupt, creditors cannot peruse personal assets of shareholders. In United States, the limited liability characteristic has made corporation a popular form. If the corporation is unable to pay its debts and obligations, its shares tens to lose their value. This form of business has to pay corporate taxes on its income even if the income is distributed among shareholders as dividend.

The management team of corporation is required by law to issue reports to its shareholders, carefully describing the financial activities of corporation during the reporting period. Corporations often have a huge number of share (even millions) owned by a large number of stockholders. The number of shareholders is limited and each shareholder owns a substantial share of the corporation's stock. Shareholders do not interfere in day-to-day business activities, because board of directors appoint managers for determining the company's direction and policies.

When a corporation has hard times, the shareholders may vote out the current board of directors or the board itself may make a decision to form a new management team. Even a small enterprise can be organized as corporation, however often large firms that need to raise large amount of capital for investment and expansion use this organizational policy. There are several advantages of corporate form:

1) Limited liability. The owners of corporation (shareholders) , their personal assets are not used for paying debts. If a corporation fails to pay debts, its creditor will claim to the assets of the corporation (its bank accounts, equipment, real-estates holdings), but never against the shareholders. What can bad happen to shareholders is when the value of their stock rapidly declines.

2) Large capital base. The corporation's power is raising large sums of financial capital by selling corporate bonds, shares, by issuing stock, and of course by borrowing from lending institutions.

3) Separate legal status. Sole proprietorship and partnership stop exist due to the death or resignation of an owner, a transfer ownership, but these factors do not alter the legal status of the corporation. Many major US corporation are more than 100 year old. Example of corporations are Amazon Inc., Microsoft Corp., the Coca-Cola Co., and Toyota Motor Corp.

4) Separation of ownership from management. Corporation often hire professional managers who specialize in running different parts of business operations. Shareholders are separate from board of directors, and decision-making process.

The major disadvantage is the double taxation of corporate income. Most corporation (C-corps) face double taxation, which means that income is taxed at the entity level as well as the shareholders income. The only way around is S-corp, each shareholder is taxed on individual level, not at the entity level. If the corporation chooses to plough back all profits into the company, corporate profits are taxed once, but if it distributes only a part of profits to shareholders in the form of dividends, then shareholders must pay personal income tax on these dividends.

The table 1.1 below shows the different types of organizations, the advantages and disadvantages.

Table 1.1 Five forms of business organizations
Source: created by author

Forms of business organizations	Advantaged	Disadvantages
Partnership	Easy to establish: Compared to other business structures, partnerships require minimal paperwork and legal documents to establish. Partners can combine expertise: With more than one like-minded individual,	Possibility for disagreements. Difficulty in transferring ownership: Without a formal agreement that explicitly states

	there are more opportunities to increase their collaborative skillset. Distributed workload: People in partnerships commonly share responsibilities so that one person doesn't have to do all the work.	processes, a business may come to a halt if partners disagree and choose to end their partnership. Full liability: In a partnership, all members are personally liable for business-related debts and may be pursued in a lawsuit.
Corporation	Owners aren't responsible for business debts. Instead, shareholders risk their equity. Tax exemptions: Corporations can deduct expenses related to company benefits, including health insurance premiums, wages, taxes, travel, equipment and more. Quick capital through stocks.	Double taxation for C-corporations: The corporation must pay income tax at the corporate rate before profits transfer to the shareholders, who must then pay taxes on an individual level. Annual record-keeping requirements: With the exception of an S-corporation, the corporate business structure involves a substantial amount of paperwork.
Sole proprietorship	Total control of the business: As the sole owner of your business, owner has full control of business decisions and spending habits. Sole proprietorships are not required to file annual reports or other financial statements with the state or federal government. Easy tax reporting: Owners don't need to file any special tax forms with the IRS other than the Schedule C (Profit or Loss from Business) form. Low start-up costs	Unlimited liability: Owner is personally responsible for all business debts and company actions under this business structure. Difficulty in raising funds.
Cooperative	Greater funding options: Cooperatives have access to government-sponsored grant programs, like the USDA Rural	Raising capital: Larger investors may choose to invest in other

	Development program, depending on the type of cooperative. Democratic structure: Members of a cooperative follow the "one member, one vote" philosophy, meaning that everyone has a say, regardless of their investment in the co-op.	business structures that allow them to earn a larger share, as the cooperative structure treats all investors the same, both large and small. Lack of accountability: Cooperatives are more relaxed in terms of structure, so members who don't fully participate or contribute to the business leave others at a disadvantage and risk turning other members away.
Limited liability company	Limited liability: As the name states, owners and managers have limited personal liability for business debts, whereas individuals assume full responsibility in a sole proprietorship or partnership. Pass-through taxation: Owners of LLCs may take advantage of "pass-through" taxation, which allows them to avoid LLC and corporation taxes, and owners pay personal taxes on business profits.	Associated costs: The start-up costs associated with an LLC are more expensive than setting up a sole proprietorship or partnership, and there are annual fees involved as well. Separate records: Owners of LLCs must take care to keep their personal and business expenses separate.

1.2 Essence and main features of functions in financial management

Functions of Financial Management

The employee in charge of the finance function of large companies are located on the same scalar level as managers of marketing, human resources, production and sales, and report directly to the top management. In corporation, the finance manager reports to the president or board of directors. Top management should be concern with the structure of finance department, because it is related with communication efficiency. If some financial information is missing or inaccurate, serious problems arise which are not easy to correct.

The roles of different finance personnel should be clearly defined to avoid conflicts and overlapping of responsibilities. Thus it is essential to develop a sound and efficient organization for finance functions. Board of directors or financial committee directly control the financial activities and decide the financial policy and strategy. The powers are delegated to the lower staff for routine matters.

The growth and development of the company depends upon the financial policies and strategies. Finance department is usually centralized; the organization structure of finance department differ from form to firm. It depends upon the size of the company, financial and personnel working capabilities, working capital and financial philosophy. Companies, which manufacture goods, are aimed to gain fixed assets for production. They need detailed accounting of raw material, work in progress and finished goods. On other hand trading and service rendering concerns have limited concerns with financing of production activities; they are more interested in developing a financial system to handle customer credit worthiness, cash discount and terms of sales for promotion.

Employee working in financial department have huge impact on the structure of finance function. Human resource department is responsible for hiring right people and providing efficient training for each staff. If the company has a few highly capable finance managers, they may work in structure that utilize their talents to the fullest extent possible.

Some companies use extensive computer programming in order to record handling, whereas other companies employ mechanical system. Some companies do not make efficient long-term planning, others make extensive use of financial data to forecast future possibility and conditions, and decide their long-term policy. Long-term planning and forecasting or their absence effect the organizational structure of the finance department.

There are variety of names used for financial managers. Some companies designate as vice-president finance, while others call directors or finance controller. This person is in charge of financial activities; and supervise at least two more financial officers. The functions relating to the funds management comes under the scope of the controller. In this way finance department is headed by Chief Financial Officer or financial manager or director of finance or vice-president finance or financial controller. In Chapter two it will be discussed in details functions of finance manager, treasurer and controller in an existing company.

One of the area of the finance function is capital structure. It refers to the kind and proportion of the different securities for raising funds. It may be wise for a firm to finance fixed securities through long-term debts. Long-term funds should be employed to finance working capital also. Decision about various sources of funds is connected with cost of raising funds. If cost of raising funds is high, thus such sources are not beneficial and moneymaking. After preparing a capital structure, financial team selects an appropriate source of funding. Share capital, debentures, financial deposits are sourced from which funds may be raised. If company needs short-term funding, then banks and public institutions are appropriate. If long-term funding is needed, so the share capital, debentures may be used.

Next step is making a decision about investment pattern. This process is related to the use of the funds. Fixed assets and the appropriate portion may be retained for the working capital. Capital budgeting, opportunity cost analysis are decision making techniques and are to applied in making decision about capital expenditures.

Cash management is an important errand of finance manager. Cash is used for making payments to creditors, purchasing raw material, paying wages to workers, and to meet day-to-day expenses. The sources of cash are cash sales, collection of debts, short-term arrangement with the banks. Any shortage of cash will damage the creditworthiness of the business. If company has idle cash, it is a sign of improper use of funds.

The efficient system of financial management can not be without control. Financial control device generally used are: return investment, ratio analysis, break even analysis, cost control and internal audit. The last important function of financial management is utilization of profits or surpluses. A surplus is essential for the expansion and diversification plans and also protecting the interest of shareholders.

A company with financial health has a balance with paying dividends and retaining earnings for financing expansion plans.

In 2002, Tony Fadell developed his idea for a new MP3 player working in Apple Inc. His idea was rejected by his previous employer and another company. Executives at Apple were enthusiastic and supportive about the new MP3 player idea. They hired Tony, and idea became real; the successful sales of the new IPod MP3 player raised the firm’s share price, and later Apple became the most valuable company in the world. This is an example how a management team appointed by a corporate board made an important investment decision, which had positive result on the company’s total value. The characteristic of mentioned above management team shows three important functions:

1. Making investment decisions and capital budgeting decisions: the decision the introduce the IPod.
2. Making decision how to find resources for investments (capital structure decisions) : how to finance the production of the IPod.
3. Managing funding for the company’s day to day operations (working capital management) : Apple’s decision about inventory.

The main roles of financial manager are planning the budget of an entity, controlling, and implementing financial strategies for utilizing financial resources efficiently and according to the planned budget, and for maximizing wealth of the shareholders.

Finance functions deal with personal function, production function and research & development activities of the business concern. Finance manager is one of the important role players in the field of finance. He or she has to have knowledge in the area of accounting, economics, finance, and management. His role is highly analytical and requires a problem-solving ability. Finance manager performs the following major functions:

1. Forecasting

It is the primary function about the financial requirement of the business concern. Manager is responsible for estimating the amount of finance needed to acquire fixed assets, and for forecasting the amount needed to meet the working capital requirements in future.

2. Acquiring necessary capital

After deciding the financial requirement, manager concentrates how the finance is mobilized and where the available sources are.

3. Investment decision

To support long-run plans, the finance manager finds ways to raise capital for company’s expansion. Company’s success depends on the rate growth in sales, which requires increased investment, equipment and current assets for manufacturing goods. The manager determines the optimal rate of growth in sales and types of funds to be used to make these investments.

4. Coordinating and Control

The finance manager has to communicate clearly with executives if the company is to operate as effectively as possible. All decisions have financial impact, and all managers – financial and otherwise – need to consider it. For instance, marketing decisions affect sales growth; HR department’s selections of employees affect financial health of the company. Thus, marketing decisions makers must take into account how their actions affect (and are affected by) such factors as the availability of funds, inventory policies, and plant capacity utilization.

Objectives of financial management

Each company wants to use its funds in such way that its profits are maximized. The top management lay down the objectives and goals, form strategies, which are to be achieved by the business. Profit maximization is also called as cashing per share maximization. This is a parameter of measuring the efficiency of the business concern. Profit also serve as a protection against risks which cannot be ensured. Thus, profit maximization is the main objective of enterprises. Profit maximization happens when the gap widens between a corporation's marginal costs (MC) and marginal revenue (MR). Profit maximization is a subsection of wealth maximization because it's a short-term company benefit. Entrepreneurs generally calculate it on a monthly, quarterly, or annual basis. It's impossible to find a business today that calculates profits over more extended periods. Some managers tend to fixate on short-term numbers and results because they portray the company in a positive light. However, it's not beneficial in the long run. While profit maximization leads to stockholders' value examination, it doesn't necessarily generate wealth maximization.

The following statements are arguments in favor of profit maximization as a business’s objective:

1. When the number one aim is profit-earning, then profit maximization comes as the obvious objective.
2. How firm is profitable shows measuring efficiency and economic prosperity.

3. There are external factors which are not stable and have an impact on business health. There may be adverse business conditions like recession, depression, severe competition. A company can only survive under unfavorable situation having past earing to rely upon. Therefore, a business should try to earn more and more when situation is favorable.
4. The main source of finance for the growth of business is profits. That's why a company perceiving a growth should aim at maximization of profits.
Through sort term decisions may reduce or eliminate profits, in the long term company makes money to meet the need each stakeholder:

- Shareholders: they expect a ROI (return on investment) with alternative investment opportunities and the risk involved and a growth in the value of their shareholding.
- Employees: they rely on salaries and wages; their security depends on the continued existence of the company and level of earning may also depend on its prosperity measured by the level of profit made.
- The society or community: each industry has a social responsibility to the community in which they operate. The responsibility for environmentally friendly actions such as the prevention of pollution and the provision and supply of local amenities. This environmental aspect can be supported by enhancing profits.
- Government: paying taxes to the national funds towards social services, defense, public investment and social security.
- The company itself: in form of reserves for future investments.

Unfavorable arguments and drawbacks for profit maximization:

- Profit maximization leads to exploiting workers and customers
- Profit maximization may create immoral activities (It depends on moral level of owners and managers) such as corruption, unfair trade, illegal activities.
- Profit maximization objectives leads to inequalities among stakeholders (
- Profit maximization does not take into consideration the risks involved in profit obtaining. Team management may undertake highly risky projects with high expected rate of return.
- Profit maximization objective can be reached only in a perfect market. But usually modern markets are not perfect , so the pursuance of profit maximization as an objective is inappropriate.
- Profit maximization objective ignores the time value of money and does not consider magnitude and timing of earnings. It does ignore the depreciation of cash; cash received today is more valuable than in three years.
- Profit maximization objective does not consider the effect of dividend policy on the market price of shares and stocks.

Another objective of financial management is based on the shareholders' interest. Wealth maximization is the concept pf increasing a company's worth in order to increase the value of shareholders' shares. Wealth maximization is also known as net worth maximization. The basic premise is that, over time, share plaices will reflect a company's true value and provide an accurate reflection of its success. Shareholders' wealth maximization is the main measurement of the value of a firm. This is because shareholder value represents a firm's capacity and competence to raise funds for its shareholders in the future. By maximizing shareholder wealth, businesses ensure long-term stability and profitability despite market conditions.

The financial objective of value or wealth maximization recognizes the time limits of money and risks of the earnings stream. The business needs to undertake financial actions, which create wealth and/or have a net present value worth greater that zero; opposite, the business needs to reject financial actions which do not meet this criteria.

The following statements are arguments in favor for wealth maximization:

- Wealth maximization is superior to the profit maximization objective because the main aim of the business concern under this concept is boosts shareholders' value.
- Wealth maximization considers both time and risk concern.
- Wealth maximization provides and ensures efficient allocation of available resources.

Wealth maximization is the appropriate objective of a business. By maximizing stockholder's wealth, the individual stockholder can use this wealth to maximize his individual utility.

For reminding, a stockholder's current wealth is the company is the product of the number of shares owned, multiplied with the current stock price per share. Other benefit of wealth maximization as an object is in increasing the value of shares in the market. The share's market price serves as a performance index indicating how well management is doing on behalf of the shareholder.

Despite of many advantages of wealth maximizations, this financial objective has been criticized. Let me present following arguments:

- Wealth maximization may lead to ownership-management controversy;
- Only management team enjoy come benefits;
- Wealth maximization can be achieved with the help of the profitable positions.

So despite the criticism, shareholders appoint managers to take important decisions with objective of maximizing shareholder's wealth. However, companies have many more objectives, but maximizing stock price is considerate to be important objective for many firms. Let us discuss relations between stock price maximization and social welfare. There are at least three benefits for society when stock prices are maximized:

1. Consumer benefits. Each business tends to manufacture high quality goods and provide services at the cheapest cost ; to have effective low-cost business and maximize stock price. So it is required to satisfy all requirements of customers, be creative and innovative in order to increase sales by creating

value to consumers. When company increase the price of goods, the reason is not maximizing stock price.

2. Employee benefit: now successful companies, which increase stock price, are able to develop and recruit more employees, and add ultimately benefits to society. The important source of corporate success is availability of skilled and motivated employees.

3. To greater extent the owners of stock are society: now, with the tremendous growth of pension funds, life insurance companies and mutual funds, large group of society have ownership of stock directly or indirectly. In the result, when stock price is increased. It improves the quality of life in society.

Finance managers have to have the ability to generate cash in order to maximize shareholder's wealth. Cash flows can be determined in three ways, as the following:

- Unit Sales: In first determinant, managers can increase the level of their sales either by satisfying customers or by luck, but which will not continue in long run.
- After Tax Operating Margins: In second determinant, managers can generate cash flows by increasing operating profit which is not possible in competitive environment or by decreasing direct expenses.
- Capital Requirements: In third determinant, managers can increase cash flows by decreasing assets requirements which ultimately results in increase of stock price.

Importance of financial management

Finance is the lifeblood of business organization. Business goals and objectives are based on profits maximization, which is possible only with good finance management. The following statements are reason why financial management is essential in a business:

- Financial planning is essential for future growth of the organization;
- The main objective of finance management is profit maximization;
- Proper finance management helps with allocation available funds;
- Financial decision about investments, dividends to shareholders – are important.

Financial management is also made up of certain elements, one of them is financial planning. This is the process of calculating the amount of capital that is required by an organization and than allocating. Key objectives of financial planning: determining the amount of capital required; determining the capital organization and financial structure; creating financial policies and regulations. Financial management involves the acquisition of required finance to the business concern. Acquiring needed funds play a critical role and involves a possible source of finance at minimum cost.

Proper use of funds improves the operational efficiency of the business concern. Finance manager has to use funds properly to increase the value of the firm and reduce cost of capital.

Profitability is the major concern for any business and it purely depends on the effectiveness and proper utilization of funds. Strong financial control and budgetary control, cost-volume-profit analysis are keys of improving the profitability position of the business.

Saving are possible only when earning are higher than spending; when the business concern earns higher profitability and maximizing wealth. Effective managers promote and mobilize individual and corporate savings.

1.3 Elements of financial planning, control, and decision-making

Financial management means planning, organizing, directing and controlling of financial activities, such as procurement and usage of company's assets. Let us discuss two main parts of financial management – planning and controlling. Financial planning is a process of estimation of capital needed for accomplishing the organization's business activities. This process consists of formulation of financial policy in relation to provision of assets, investments and organization's funds management; financial planning is the process of formulations of goals, policies, procedures, and budget for financial activities. Financial planning means:

- providing appropriate finds
- providing appropriate balance between the incoming and outgoing funds,
- preparation of growing and development programs which ensure long-term sustainability of the organization,
- decrease of uncertainty regarding to market changes which the organization may face with,
- decrease of the uncertainty which could affect the organization's growth,
- helping to provide stability and profitability

In other words, financial planning means predicting, directing, synchronizing of the elements of company's finance function. The financial planning refers to planning of cash flows and financial structure within a company. …
The objective of the financial policy, as policy of finance function, is to provide the company financial power or permanent ability for:

- Payment
- Funding
- Investment
- Increase of organization's property and wealth
- Satisfying interest of shareholders and stakeholders (managers, employees, suppliers)

Another definition of financial planning is development of financial goals and plas, their implementation by realization of financial activities related to making decision for necessary assets, loans, insurance, investment, and nevertheless, preparation of financial statements. Financial planning is the process of predicting sales, incomes and profits, costs, in order to realize the strategies and to determine the resources necessary for implementation of planned goals. Three elements of financial planning:

- Aware planning activity in the field of finance according to organization's goals,
- Forecasting of inflow and outflow of funds which derive from organization's business activities,
- Perceiving of various alternatives in relation to optimal usage and provision of funds for payments.

Let us analyze financial planning process in six-step procedure:

- determining the current financial situation – managers determine current income, costs, liabilities, loans and receivables.
- developing financial goals – analysis should be performed and the needs for achieving what is wanted should be determined, followed by specifying goals and plan for spending current income, in order to provide funds for investments and future financial security.
- identifying alternative courses of actions – managers determine all factors affecting the continuity of actions, new courses of actions, the creativity in decision making process and possible solutions.
- evaluating alternatives – managers need to evaluate where assets will be invested, what kind of costs will appear for manufacturing goods and services, and more importantly to evaluate risks coming with planned actions.
- creating and implementing a financial action plan – financial action plan needs to be implemented by all employees, to provide asset, to invest, to manage and maintain inventory.
- Reevaluating and revising the plan – managers assess the financial decisions and if needed they adapt new changes to personal, social and economic factors.

Strategic planning at its most basis is identifying goals and developing a process to meet those goals. A financial plan helps to establish and plan for fundamental needs, such as managing life's risks, income and spending, and managing debt and other liabilities. It can also help to track a progress throughout the years towards financial well-being.

Recording to most common definition of management: management is the process of planning, organizing, managing and controlling the financial, physical, human and information resources of an enterprise in order to (with and through people) ensure the effective and efficient achievement of the company's goals in a changing environment. Management process in the company includes:

- Planning as the primary stage of the management process. There are strategic and operational planning.
- Organizing includes division of labor, delegation of authority and coordination.
- Leadership refers to communicating, delegating, motivating the team to achieve the planned goals.

- Control is the final stage of management process, which enables monitoring the process of achieving goals, with a tendency to equalize the real and planned actions.

Control of result is an essential part of managers' duties. The interdependence of planning and control, is finding the criteria for evaluating the contribution of individual organizational parts in the overall result in the company. Also, the interdependence of planning and control can be reflected in defining the desired goals, coming up with information on analytical deviation from these goals. Deviation is an indicator of change in the achieved result from the planned ones. Deviations can be classified into: deviations from the planned business result, from the plan of cash flows, or from the plan of the financial structure of the company. The cash flow plan or expenditure plan is determined by the deviation from planned costs. This deviation affects the cash flow plan and also indirectly the overall financial results of a firm.

The deviation from the borrowing (debt) plan is reflected in the requirements to maintain a minimum cash balance as one of the conditions for efficient financial management, which can be achieved by additional borrowed funds. All these factors create deviations from the planned profit. Financial management should ensure the realization of the financial objectives of the company, which can be categorized into initial, transitional and final goals.

Systematic control of business-financial processes are related to the stages of management process, which are:

- planning,
- organizing,
- control
- communication and motivation.

Control is a function of management at all levels in the organization, from top management to bottom levels. They all have to perform good control in a similar way. Managers control work in order to ensure that available resources are used in efficiently as possible by monitoring deviations from planned costs. Financial controls are the procedures, policies, by which managers monitor and control the direction, allocation, usage of financial resources. The implementation of effective financial control policies has to be done after a through analysis of the policies and future perspective of a company.

Next point is that financial controls, including procedures, policies, are integral duty of managers for monitoring the direction, allocation, and usage of company's financial resources. Let us discuss in details the effective financial control policies. Four processes should be completed before implementing financial control in business, such as:

- Detecting overlaps and anomalies. Every organization has financial budget, financial reports, profit & loss statement, balance sheet, which show present and overall performance and operational picture of the company. Hence, finance manager is responsible for detecting any overlaps and anomalies arising out of the data available; for eliminating existing loopholes in the current management framework.

- Timely updating. It is important to update all management practices and policies concerning the existing financial control methods.
- Analyzing all possible operational scenarios. Finance manager should review the policies from the perspectives of different operational scenarios, such as profitability, expenditures, safety, and scale of production or volume. This activity helps to establish an effective financial control policy that covers all operational aspects of the company.
- Forecasting and making projections. These are important steps; they provide an insight into future goals and objectives of the business. Finance manager establishes a financial control policy in accordance with the company's objective and act as a catalyst in achieving such goals.

The first reason why financial control is so important is cash flow maintenance. Efficient financial control measures contribute significantly to the cash flow maintenance of the company. When finance manager keeps an effective control system, the overall cash inflows and outflows are monitored and planned, and the result is efficient operations. The second reason is resource management; resource management is based on financial resources. Financial resource make available other needed resources for operating a business. Effective financial control measures hence are crucial to ensure resource management in an organization. The third reason is an effective financial control mechanism ensures overall operational efficiency in an organization. The next reason is good control management leads to the smooth functioning of every organizational department; control management increases productivity, and is positive related with profitability. The last but not least reason is financial control prevents fraudulent activities in an organization; it may prevent undesirable activities such as employee fraud, online theft by monitoring the inflow and outflow of financial resources.

One of key function of management is clear communication within departments, distributing necessary information along vertical and horizontal link in the organizational structure. If communication process has disruptions, and there is no efficient communication between departments, between top and senior management, the management achieves negatives effects that is the result of the business will be in a certain disproportion to the planned. With good motivation system the manager influences the behavior of parts of the company its groups and individuals in order to identify their goals with the goals of the company, as well as to make decisions and act in accordance with those goals.

Example of financial controls:

1. Implementation of financial management

- Clear communication among employees, top and senior managers, including CEO and CFO, accountants, financial managers;
- Human resource management department conducts period training for accountants, financial analytics, to keep financial team updated with government requirements, and with changing business environment;
- Analysis of financial statements, with the help of financial rations and Key

performance indicators. In chapter 2.3, it is explained in details the use of financial ratios.

- Empowering lower rank employees with financial duties, and establishing a chain of operations and effectiveness in the organization.

2. Cash inflows

- Organizing all financial data and statements in a separated secured database with limited access (access only for senior management team);
- Ensuring the creditworthiness of customers, eliminating the high possibility of customers' inability to pay all bills to company. Building a strong creditor-debtor relationship between company and customers.
- Keeping a general ledger organized, with periodic reconciliation of bank statements. Making the annual reporting to be controlled and efficient.
- Revising credit reporting policy for all customers for creating strong creditor-debtor relationship with them.

3. Cash outflows

- Automatic payments need to be monitored and controlled always;
- Every purchase is to be recorded in details to a vendor database;
- Reimbursement policies are to be maintained, which includes expense reports and receipt verifications.

Decision-making process is vital in running a business. Investors expect a return on investments in the future that will be higher that the initially invested money. An investment decision revolves around spending capital on assets that will yield the highest return for a company over a desired period. To make a good investing decision, the company needs to find a balance between its short-term and long-term goals. In short-term term, the company needs to pay bills for daily activities, but keeping all of its cash means that it is not investing for company's growing. On the other hand is purely long-term view; it is not efficient to invest all current funds into long-term growth prospects, the company need to hold enough cash, so the balance between short-term and long-term goals in needed to be kept in mind. The investment decision also concerns what specific investments to make. Investment decisions allow finance manager to generate revenue and appropriate savings. There are of exceptional importance for the company, most of them are characterized by a lack of capital, and the capital is to be used for efficiency. Therefore, one of the basis of business finance is creating a framework for rational investment decision making.

The investments must meet three main criteria:

1. It must maximize the value of the firm, after considering the amount of risk the company is comfortable with (risk aversion).
2. It must be financed appropriately .
3. If there is no investment opportunity that fills (1) and (2), the cash must be returned to shareholder in order to maximize shareholder value.

Financing decisions relate to how to raise additional capital for business's needs, growth and development of a corporate enterprise. Manager has to decide if it is time to take a loan until it reaches a rate of return greater than the weighted interest rate for the assumed debt of the enterprise. Financing decisions concern placement in production, which the result is a direct sale to customer (called a short-term placement). The time process is realized within one year, and covers all expenses and revenues generated in the same period. An integral part of financial decisions is the consideration of the cost of capital, which companies have to take into account. The investment rule is the expected return on capital must be greater than the cost of capital i.e. weighted average cost of capital (WACC). Further, the cost of capital is an important ingredient in the valuation of a company by investors.

The financing decision seeks to optimize the WACC by looking at a company's capital structure, specifically the cost of equity and the cost of debt. If a company wants to create value for shareholders, it needs to ensure that it's ROIC (Return on Invested Capital) is greater than the WACC. As part of financing decisions, companies aim to minimize their cost of funding while maintaining a stable credit rating and the ability to finance new projects.

It is important to note that financing decisions are based on the acquisition of cash to settle current liabilities, while investment decisions at certain short moments deal with how to invest surplus funds. The key to making a decision is managing risk. In doing so, the amount of investment also determines the amount of financing to be provided.

CHAPTER 2. PRACTICE OF FINANCIAL MANAGEMENT (CASE STUDY OF BMN COMPANY)

2.1 Features of financial performance measures

My internship was in Business Media Network company, the following is general information about this organization. Business Media Network was founded in January 2022 by the Association of Students in Ukraine and Alex Sheyner, the founder of Economy of Trust Company. The reason was to create a global promotion platform for Ukrainian individuals and companies. the Ukrainian Students' Association began to actively develop the BMN project, to help the country, small and medium-sized businesses, after destruction of Ukraine's infrastructure and the collapse of its economy. Concept of the BMN project is a huge desire to help our countr . The goal of the project is to create a platform that facilitates financial support for small and medium-sized Ukrainian businesses to succeed in Ukraine and abroad.

Mission Statement:

Business Media Network unites business, government and people of Ukraine. We organize, connect and manage content at the local level to promote Ukrainian entrepreneurs and cities around the world.

Vision Statement:

Our aim is to be:

- Known for high quality outcomes

(source 4)

Business Media Network combines three projects and three platforms that are interconnected. These projects are Marketplace, Deal Flow, and CityShowcase.

Marketplace - is a searchable database of companies that want to trade and partner with other businesses, both in Ukraine and all over the world. It is open to any legally registered business. The EoT Marketplace is B2B business, the only searchable B2B-focussed database of Ukrainian businesses. It is a trusted member of the World Trade Centers Association, and the companies in the marketplace conduct business legally, fairly, and do not engage in fraud or corruption.

The global network of more than 320 World Trade Centers and the 10,000+ businesses they represent. Every week the marketplace reaches over 250 business associations around the world representing more than 1 million companies. The EoT Marketplace do not only promote businesses, but help them to make effective deals. Companies in the marketplace identify current B2B needs, and the countries they are seeking to export to or partner with. With PREMIUM option, every month EoT staff will help them identify business leads, financing or strategic partnerships.

City Showcase – consists of two departments , such as Quality assurance and Nav Menu.

This project creates web-mistresses and OTGs of Ukraine, also assess the quality of the sites of the cities on the content nupovlenisty business. The goal is to hunt 1472 cities and municipalities in our country.

Deal Flow - is the International Digital Weekly Publications platform. DealFlow itself creates a large and stable audience for active business and cooperation; is one of the most important details of our project. The main goal is to present Ukrainian business on the international arena. There are daily publishes issues: "CEO of the week," "Company of the week," "Project of the week," "Start up of the week. The visitors of this platform will be able to get better acquainted with and understand the activities of CEOs of companies, projects and startups.
Business Media Network provides the following products and services to clients:

- Creating a corporate website, catalog site, business cards site, landing page
- Redesign of existing website
- Creating a version of the site for the visually impaired
- Technical support
- Translation of the site in English, Russian, Ukrainian
- Audit of advertising strategy
- Logo design
- Adjusting targeting, Promotion of U.S. sites, Promotion of young sites
- Creating an interview with the head of the business
- Contextual advertising Google Adwords, Banner advertising
- Social networking, maintenance, content generation
- Advertisement of the company on our social resources etc.

Competitive advantages:

1. Business Media Network increases brand awareness by syndicating content and increasing small and medium Ukrainian business's visibility around the world. This platform helps to get employees, business partners, and sponsors. By investing only a few hours per week, over 91% of marketers claimed that their social marketing efforts greatly increased their exposure. Also this promoting platform implements a social media strategy , which increases companies brand recognition since they are engage with a broad audience.
2. BMN's projects improve search engine ranking by selling links to companies. Search engine optimization is very important for achieving higher page rankings and obtaining traffic to business website. Being able to rank in the top positions for keywords will revolutionize traffic and continue to generate positive results for all types of business. Most importantly, it gives more opportunities to get in front of industry influencers who will write about your business and provide links back - which will help to directly increase search engine rankings.
3. With increased visibility, your business gains more opportunities for conversion. BMN products allow business to give a positive impression through a humanization factor. Over 51% of marketers claimed that taking the time to develop relationships with consumers showed positive results in sales. When a brand is interactive online, consumers who follow your brand's accounts often begin to more completely trust the credibility of business. When a brand is interactive online, consumers who follow brand's accounts often begin to more completely trust the credibility of business.

Let me describe financial statements that BMN company has and put in financial report. Income statement includes the revenue that the company earned for a period (for example one fiscal year or a quarter); the expenses incurred during this time period; and the profit the firm has earned. Balance sheet- contains all information about company's assets (value that company's owns) and all information about liabilities (debts and loans) and shareholders' equity (the money invested by owners). Therefore, balance sheet is about assets, which equal to liabilities and shareholders' equity for a particular date. Next important financial statement is cash flow statement; all reports cash received and spent by the company over a particular period, can be a quarter or a full year. Statement of shareholders' equity provides information about activities in the common and preferred stock accounts, the retained earning account, and changes in owners' equity that do not appear in the income statement.

Finance manager in Business Media Network analyses these financial statement in order to perform assets current performance, monitor and control operations, and make plans and forecast future performance. By analyzing, It is meant assessing the financial conditions of the company and evaluating the financial performance the same way as outside players would see. Also managers perform financial controls (features of financial control were discussed in Chapter 1) by using financial statements. Accountant reports the BMN's performance using accounting measures. The company's investors use performance measures based on the company's financial statement to determine the prospects and needs of future investments. The owner of BMN makes a financial forecasting and planning based on these financial statements.

Accountant use three fundamental principles for preparing financial statements such as the revenue recognition principle, the matching principle, and the historical cost principle.

- The revenue recognition principle provides the basis for deciding what revenue – the cumulative dollar amount of services, that company provides , provided to its customers during the specific period – has to be reported in a particular income statement. The principal states the revenue should be included in the firm's income statement for the period in which (1) its and services were exchanged for either cash or accounts receivable (credit sales that have not yet been collected), or (2) the company has completed what it must do to be entitled to the cash. General rule is that sale can be counted only when the goods sold leave the company's facilities in route to the customers. The revenue recognition principle guides accountants when it is difficult to determine whether revenue should be reported in which period.
- The matching principle determines what costs or expenses can be attributed to this period's revenues. Accountant determine the revenue first and then the expenses for the period by letting the expenses "follow" the revenues. For instance, employee' wages are not recognized when the wages are paid or when their work is performed, but when the product produced as a result of that work is sold. Therefore, expenses are matched with the revenues they

helped to produce.

- The historical cost principle is about providing the basis for determining the dollar values the firm reports in the balance sheet. Most assets and liabilities are reported in the firm's financial statements on the basis of the price the firm paid to acquire them. This price is called the asset's historical cost. This may or may not equal the price the asset might bring if it were sold today.

Let us dive in understanding what is income statement in details and how Business Media Network company measures the amount of profit and loss generated over a specific period. Income statement or profit and loss statement is expressed as Revenue (or Sales) – Expenses = Profits

The Table 2.1 shows three financial statement :income statement, balance sheet, and cash flow statement. This is example of Amazon inc. financial statements, because Business media Network company could not provide its financial statements as confidential information. So, in general all principles are same, values are similar, but financial numbers are different.

Why did I chose Amazon company as an example? There are a few reasons, despite Business Media Network company produces different outcomes, but still there are some similarities. Let me describe the Amazon inc. company. First similarity is that both companies provide support for small and medium businesses, thus it can be in various ways, but still the same idea. Amazon Business provides purchasing solutions for registered businesses of any size. Each company can permit specific users to purchase business supplies on Amazon on behalf of their employers. Business Media Network unites business, government and the people of Ukraine. We organize, connect and manage content at the local level to promote Ukrainian entrepreneurs and cities around the world". Amazon Business provides "easy access to hundreds of millions of products – everything from IT equipment to janitorial supplies – to businesses of all sizes and across industries," said Martin Rohde, former general manager of Amazon Business. . The mission of Business Media Network is : "Our mission is to unite the Ukrainian global community of over 30 million to engage and support entrepreneurs and investment priorities". The Amazon inc. and Business Media Network company are platforms for sellers in order to get help in reaching target customers within the trusted Amazon experience (in Amazon case); and a platform that facilitates financial support for small and medium-sized Ukrainian businesses to succeed in Ukraine and abroad (in BMN case).

Also I found the similarities in organizational structure. Amazon organizational structure can be classified as hierarchical. Senior management team include three CEOs and three senior vice presidents responsible for various vital aspects of the business reporting directly to CEO Andy Jassy. Business Media network company also has a hierarchical structure with three co-founders: Henry Shterenberg, Alez Sheyner and Oleksii Kozhanov (see figure 2.1 below)

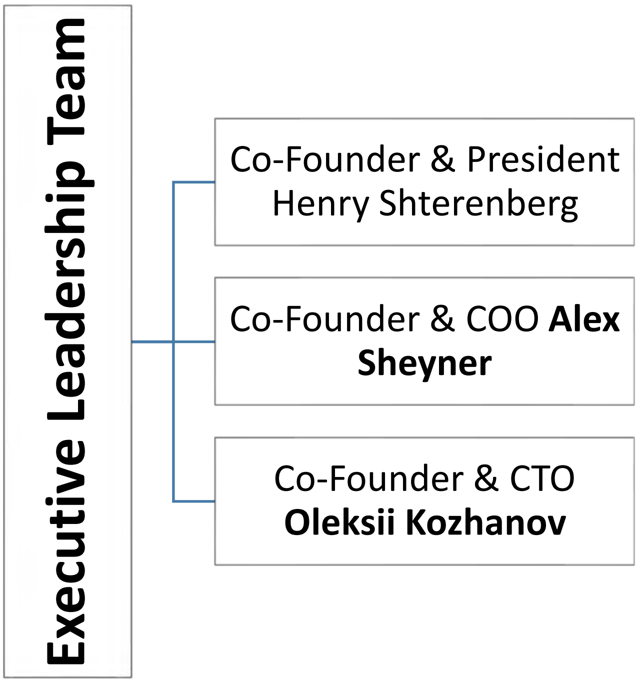

Figure 2.1 Executive Leadership Team of BMN
Source: created by author.

Let me describe in detail the management team in Business Media Network company. See the table 2.2 below. There are executive team and at least 9 managers representing each department and projects.

Table 2.2 Managers in BMN
Source: created by author.

	Name and Last name	*Position*	*Responsibilities*
1	Henry Sternenberg	Chairman and President	leads a board of directors, a CEO has the highest position on a corporate ladder
2	Alex Shaner	Managing Director and Chief Executive Officer	Manages the all resources and operations in a company
3	Yulia Chufistova	Chief Operating Officer	implements policies to promote company culture and vision and oversee operations to keep businesses on track.
4	Oleksandra Kryukova	General Manager	works closely with team members to ensure that all project requirements, deadlines, and schedules are met, presents project deliverables, prepare status reports, develop

			effective project communication plans, and properly execute those plans.
5	Polina Kravets	Operational Manager	overseeing the company's operational processes, resolving issues within the team, and providing assistance as needed. Supervising and ensuring smooth and efficient day-to-day operations. You may contact this manager with questions regarding schedules, strategic plans
6	Maria Tsepkova	Human Resources Manager	oversees the company's hiring process
	Pasquale Tereshkin	Marketplace Manager	controls all tactical, operational and strategic components of this department. The main goal is to control the process so that the productivity of the marketplace development increases every week.
	Rayisa Volynska	DealFlow manager	controls all the main components of this platform. Everything that is included in the operational and strategic level of development of this platform is related to the Deal Flow manager.
	Andriy Bozhko	City Showcase Manager	oversees all work related to the sites, this QA and Nav menu departments, which are engaged in the development of sites and fixing their bugs.
	Anna Matsak	Sales Manager	Creates and execute a strategic sales plan that expands customer base and extends global reach
	Nikita Sokolov	Customer Relationship Manager	Overseeing the relationship with customers , resolves customer complaints quickly and efficiently.
	Veronica Nikiforova	Content Manager	Builds a brand identity through creation of multimedia content

			online.

The next similarity I found that Amazon company and Business Media Network company are international companies, they are doing business abroad, are providing IT service. About financial management, the important source of funds is investment from different investors. Now let us dive in financial part and interesting details of financial statements.

As I mentioned earlier, there are three main financial statements: income statement, balance sheet, and cash flow statement. Table 2.3 show these financial statements in Amazon inc. during 2012-2017 years.

Table 2.3 Three financial statement of Amazon
Source : 12

FINANCIAL STATEMENTS	2012	2013	2014 (Historical Results)	2015	2016	2017
Income Statement						
Revenue	**102,007**	**118,086**	**131,345**	**142,341**	**150,772**	**158,311**
Cost of Goods Sold (COGS)	39,023	48,004	49,123	52,654	56,710	58,575
Gross Profit	**62,984**	**70,082**	**82,222**	**89,687**	**94,062**	**99,736**
Expenses						
Salaries and Benefits	26,427	22,658	23,872	23,002	25,245	26,913
Rent and Overhead	10,963	10,125	10,087	11,020	11,412	10,000
Depreciation & Amortization	19,500	18,150	17,205	16,544	16,080	15,008
Interest	2,500	2,500	1,500	1,500	1,500	1,500
Total Expenses	**59,390**	**53,433**	**52,664**	**52,066**	**54,237**	**53,421**
Earnings Before Tax	**3,594**	**16,649**	**29,558**	**37,622**	**39,825**	**46,314**
Taxes	1,120	4,858	8,483	10,908	11,598	12,968
Net Earnings	**2,474**	**11,791**	**21,075**	**26,713**	**28,227**	**33,346**
Balance Sheet						
Assets						
Cash	167,971	181,210	183,715	211,069	239,550	272,530
Accounts Receivable	5,100	5,904	6,567	7,117	7,539	7,807
Inventory	7,805	9,601	9,825	10,531	11,342	11,715
Property & Equipment	45,500	42,350	40,145	38,602	37,521	37,513
Total Assets	**226,376**	**239,065**	**240,252**	**267,319**	**295,951**	**329,564**
Liabilities						
Accounts Payable	3,902	4,800	4,912	5,265	5,671	5,938
Debt	50,000	50,000	30,000	30,000	30,000	30,000
Total Liabilities	**53,902**	**54,800**	**34,912**	**35,265**	**35,671**	**35,938**
Shareholder's Equity						
Equity Capital	170,000	170,000	170,000	170,000	170,000	170,000
Retained Earnings	2,474	14,265	35,340	62,053	90,280	123,627
Shareholder's Equity	**172,474**	**184,265**	**205,340**	**232,053**	**260,280**	**293,627**
Total Liabilities & Shareholder's Equity	**226,376**	**239,065**	**240,252**	**267,319**	**295,951**	**329,564**
Cash Flow Statement						
Operating Cash Flow						
Net Earnings	2,474	11,791	21,075	26,713	28,227	33,346
Plus: Depreciation & Amortization	19,500	18,150	17,205	16,544	16,080	15,008
Less: Changes in Working Capital	9,003	1,702	775	903	827	375
Cash from Operations	**12,971**	**28,239**	**37,505**	**42,354**	**43,480**	**47,980**
Investing Cash Flow						
Investments in Property & Equipment	15,000	15,000	15,000	15,000	15,000	15,000
Cash from Investing	**15,000**	**15,000**	**15,000**	**15,000**	**15,000**	**15,000**
Financing Cash Flow						
Issuance (repayment) of debt	-	-	(20,000)	-	-	-
Issuance (repayment) of equity	170,000	-	-	-	-	-
Cash from Financing	**170,000**	**-**	**(20,000)**	**-**	**-**	**-**
Net Increase (decrease) in Cash	167,971	13,239	2,505	27,354	28,480	32,980
Opening Cash Balance	-	167,971	181,210	183,715	211,069	239,550
Closing Cash Balance	**167,971**	**181,210**	**183,715**	**211,069**	**239,550**	**272,530**

I am going to present and describe in details three main financial statements:

income statement, balance sheet, and cash flow statement. Assets, liabilities, capital, revenues, expenses – are main parts of financial statements.

Revenues represent the sales for the period; profits are the difference between the company's revenues and the expenses the firm incurred in order to generate those revenues for the period. Usually the elements of income statements are:

Revenues, cost of goods (services) sold, gross profit, operating expenses, net operating income, interest expense, earning before taxes, income taxes, net income. The table 2.4 shows income statement of Amazon inc, as I do not have access to financial statement of Business Media Network (for sure real numbers of BMN are smaller, because this is medium size company, but the main principals are the same).

Let us look at table 2.4 Income statement of Amazon. Net product sales includes revenues derived from company's product sales, Business Media Network provides IT products, for example wed developing, and web designing. Net service sales includes revenues generated from the sale of company's services. Cost of sales is directly associated with the sale of products and services, including costs of purchasing equipment, raw materials, software. Fulfillment expenses are all expenses incurred in the process of storing, picking, shipping, and handling customer service. Marketing expenses are expenses of advertisements, marketing campaigns.

Technology costs are expenses with it applications, innovative software, computer equipment. Business Media Network specializes in IT sphere, so there are many technology expenses incurring in the company. General and administrative expenses are also called non-manufacturing costs or overhead costs. Expenses for rent, utilities, insurance, managerial salaries, and other similar costs are administrative expenses. During Covid-19 and now after war stated in Ukraine, majority of employees in BMN company work from home, so these types of costs have been decreased rapidly.

Operating income is the income after deducting all operating expenses. Interest income incurred when excess cash is invested in projects. Interest expense relates to accumulated interest from capital, long-term liabilities. Income before taxes means that operating and non-operating expenses are deducted, but taxes expenses are not deducted yet. Provision of income taxes or in other words expenses for income taxes that company has to pay within the fiscal year.

Table 2.4 Income Statement of Amazon
Source: 12

AMAZON.COM, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Year Ended December 31, 2015	2016	2017
Net product sales	$ 79,268	$ 94,665	$ 118,573
Net service sales	27,738	41,322	59,293
Total net sales	107,006	135,987	177,866
Operating expenses:			
Cost of sales	71,651	88,265	111,934
Fulfillment	13,410	17,619	25,249
Marketing	5,254	7,233	10,069
Technology and content	12,540	16,085	22,620
General and administrative	1,747	2,432	3,674
Other operating expense, net	171	167	214
Total operating expenses	104,773	131,801	173,760
Operating income	2,233	4,186	4,106
Interest income	50	100	202
Interest expense	(459)	(484)	(848)
Other income (expense), net	(256)	90	346
Total non-operating income (expense)	(665)	(294)	(300)
Income before income taxes	1,568	3,892	3,806
Provision for income taxes	(950)	(1,425)	(769)
Equity-method investment activity, net of tax	(22)	(96)	(4)
Net income	$ 596	$ 2,371	$ 3,033
Basic earnings per share	$ 1.28	$ 5.01	$ 6.32
Diluted earnings per share	$ 1.25	$ 4.90	$ 6.15
Weighted-average shares used in computation of earnings per share:			
Basic	467	474	480
Diluted	477	484	493

See accompanying notes to consolidated financial statements.

Interest income	50	100	202
Interest expense	(459)	(484)	(848)
Other income (expense), net	(256)	90	346
Total non-operating income (expense)	(665)	(294)	(300)
Income before income taxes	1,568	3,892	3,806
Provision for income taxes	(950)	(1,425)	(769)
Equity-method investment activity, net of tax	(22)	(96)	(4)
Net income	$ 596	$ 2,371	$ 3,033

Net income is “clear income”, is basically left over after company has paid all expenses. The income statement reports the cumulative e results from operating the business over a period of time (a year or quarter). By contrast, the balance sheet is a big picture of the company’s financial position on a specific date.
Total assets= Total Liabilities + Total Shareholders’ Equity

Total liabilities represent the total amount of money the firm owes its creditors (including the firm's banks and suppliers). Total shareholders' equity refers to the difference in the value of the firm's total assets and the firm's total liabilities recorded in the firm's balance sheet. As such, total shareholders' equity refers to the book value of their investment in the firm, which includes both the money they invested in the firm to purchase its shares and the accumulation of past earnings from the firm's operations. The sum of total shareholders' equity and total liabilities is equal to the firm's total assets, which are the resources owned by the firm.

The example of balance sheet of Amazon is provided below (see Table 2.5). Current assets consist of cash and cash equivalents, marketable securities, inventories, accounts receivables. Cash and cash equivalents, includes highly liquid assets which can be quickly converted into cash. Marketable securities are financial instruments, which are short term and have ability to mature within a year. Inventories consist of material. In-process goods, finished goods held in warehouse. Account receivable is what customers own to the company; it is short-term customer obligations that have not been fully paid yet.

All current assets that do not fall into one of the named categories (cash, accounts receivable, and so forth). Prepaid expenses (prepayments for insurance premiums, for example) are a common example of an asset in this catch-all category. Gross Plant and Equipment – are the sum of the original acquisition prices of plant and equipment still owned by the firm. Accumulated Depreciation- is the sum of all the depreciation expenses charged against the prior year's revenues for fixed assets that the firm still owns. Net Plant and Equipment falls under category of the undepreciated value of the firm's plant and equipment.

Table 2.5 Balance sheet of Amazon
Source: 12

AMAZON.COM, INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	December 31, 2016	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,334	$ 20,522
Marketable securities	6,647	10,464
Inventories	11,461	16,047
Accounts receivable, net and other	8,339	13,164
Total current assets	45,781	60,197
Property and equipment, net	29,114	48,866
Goodwill	3,784	13,350
Other assets	4,723	8,897
Total assets	$ 83,402	$ 131,310
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 25,309	$ 34,616
Accrued expenses and other	13,739	18,170
Unearned revenue	4,768	5,097
Total current liabilities	43,816	57,883
Long-term debt	7,694	24,743
Other long-term liabilities	12,607	20,975
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, $0.01 par value:		
Authorized shares — 500		
Issued and outstanding shares — none	—	—
Common stock, $0.01 par value:		
Authorized shares — 5,000		
Issued shares — 500 and 507		
Outstanding shares — 477 and 484	5	5
Treasury stock, at cost	(1,837)	(1,837)
Additional paid-in capital	17,186	21,389
Accumulated other comprehensive loss	(985)	(484)
Retained earnings	4,916	8,636
Total stockholders' equity	19,285	27,709
Total liabilities and stockholders' equity	$ 83,402	$ 131,310

See accompanying notes to consolidated financial statements.

Current Liabilities are liabilities that are due and payable within a period of 12 months or less, so liabilities for less than one year. Examples include the firm's accounts payable, accrued expenses, and short-term notes. Accounts payable are short term obligations incurred when company purchases equipment from suppliers on credit. Accrued expenses are liabilities that were incurred in the firm's operations but not yet paid. For example, the company's employees might have done work for which they will not be paid until the following week or month. The wages owed by the firm to its employees are recorded as accrued wages. Short-term notes are debts created by borrowing from a bank or other lending source that must be repaid in one year or less.

Long-term debt are liabilities that company holds for 12 months and more. All firm debts that are due and payable more than 12 months in the future. A 25-year mortgage loan used to purchase land or buildings is an example of long-term liability. If the firm has issued bonds, the portion of those bonds that is not due and payable in the coming 12 months is also included in long-term debt.

Common stockholders’ equity is the income left over for shareholders after the firm has paid all of its expenses. In the event the firm is liquidated, the common stockholders receive only what is left over—but never lose more than they invested—after the firm’s other financial obligations have been paid.

The liquidity of an asset refers how quickly assets can be converted to cash without loss of value. In other words, the company’s ability to regularly convert its current assets (in our case only principally accounts receivables , because company BMN does not have an inventory itself) into cash so that it can pay its bills on time. A common way to access a company’s overall liquidity therefore involves comparing its current assets to its current liabilities. This measure is called net working capital, which means the difference between the company’s current assets and current liabilities.

The last important financial statement is cash flow. Let us look at Amazon example of cash flow. First, that comes in cash flow is the net income, then non-cash expenses, changes to balance sheet accounts appear on the cash flow. Operating activities, investing activities and financing activities are adjustments in the cash flow. The following statements are explanations for items listed in this financial statement. Depreciation of property and equipment is an expense incurred when equipment depreciate over time, and this expense in a non-cash. Stock-based compensation is also non-cash expense. Other operating expense relates to the amortizations of intangible assets such as computer software, patens, copyrights, are also non-cash expense.

Deferred income taxes means a difference between amounts of tax recorded in a book and actual income taxes. The amount of tax depends on how much income the company earned during specific period. Proceeds from property and equipment incentives are recorded as a reduction in expenses and, thus as a reduction in cash outflows. Acquisitions, net of cash acquired are cash expenses incurred during acquisition of another company. Business Media Network has not acquired another smaller company, so this type of cash outflows has not happened yet.

Sales and maturities of marketable securities are earning from holding marketable securities to maturity, which are short-term financial instruments. Purchases of marketable securities are expenses, so are deducted from net cash. Proceeds from long-term debt is an addition to net cash, it means money that were acquired from raising capital by issuing long-term debt. Repayments of long-term debt are cash outflows, money used for repay long-term liabilities.

Principal repayments of capital lease obligations is similar to previous one, a deduction from net cash, money spent for repaying the principal amount of capital lease obligations. Principal repayments of finance lease obligations are cash outflows, money spent for repaying the principal amount of finance lease obligations.

Foreign currency effect on cash and cash equivalents means amount of money that company loses while value of currencies depreciate over time. Business Media Network operates US dollars and Ukrainian currencies. Cash paid for interest on long-term debt is money spent for paying accumulated interest from long-term debt. Property and equipment acquired under capital leases mean the financial value of new equipment required or property bought under new capital leases for a specific period. The table 2.6 Cash flow of Amazon_ represents a statement of cash flow.

For conclusion, Business Media Network company uses balance sheet, income statement and cash flow, for recording its income and expenses. Income statement reflects company's sale incurred for a fiscal year, and all expenses incurred during providing services and producing revenues. Main calculations based on income statement are profit margin, operating income and net income. The balance sheet illustrates a big picture of what company owns, its liabilities to suppliers, customers and creditors, and shareholder's equity. The main accounting formula is total assets = total liabilities+ equity. All investments that company made, they formed short-term (current assets , they can be converted to cash for less than 12 month) and long-term assets (fixed assets, which cannot be converted to cash easily, but are expected to remain bringing the financial value for more than one year).

The company's liabilities, which are short-term (payable up to 12 months) and long-term debt (payable in more than 1 year). The owner's equity includes common stock and company's retained earnings. Retained earnings are profits which have been reinvested in the business activities instead of being distributes to shareholders.

The cash flow statement shows the beginning and ending balance in the company's cash account. The categories in cash flow are: operating cash flow, investing cash flow, financing cash flow. This financial statement is very detailed, so it is a clear picture of company's cash moving inflows and outflows.

Before investors make a decision about investing in BMN, they look at financial performance, which is analyzed based on financial statements. Business Media Network is operated well when its operations and earning are on track to grow and outlook for its shares. Finance manager performs a thorough analysis of financial statements, checking the probability and loss of business operations, projects, and also spending, and investing. Annually, the accountant of BMN provides a report of business performance, qualitative information for further analysis of company's well-being.

Table 2.6 Cash flow of Amazon
Source : 12

AMAZON.COM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2015	2016	2017
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	$ 14,557	$ 15,890	$ 19,334
OPERATING ACTIVITIES:			
Net income	596	2,371	3,033
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation of property and equipment, including internal-use software and website development, and other amortization, including capitalized content costs	6,281	8,116	11,478
Stock-based compensation	2,119	2,975	4,215
Other operating expense, net	155	160	202
Other expense (income), net	250	(20)	(292)
Deferred income taxes	81	(246)	(29)
Changes in operating assets and liabilities:			
Inventories	(2,187)	(1,426)	(3,583)
Accounts receivable, net and other	(1,755)	(3,367)	(4,786)
Accounts payable	4,294	5,030	7,175
Accrued expenses and other	913	1,724	283
Unearned revenue	1,292	1,955	738
Net cash provided by (used in) operating activities	12,039	17,272	18,434
INVESTING ACTIVITIES:			
Purchases of property and equipment, including internal-use software and website development	(5,387)	(7,804)	(11,955)
Proceeds from property and equipment incentives	798	1,067	1,897
Acquisitions, net of cash acquired, and other	(795)	(116)	(13,972)
Sales and maturities of marketable securities	3,025	4,733	9,988
Purchases of marketable securities	(4,091)	(7,756)	(13,777)
Net cash provided by (used in) investing activities	(6,450)	(9,876)	(27,819)
FINANCING ACTIVITIES:			
Proceeds from long-term debt and other	353	621	16,231
Repayments of long-term debt and other	(1,652)	(354)	(1,372)
Principal repayments of capital lease obligations	(2,462)	(3,860)	(4,799)
Principal repayments of finance lease obligations	(121)	(147)	(200)
Net cash provided by (used in) financing activities	(3,882)	(3,740)	9,860
Foreign currency effect on cash and cash equivalents	(374)	(212)	713
Net increase (decrease) in cash and cash equivalents	1,333	3,444	1,188
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 15,890	$ 19,334	$ 20,522
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest on long-term debt	$ 325	$ 290	$ 328
Cash paid for interest on capital and finance lease obligations	153	206	319
Cash paid for income taxes, net of refunds	273	412	957
Property and equipment acquired under capital leases	4,717	5,704	9,637
Property and equipment acquired under build-to-suit leases	544	1,209	3,541

See accompanying notes to consolidated financial statements.

The last but not least aspect of financial performance: Tracking key performance indicators (KPIs) 1. Gross Profit Margin: The ratio determines firms' profitability before considering the operating expenses. Its formula is as follows: Gross Profit Margin = [(Revenue – Cost of Goods Sold) / Revenue] × 100.
2. Net Profit Margin: The net profit ratio is another financial performance metric. It

measures firms' profitability after deducting all the expenses from gross profits. It is evaluated as follows:

Net Profit Margin = (Net Profit / Revenue) × 100.

3. Return On Equity: It is a profitability measure that ascertains a firm's ability to generate profit from equity capital that was acquired from the shareholders. It is represented by:

Return on Equity = Net Profit / [(Beginning Equity + Ending Equity) / 2].

4. Return On Asset: This profitability ratio determines a firm's ability to utilize assets efficiently to generate profits. Its formula is as follows: Return On Asset = Net Profit / [(Beginning Total Assets + Ending Total Assets)/ 2)

2.2 Problems of capital budgeting management and financial controls

In Chapter one we discussed the functions of financial manager overall, now let us dive in Business Media Network company as an example of real finance manager and his responsibilities. Figure 2.7 shows the hierarchy of finance job position in big companies. Chief financial officer is the on top the hierarchy, he is on charge of all financial management in the company. Treasure or Vice president of finance, for instance, is in charge of corporate finance, or VP of procurement, or VP of payroll. Finance director controls finance manager and individual contributors, such as financial analyst, credit analysis, budget analysis, risk analyst, purchasing agent. Entry level position is on the bottom, is the least paid job, for example: finance clerk, payroll clerk, junior financial assistant.

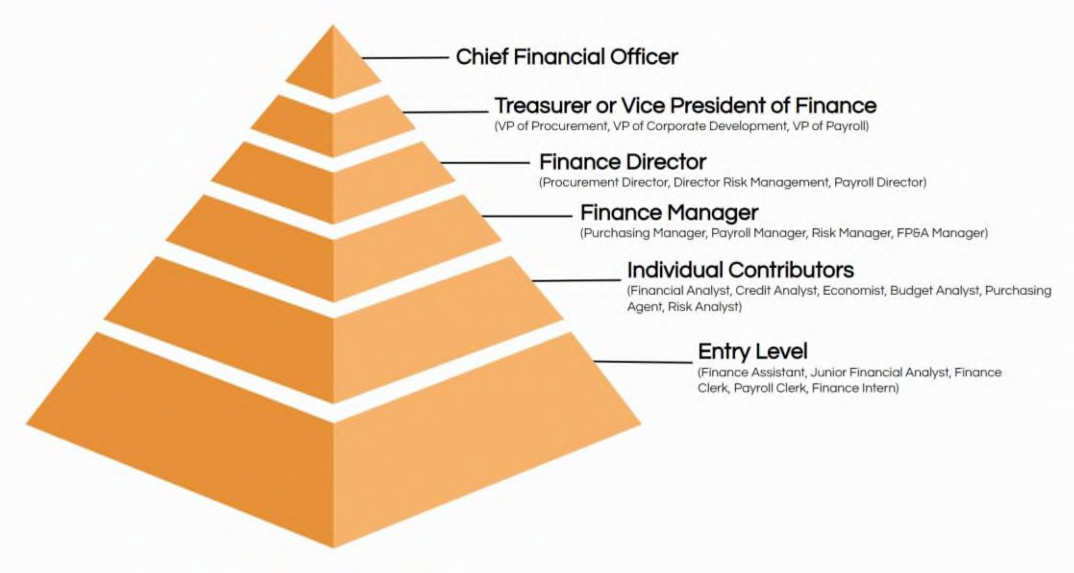

Figure 2.7 Finance job position hierarchy
Source : Rob Kelly , April 13, 2020

Business Media Network is not as big, for having all mentioned below positions. Director of finance reports director to the managing director (or owner in BMN case), and his duties are:

1. Administration of funds
2. Financial planning and controlling

3. Acquisition of funds
4. Accounting and government reporting
6. Tax administration
7. Building relationships with investors
8. Raising funds

Director of finance (or the Chief financial officer) works closely with the members of the top management team relating to aforementioned financial activities; and supervises the treasurer and controller (in our case it is one person, because company is not big). Treasurer is responsible for the management of funds. The detailed functions of treasurer are -1. Financial Planning

a. Reporting financial results to the officers (directors) of the company.
b. Investment planning
c. Debt and liabilities planning
d. Forecasting cash receipts.
e. Dividend policy analysis

2. Cash Management

a. Creating business account in bank, it could be checking and saving accounts.
b. Management of petty cash and bank balance.
c. Obligations to suppliers and dividends to shareholders.
d. Keeping records of cash transaction in order.

3. Security Function

a. Recommendation of type of security most desirable for company.
b. Negotiation with investment bankers.
c. Controlling accounting process within government regulations.
d. Preferred stock.
e. Relations with shareholders, paying dividends.

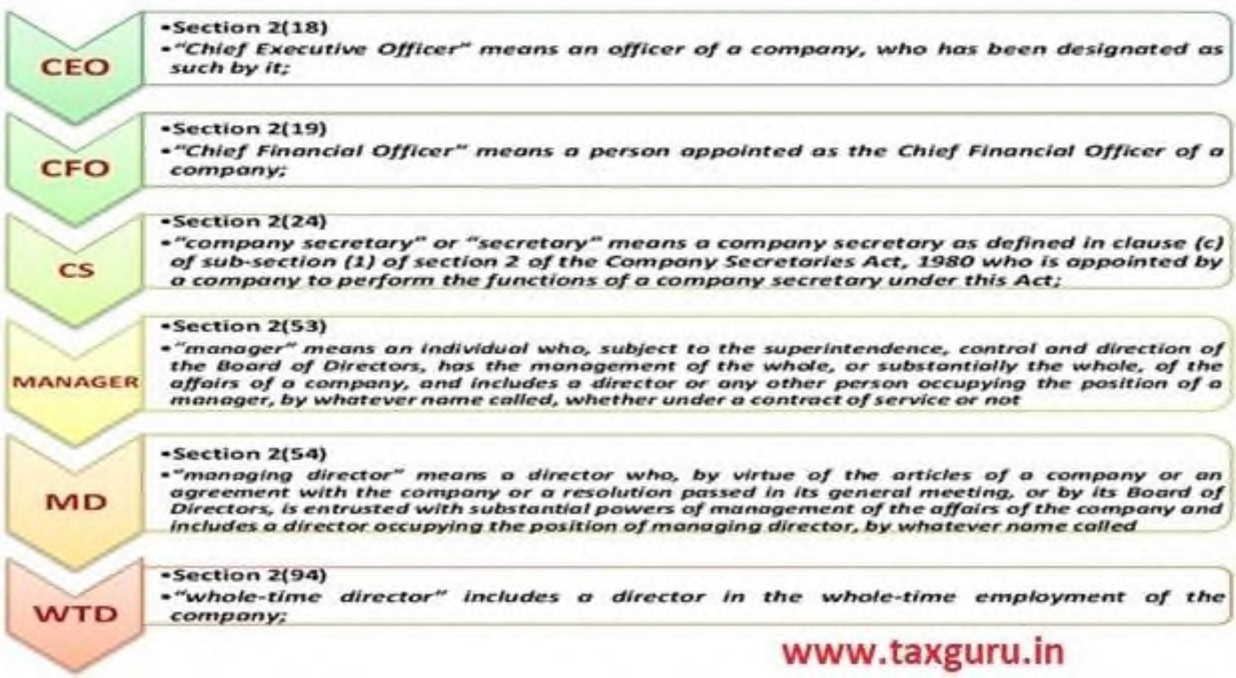

Figure 2.8 Explanation of job title
Source: FCS Deepak P. Singh, 25 Aug 2018

Figure 2.8 illustrates and explanation to each job title, that is used in big size, and medium size companies, including Business Media Network. CEO means Chief Executive Officer is the highest position in the company. CFO means Chief financial Officer, appointed by CEO, and is in charge of all finance in the company. CS means company secretary, appointed by the company to perform secretary functions. Manager has a variety of titles, it can be Finance manager, Marketing manager, Human resource manager, Procurement manager, Sales manager, Customer service manager, quality manager, IT manager. WTD means whole-time director, who is employed for full time hours.

The financial controller has following functions:

- The controller formulated accounting and costing policies, all procedures. He is in charge of controlling the preparation of financial statements, keeping the accountant book organized. Controller directs the internal auditing in the company and keeps an eye on cost control;
- Controller is supposed to control budgeting process, and implementation of budgeting planning.

Let us discuss what is capital budgeting, what makes it important decision and how it is related to planning. First definition: capital budgeting is vital part of company’s decision process about investing its current funds in long-term activities in order to effectively and efficiently invest money with high expected return. Business Media Network company has different projects is planning to expand and open up new projects, so wise capital budgeting is essential and has huge impact on determining how many new proposals or projects the company should undertake.

Capital budgeting is connected with long-term planning and long-term investment decisions. BMN is doing business internationally, so investors and foreign clients pay in dollars, so the company keeps track on currency fluctuation and inflation. Management team uses discounted cash flow analysis in order to assess cash flow implication of the dollar. BMN Company has foreign investors, so investments are in US dollars.

Throughput analysis is used for deep analysis of revenues and expenses for not only specific projects (example: Marketplace, Deal Flow, and City Showcase), but fir entire company. It is an analysis of how much profit is earned form each sale transaction that might be attributable to fixed costs.

After analysis of earning and expenses, the next task is to determine if planned project prove to be profitable and worth for existence. The payback period analysis (ratio) is used for projects selection. It calculates how much time this project requires to be started (example : 6 months or 2 years), and when original investments are covered by profits. For example, if BMN needs $100 000 for a new project, finance manager using payback period reveals how many years are required for the cash inflows to equate to the exactly sum of money outflow. The importance principle : to also take into account the recovering initial investment in order to undertake subsequent projects.

Net present value is an indicator to solve capital budgeting problems. For instance, managers are not sure if a new idea about project coming up is worth to be accepted. When a project has positive net present value, it should be accepted. The sensitivity analysis of the net present value can signal any overwhelming potential future issues.

Business Media Network company has two types of budgets such as operational budget and capital budget. For short-term periods the company creates operational budgets, defined by revenue and expenses for day to day operations. Capital budget is opposite to operational budget, is for long-term periods, and covers activities such as expansions, redevelopment and investments. Without good cash flow, managers could not create efficient budget plan. The ultimate decision depends upon the profitability of the product and process. As I mentioned earlier, Business Media Network has many projects, and while evaluating projects managers used different types of cash flow. Let me describe main types of cash flow:

- Incremental cash flow- includes all inflows and outflows directly relating with taking a projects;
- Sunk cash flow- including expenses for research and development, test market expenses. Finance manager ignore sunk costs in project analysis.

Business Media Network wants to expand its existing business, to increase the scale of sales, so the management team make a decision about additional investment which be evaluated in terms of future expected earnings. Capital budgeting is helpful in product and process innovation. The capital expenditure decisions may have a great impact on the profit ability of the company for a very long time. If properly planned, company has a huge potential of developing, growing in size, scale and volume of scales.

2.3 Management of accounting and financial transactions of the enterprise

Business Media Network has an accountant, who run all accounting records, transactions, bookkeeping. So these elements creates an accounting system, which is for controlling all needed financial data and economic transactions to be appropriate entered into accounting records, and all financial reports to be created and reported accurately. See table 2.9 Components of accounting system.

Table 2. 9 Components of accounting system.
Source: created by author

Components of accounting system	***Description***
Chart of accounts	There are five accounts : Assets, Liabilities, Net Assets or Fund Balances, Revenues, and Expenses.
General ledger	This ledger serves as an organizer for all accounts, and chart of accounts is a table of

	context to the general ledger. Information about accounts is updated time to time (for example each month), and it maintains a year-to-year balance for each account. Software packages makes this process automatically and easy, allowing accountant to produce a general ledger which shows each transaction included in the balance.
Journals and subsidiary journals	Also called books of original entry, used by an accountant to systematically records all accounting transactions before these transactions are entered into general ledger. Information in journals are organized chronologically and into groups (by transaction type : receipts, disbursements, invoices). Three primary types of journal: The cash disbursements journal is a record of checks in written form, categorized using a chart of accounts. The cash receipts journal is a record of all deposits , recorded in the same as checks. The general journal contains non-cash transaction, for example accrual entries and depreciation) and also included corrections to previous journal entries. Subsidiary journal, for instance payroll journal, which keeps records of all payroll-related transactions. The accounts receivable journal keeps track of income and expenses accruals.
Checkbook	It serves as a container for receipts deposited and from which disbursements are made.
Accounting procedures manual	Thus manual is for recording policies and procedures of handling financial transactions. Simple descriptions are written for understanding how paying bills, depositing cash, ext. are handled and by whom.

Let me describe the step-by-step actions that the accountant takes in the accounting cycle. Firstly, financial transactions accrued, accountant analyzes transaction, record transaction in journal, post journal to general ledger, correction to general ledger, preparing financial statements.

BMN accountant uses financial ratios and calculations, which show up on financial statements. However, not only accountant needs calculations, investors conduct calculations from financial statements in order to evaluate the company. As I know, Business Media Network company has foreign investors which invest significant funds for building capital for company's operations and projects.

Nevertheless, the finance manager during analyzing the company's financials, calculates the debt ratios and determines if company has too much level of debt or normal level of debt, short-term or long-term debt. Accounting ratios, which I am going to describe, are used as different indicators that measure profitability, liquidity in the company's financial reports. The accountant needs to calculate yearly or quarterly; different industries use different ratios. As an example, Business Media Network is not a retailer business, so the inventory turnover ratio is not significantly important.

The accounting ratios are based on financial reports and statements, which were analyzed in subchapter 2.1. These accounting ratios paints the overall picture of company's operations, present and future possibilities. Below, the main accounting ratios for Business Media Network are presented. See table 2.10

Table 2.10 Accounting ratios and formulas
Source: created by author

№	Accounting ratios	Formulas
1	Debt ratios	
1.1	Debt-to-equity	= Liabilities(total)/shareholder equity (total)
1.2	Debt ratio	= Total liabilities/total assets
2	Liquidity ratios	
2.1	Current ratio	= Current assets/current liabilities
2.2	Quick ratio	=[Current assets-Inventory-Prepaid expenses] / current liabilities
3	Profitability ratios	
3.1	Return on Equity	= Net income/Average shareholder equity
3.2	Gross Margin	= Gross Profit/ Net sales
3.3	Return on Assets	= Net income/Total assets

Debt-to equity ratio measures the financial leverage of a company and evaluate the limits of possible debt without harm to business's livelihood; also it is used for long-term risk assessment of the capital structure. It is calculated by dividing the total liabilities by the shareholder equity of the company. The main importance of this ratio is: the management team defines the proportion to which a company is able to finance its operations via debt rather than using its own capital and resources. The lowest Debt-to equity ratio is better, than higher Debt-to equity ratio. Moreover, when company relies on borrowed money, there is a high risk of bankruptcy during crisis and hard time (In chapter 3 we will talk more about crises management and financial role). A good Debt-to equity ratio varies in different industries since some businesses require more debt to finance their activities.

Debt financing includes bank loans, credit card loans and bond issues (in Ukraine it is more common to take bank loans versus bond issues). The opposite way to raise funds is equity financing, but debt financing is way more cheaper. For instance, Business Media Network company needs $3,000 to finance its operations. Using equity financing, the company has to sell 300 shares of stock at $10 each. But if BMN decides to take a bank loan, the interest rate might be 5%. In the result, by taking a bank loan, the company has to pay back only the principal plus interest. Speaking about selling 300 shares, BMN company gives a portion of its ownership stakes in the business.

Let me calculate possible Debt-to equity ratio of BMN, assuming that liabilities - $ 10,000, and shareholders equity -$ 15000.
Debt-to equity ratio = $ 10,00/ $ 15,000 = $0.6 That means that BMN company has $0.6 debt for every $1.00 of equity.

Next accounting ratio is debt ratio, which measures how much of company's assets are financed by debt, its financial leverage. If company as more debt that assets, the financial management is in trouble, there is a greater risk of default. When organization has a high amount of debt, business is not able to pay or maintain dividends to shareholders. On the other hand, when company has too low ration of debt that assets, it means that assets are underinvested and there is stunting in company's growth and development. Likewise, the normal level of debt differ in industries, for example business in the energy sector takes on more debt that business in IT sphere. For investor's view point, they need to look not only on debt ratio but also on return on investment and earning per share to determine the value of investments.

Let us make calculations for BMN company. We assumed that liabilities - $10,000, and now let us have $30,000 in assets. So, debt ratio is = $10,000/$30,000 = 0.3. This result is not high, which means good management of assets in correlations with debt level.

Current ratio is known as working capital ratio, measures the capability of company to meet its current (short-term) obligations within 1 year, it could be fiscal year. Accountant uses this ratio in order to indicate the financial health and to maximize the liquidity of its current assets. Each company has current assets – the resources that can be quickly converted into cash within a specific period, a year. Current assets :

- Cash – including undeposited checks from customers, checking and saving accounts.
- Cash equivalents – means corporate and government securities with 90 days maturity.
- Marketable securities- contains common and preferred stock, government and corporate bonds with a 1 year maturity.
- Accounts receivable- money which customers are liable to pay within a year,

- Inventory – contains raw materials, work-in-process, finishes goods, manufacturing suppliers.
- Prepaid expenses – involves future payments, advanced purchases, unexpired insurance premiums.

Let me explain what current liabilities are: company's obligations to suppliers and creditors within a year. This includes:

- Notes payable – means interest and the principal portion of loans that arise during 1 year.
- Accounts payable – credit from purchasing of merchandise, raw materials, office supplies or usage of services and utilities.
- Accrued expenses – all taxes expenses incurred , and other expenses incurred without invoice received.
- Deferred revenue – future revenuer when company satisfies revenue recognition requirements.

There is a generic rule of thumb : 2:1, meaning that current assets are twice bigger amount than current liabilities. For BMN the good ratio will be when current assets - $8,000, and current liabilities= $4,000.

The second of liquidity ratio is quick ratio, it measures the company's ability to meet short-term obligations with quick assets. Finance manager needs this ration in order to analyze the creditworthiness or assess how much time company needs to pay off all debts and payments on time. Despite of current assets, there are quick assets which can be converted into cash within operating cycle or one year. If company's ratio is greater than 1 , it indicates that company's assets might be quickly enough be sold in order to cover all debts and liabilities. Opposite, if company's quick ratio is less that 1, the company has issues with covering short-term liabilities, in the result this business needs to obtain more quick assets. As an example of quick assets : cash and cash equivalents, marketable securities and accounts receivable.

For instance, let us say that Business Media Network has quick assets - $6,000 and current liabilities - $ 4,000. Quick ratio = $6,000/$ 4,000= 1.5. This is positive ratio, which shows that company has enough quick assets to cover short-term obligations. Ideally, companies strive to have at least quick ratio of 3 or higher. But again, the ratio differ in different industries.

The last group of ratios is profitability ratio. Business Media Network measures its annual return , also called net income, dividend by the value of its total shareholder's equity. Return on equity (ROE) is ratio that bring together balance sheet and income statement, where profit (net income) is compared to the shareholder's equity. In simply terms, accountant uses this ratio for measuring the profits made for each $ dollar from shareholder's equity. A good advantage is that finance manager may use this ration for identifying the company's competitive advantage, which is vital part of business strategy and forecasting. One of the goal of BMN is to increase ROE over time proving that company generates shareholder's value, leading to increasing of profits and productivity.

Gross profit margin ration shows the management team how much profit left after company pays off for the direct cost, including wages, physical resources, rent, utilities, software. From 50 to 70% of gross profit ratio is considerate to be healthy financial situation in business, including retail, manufactures, and other producers. However, for service industry companies (including Business Media Network) the 50% of gross profit ratio might be low. The good mark is the high – 90% range. Finance manger uses this ratio for review company's performance over time and for comparison business results in the same industry. In order to improve gross profit ratio, company needs to increase efficiency by reducing labor costs or investing in plant and equipment for operations; another way to increase gross profit ratio is raising prices, it is obvious solution, but is not the best and main strategy because of high competiveness in industry. Gross profit margin is calculates by subtracting direct expenses from net revenue, dividing the result by net revenue and multiplying by 100%.

The last but not least metric is Return on Assets , is responsible for measurement the profitability of a business in correlation to its total assets. The higher mark means that overall management is efficient and productive in utilizing all resourced for doing business activities. Net profit is on the income statement; assets are presented on the balance sheet. The good score is from 5% to 20% depending on industry. For instance, BMN does not manufacture goods, but provide service, in IT for example, so this company has less assets that Amazon inc.

CHAPTER 3. STRATEGIC WAYS TO IMPROVE FINANCIAL MANAGEMENT

3.1 Crisis of financial management during war

In this chapter I want to analyse the Ukrainian tech sector, exporters of IT services. In Ukraine there are at least 5,000 IT companies, producing IT services and contributing around 4% to the Ukraine economy output. Among these 5,000 companies, there are 1,400 start-ups, which are developing gradually, and pursuing success and high market share. Overall Ukrainian It companies employ around 285,000 people, contributing big value to the employment market. The last 25 years, the Ukrainian tech sector has been grown tremendously, and some companies has expanded, doing business abroad. Last year, when war that broke out in February in 2022, though, has had an immediate impact on it.

Many business organizations are volunteers for proving help and fighting for our victory. For instance, Software development outsourcer N-iX evacuated very quivkly 600 of its employees, located in Kyiv. Some companies continue to operate but in different mode; others has been shut down due to inability how to overcome economic crisis and financial crisis. However, there are still companies which do not give and take every chance to develop and keep business alive, contributing value to stakeholders and society.

The reason why I chose to analyse IT companies, is because Business Media Network provides services in IT sphere, so it allows employees to work in foreign countries, not only in Ukraine. On the basis on the article Business in Times of War: A Ukrainian Perspective [source …] I am going to present and describe statistics about IT companies operations, which were surveyed. The survey was done to 4,200 Ukrainian small and medium businesses to identify how they have so far been affected by the ongoing crisis, how they and their staff have responded to it, and how the war has impacted their plans for future growth. First result, approximately 70 % of small and medium businesses are able to continue operating during war crisis. The 22 % of small and medium businesses are working, but only partly, reducing cash flow turnover, decreased number of services provided. The last 8 % of companies has shut down due to different reasons (some reasons will be presented and analysed below.) The figure 3.1 Small and Medium sized businesses continue to function during the war is presented below.

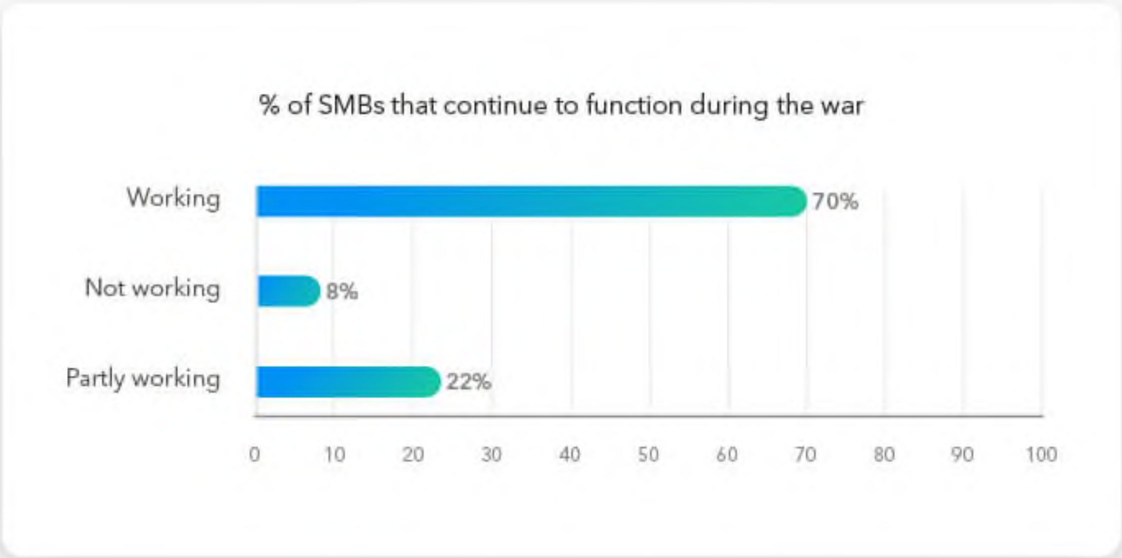

Figure 3.1 Small and Medium sized businesses continue to function during the war.
Source: 5

The next result of survey shows that only 63% of businesses have also been able to retain most, if not all, of their staff. Let me present some figures interest statistic about 4,200 surveyed companies.

- 72% of businesses did not have a crisis management plan in place before war broke out, and yet were still able to pivot and adapt.
- 38% of Ukrainian SMBs intend to hire more staff this year despite the war
- 43% of SMBs were able to retain all their employees. A further 20% retained most of them
- 32% were able to retain all their customers. A further 32% retained most of them
- The biggest challenges SMBs faced in adapting to the war situation was financial issues (35%) followed by high levels of stress among employees (29%)
- 84% think employees volunteering in the war effort has helped increase company team spirit [source *Business in Times of War: A Ukrainian Perspective*. (n.d.). Payoneer. Retrieved May 5, 2023, from https://www.payoneer.com/resources/business-in-times-of-ukrainian-war/]

War crisis leads to financial crisis, impacting on every organizations and business. Economic impact, for instance negative shift of demand and supply, and inability to operate in certain locations, inability to produce services and manufacture goods, because of lays off or emigration employees to other countries – are reasons of financial instability and huge financial losses in business operations. Figure 3.2 Small and Medium sized businesses that were able to retain employees. So , only less than 50 % of companies were able to retained all employees and to pay salary and wages . The 23% of companies retained only a part of employees, and 20% of companies reduced only a small number of employees, and the rest 14 % - could not retain employees.

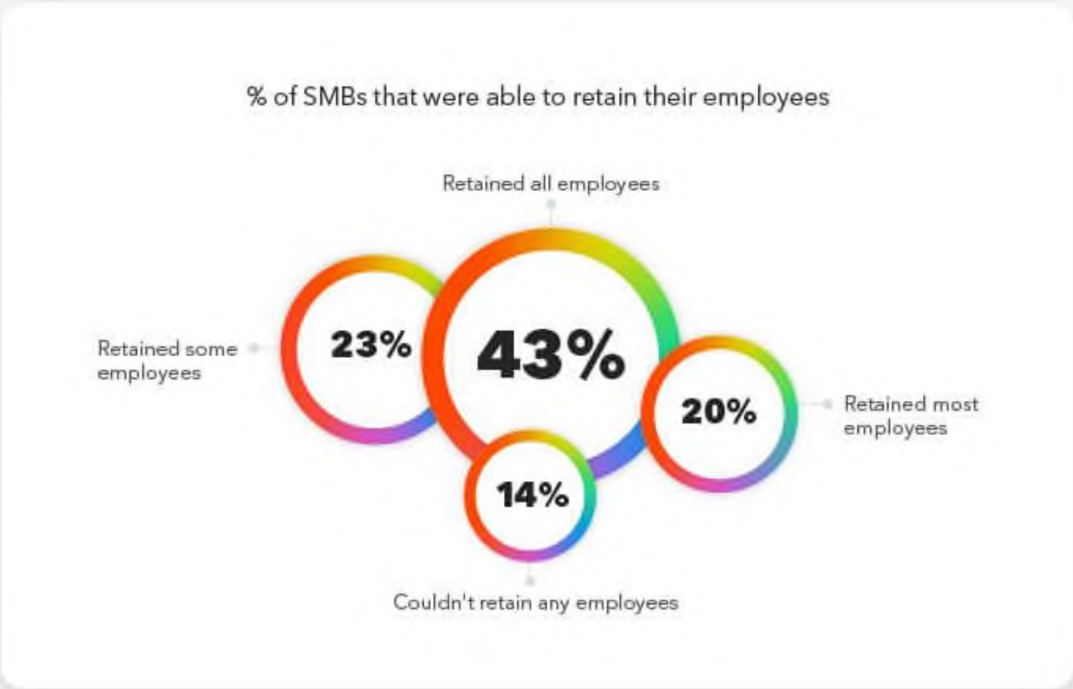

Figure 3.2 Small and Medium sized businesses that were able to retain employees
Source: 5

The other side of coin is retaining customers; both sides of retaining employees and customers are interconnected. One of the biggest threat for IT companies is panic from customers (in Ukraine and outside of Ukraine), and belief that Ukrainian business is nor able to provide high quality service for fair prices. Figure 3.3 illustrates that 32% were able to retain all of their customers, with a further 32% able to retain some of them, and 24% retained most of customers. Only 12% were unable to retain any of their customers. In order to be able to retain employees and customers, business organizations should have strong financial management with financial specialist, who is able to analyze issues, quickly responds, find and implement proper solutions on time.

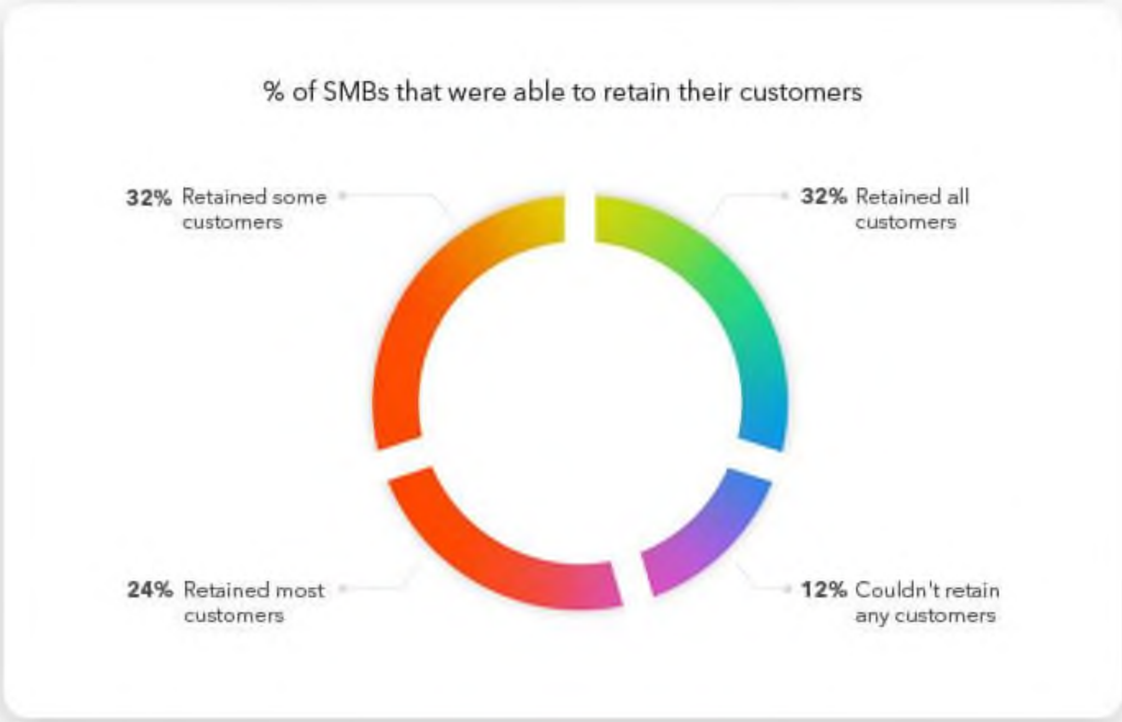

Figure 3.3 Small and medium sized businesses that were able to retain their customers.
Source: 5

Economic situation is unstable, so even when companies do not see problems, their operations are fulfilled as planned, financial goals are reached, they need to create an anti-crisis plan in case of crisis. Now as we now, crisis can come in every moment, when we do not expect. In the survey, 4,200 companies were asked who had a crisis management plan before the war broke out. The figure 3.4 Small and Medium sized businesses had an anti-crisis plan before the war illustrates that only a quarter of all companies had created the crisis management plan, which helped them not to be caught off guard, and be able to survive and continue making profits. The rest – 72 % of companies did not prepare the crisis management plan.

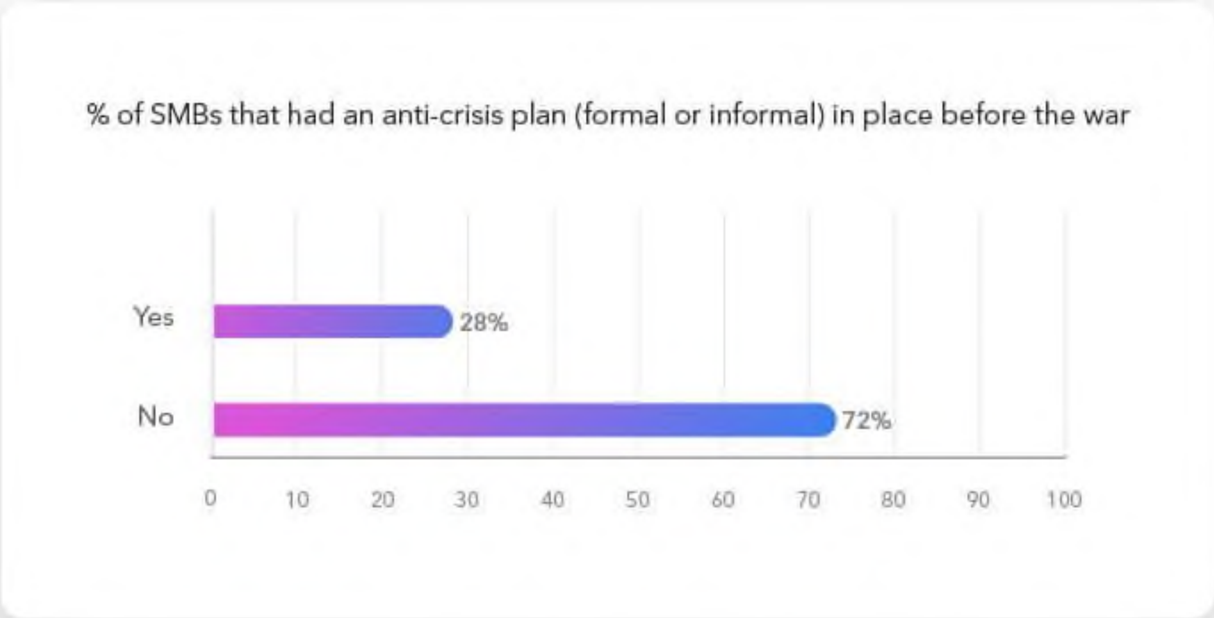

Figure 3.4 Small and Medium sized businesses had an anti-crisis plan before the war
Source: 5

I have described the situation, economic and financial crisis that businesses in Ukraine are facing right now. Therefore, let me suggest actions that should be taken by enterprises. Management team should respond to crisis as fast as possible, with a positive, strong plan of actions. If company does not respond with strategy against crisis, it may go bankrupt. To avoid this scenario, there are a few ways a business should start implementing.

1. Identify the main problem that cause a financial crisis (in our case the factor is obvious – war). . For instance, BMN's project (one project that is not developed yet and does not generate profits) might be evaluated and if needed to be stopped temporally because of crisis. Management team should be more attentive while making purchasing decisions; have to set up a strong procurement and supply chain management team that can ensure the entire process aligns with the health of the current financial condition.

2. Finance manager has to allocate the budget to the areas of business that can increase business profitability. During financial crisis, company should postpone plans for expansion, other events, and activities that require lots of funds.

3. Cash flow needs to be monitored even more closely. Without proper cash flows companies could not operate effectively and efficiently. Accountant or finance manager has to use accounting software for company's advantage, automate payment collection, and track income and expenditure across all departments; make sure that customers' invoices are well managed, all invoices are paid on time, send payment reminders to customers before they become due.

4. Evaluations of sales strategies and promotions. There are at least three main questions that managers should keep in mind:

- Has quality of existing prospects met the shareholder’s expectations?
- Are managers (including financial manager) qualified enough to manage during crisis?
- Which marketing strategies and types of advertisements should company implement ?

Quality of services and products is always a high priority. The marketing manager needs to replace old marketing strategies with more efficient ones. Digital marketing is the good solution instead of physical advertisements on the street.

Last summer 2022, approximately 60% of enterprises in Ukraine renewed and changed the workflow partially or completely to adapt to war reality. Unfortunately, one out of ten companies is completely out of business. Le me present a real example of an existing company in Ukraine during war crisis nowadays. The CEO of Jelvix, a software development company, Oleksandr Andrieiev is well aware of the main challenges that global businesses face today and how the war in Ukraine affected the world. The CEO of Jelvix said: “Thus, during the Russian-Ukrainian war, which led to the economic crisis and massive losses, I managed to draw three important lessons that our current operations are built around.” [Oleksandr Andrieiev September 12, 2022]

In his article Oleksandr Andrieiev shared 3 lessons, that he and his company have learnt during war crisis. Let me describe each lesson. Lesson 1 : “My company provides direct support through employee assistance programs: psychological, financial, legal and relocation on request.” [Oleksandr Andrieiev September 12,2022] The employees are important assets for company, and without this culture of support company would not be able to fulfil its obligations to customers. HR manager works hard in order to keep in touch with employees, and to provide effective training. Jelvix Company has a corporate psychologist who consults employees daily on dealing with stress and anxiety. Now 90% of employees work full time, because of good strategy of retaining them.

Lesson 2: “My company started working on its business continuity plan right after the first wave of Covid. Successful implementation of the business continuity plan allowed us to maintain over 80% of service delivery in the first week of the war, and surpass 90-95% of service delivery levels in the next weeks.” [Oleksandr Andrieiev, September 12, 2022] The Jelvix company adapted strengthening cybersecurity and resilience of IT infrastructure,, securing reserve capital. The management team monitors political and military situations, works on relationships with governmental institutions. Also what is interesting, Jelvix has a strong legal team, reliable representors in different counties and jurisdictions. In the result, CEO Oleksandr Andrieiev created a strong culture of creating a competitive advantage in order to grow in the Ukrainian and international market, and for profit maximization.

Lesson 3: “In this volatile environment, leading with solidarity and communicating with clarity and honesty may be the key to supporting clients while managing through business constraints and challenges.” [Oleksandr Andrieiev, September 12, 2022] All departments in Jelvix company are working hard, investing in improving data and adopting technologies such as a robust data foundation, AI, cloud and human resources applications. Customers need to know that all team members are aware how to handle the situation, what measures thay undertake to secure the business, and what the company's future plans are.”

3.2 Financial management for start-ups

The Ukrainian startup ecosystem has developed rapidly in the past few years. Up until 2018, there was not a single unicorn from Ukraine. Today, there are at least six Ukrainian startups with a $1 billion valuation, such as:

- GitLab
- Grammarly
- Genesis
- Bitfury
- People.ai
- Firefly Aerospace

According to the Ukrainian Startup Ecosystem Report, two-thirds of startups stay they operate on the global market; 12% do not operate in Ukraine at all; and 80% plan to be competitive in foreign markets. In the result, the Ukrainian IT companies claim to be present and dominant in western markets in the long-term run. Let me show some statistic data for this year during the war crisis. Based on article about the Polish-Ukrainian Startup Bridge, who conducted a survey for startups companies about unpredictable challenges. Nearly 85 Ukrainian startups founders did the survey, and their answers were analyzed in a report.

I am going to mention five main results of this survey. First, Last few years, there was a significantly slowed down startup development in Ukraine. Almost 70 % of surveyed companies started their business in the last three years before war, and only a few companies started their business after war started. Secondly, 12 % of the surveyed companies stopped their operations after the Russian invasion. The main reason is rapid decrease in sales of products and services on the domestic market, and the inability to cover day-to day business expenses, wages, and loss of financial resources.

Thirdly, almost 40% of companies conducted a lay off for many employees in their organizations, while nearly half had to reduce significantly their level of remuneration. Next point, one third of the cases, tried to raise funds, but did not succeed; and 40% of companies did not attempt to find investors and ways to raise money for business support. The last, but not least, Almost one entrepreneur in three (30%) had to relocate their business, at least partially, outside the country. But still majority of companies did not reallocate the location of the company’s headquarters after the outbreak of the war.

Figure 3.5 illustrates main reasons for shutting down startup business in 2022 and correlation shutting down with reasons. The five main reasons mentioned:

1. Loss of sales market in Ukraine
2. Loss of capital resources

3. No possibility of expand and doing business internationally
4. No operations capabilities
5. Loss of means of production

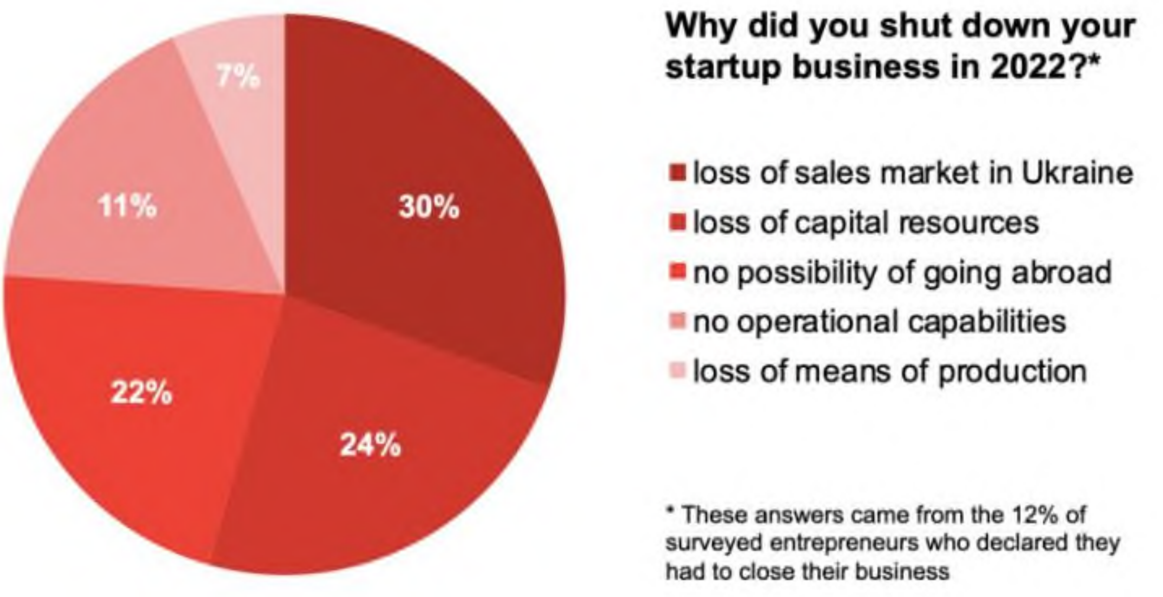

Figure 3.5 Why did owners shut down business in 2022?
Source: 33

In order startup companies may survive, they need to have a strong ability to manage fund in organization and to have a financial support from outside players. Lots of companies need financial support from outside players, investors. They also need to be assisted in customer acquisition (44%) and establishing a presence in new countries through legal support (39%), acceleration (25%) or co-working (19%). Respondents companies mentioned skills and their teams lacked the most, such as competencies in sales (44%), marketing (33%) and fundraising (33%). Clear communication within organization and with outside players, business relationship building are also issues that companies struggle with.

The financial management for startups is the area responsible for providing resources so that the entire operation can exist, and operate efficiently. Goal of financial management is to proper manager the company’s capital, strengthening its presence and impact in the market. The lack of efficient financial planning (short term and long term), implementing and control are main reasons for many startups to close down in the early years. Startups, however, have no way to obtain desired predictability, which makes it even more crucial to control their finances. Potential investors look at two pieces of information to know whether or not to invest in a startup: good financial control and the potential possibilities.

As I mentioned earlier, financial problems arise when there is lack of financial planning and controlling, difficulties in raising funds through investments. In Ultimate Startup Failure Report 2020 it is mentioned that almost 90% of all global startups fails due to two main reasons: inability to plan and implement planned actions, and incorrect pricing and expectations in profits.

Despite described challenges, startups companies have more in different spheres, but financial problems are main and are not easy to overcome. Startups company need to manage cash flow properly, financial managers need to be attentive, control all expenses and revenues, keep it in balance. For instance, finance manager have to act responsibly when sending invoices in real-time, when reducing credit period maximum. Other tips for good cash flow management are : sales department and customer service department needs to motivate clients to pay invoices with discounts or incentives. Operations management department needs to negotiate with suppliers for a good timeline credit periods. Finance manager needs to keep eye on what will come to the cash flow in the next 7 days. The last but not least, unnecessary expenses must to be cut down even if it is small amount, the rule is to stick to the budget plan.

There are modern expense management software which allows to keep track on all expenses, keep them organize, in single place; this is a good helper for controlling company's finances. In accounting, it is useful to have chart of accounting, consisting of all weekly, monthly due dates and receipts; this tip helps reducing the possibility of taking loans or getting unnecessary debt loan.

Startups companies need to open a bank business account; it could be a checking account, cash management account, or a saving account. The reasons for opening a bank account are:

- It is a preparing for tax season. It is mandatory to operate business legally, pay taxes (might be corporate), and not to hide real revenues and profits from government. From the beginning, owner's personal expenses should be taking from personal, not business account to make easily filling taxes.
- Business account offer a limited personal liability protection and personal assets protection. It depends on type of business legal structure.
- Customers and clients pay to business rather that making payments to personal owner's accounts. So, it is mandatory to separate persona; account and business account, all expenses and costs needs to be withdraw from business bank account.

Other important way to keep financial management on high level is financial forecasting to gauge possible profitability. Let me suggest 10 tips to guide and facilitate the management and financial planning process for startups.

- Control and keep a good working capital ;
- Using professional accounting service for conducting accounting transactions;
- Using software programs and applications for providing good communication within company, among departments, managers, for updating, sharing, unification and treatment of financial information;
- Management team and all employees are one team, they should be alighted, dynamic and focused;
- Cash flow should be monitored constantly;
  Organizing with personal account and business account;
- Managers need to conduct forecasting and well-developed plan for business activities;

- Seeking for growth and development, risks are needed to taken;
- Adopt innovative management methods that assist in the performance of tasks;
- Key performance indicators and other indicators for correction actions.

In chapter 1, it was discuss a lot about financial planning, process of setting goals and objectives. Every startup needs to learn how to set profitability goals, for instance, finance manager needs identify the revenue sources, i.e. sales, interest on investments, rental income, etc., and project a specific number for each source. Next point is importance of identifying all operating costs for day-to-day business operation such as payroll, rent, materials, transportation, advertising, utilities, interest payments, licenses, and taxes, and mention the projected value for each. Finance manager does not need to forger for long-term planning including expansion. That is why company needs to have capital reserves.

3.3 Ways to overcome financial difficulties in business

Many enterprises may find themselves in financial difficulty for various reasons. Financial issues such as cash flow problems through rising costs and supply change disruption; changes in economic environment they operate in; changes and conflicts within internal management – all of them can be hard to handle. Let me describe common financial problems that operating businesses can face including Business Media Network company. After that I will propose suggestions how company can overcome financial difficulties and improve financial health within organizations.

First common issue is lack of sufficient cash flow. Without sufficient available capital, it is not possible for company to pay its bills, wages and all other expenditures. Inconsistent cash flow can wreak havoc on a business and is the number one reason why businesses fail. Another problem is unnecessary expenditures, when funds are not spent wisely, for example: having an oversized office, fancy company vehicles, cell phones, a decked out waiting room, top of the line equipment, and a bunch of other unnecessary splurging that only creates debt and overhead. Next problem is related with marketing department, it is a trap of spending too much money on promotions without actual marketing and financial plan. Untargeted ads can often turn out to be a futile waste of funds, and simply pouring more money into an advertising budget is not the solution. Last but not least, lack of working capital. However, having sufficient capital is one of the biggest challenges small businesses face. And while some businesses are lucky enough to have angel investors willing to fund operations, the majority of business owners start their business using credit cards or bank loans. (see Figure 3.6)

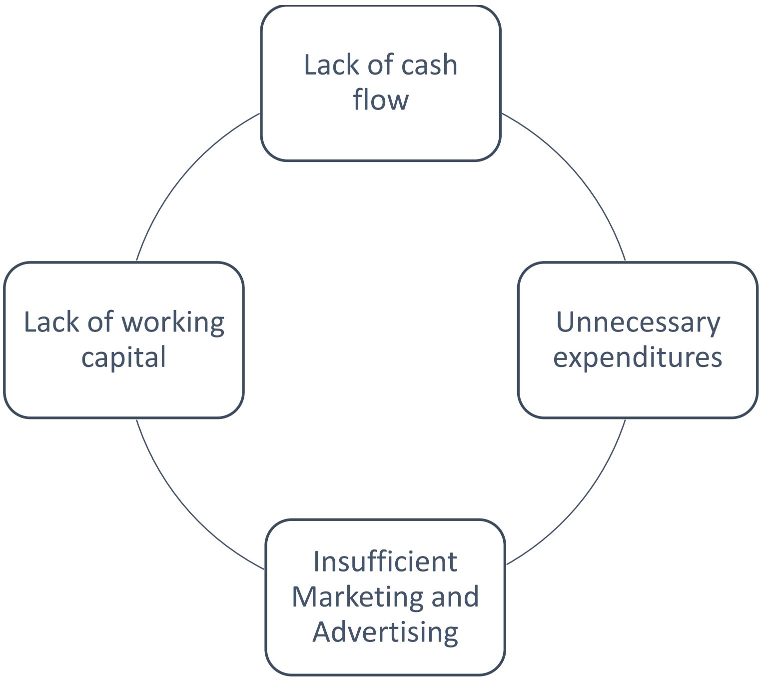

Figure 3.6 Common financial difficulties in business
Source: created by author

My suggestion how to improve the cash flow is the following: finance manager should understand clearly what are inflows and outflows, all expenses and liabilities, debt. Also accounts receivable balance should be checked and managed efficiently. Inventory management has a direct impact on cash flow. When a company as a warehouse is full of products or materials, it is a way to reduce the cash flow. By limiting the amount of inventory on hand, company will have more cash flow into the business rather than out of the business. The key is to implement and maintain proper cash flow management processes.

In order to avoid unexpected expenses, finance manager should monitor the budget regularly, and have a plan for spending. Whether it is unexpected storm damage, vandalism, or a leaky roof, unexpected expenses can severely impact even the most careful financial planning. One important tip is to prepare for unexpected variable expenses by padding the budget. For example, if finance manager estimates upcoming expenses for $200,000, budget for – $220,000.

Insufficient marketing and advertising costs can become a big problem for budgeting. Marketing researches the market to better create a product or service, while advertising's main goal is to bring the completed product or service to the attention of the buying public. Likewise, outsourcing everything to a marketing agency might not be in your best interest either as they can charge steep fees and will not necessarily provide enhanced results. Instead, it is better to spend money for training people in marketing department, so they can promote products and services in efficient and effective way.

Let me describe ways how to improve working capital management. Firstly, when customers' payments are collected faster and more efficient, the company keeps more working capital. The important rule: Managers do not need to wait until of the month to collect payments form customers. Long-term debt and loans have a bad impact on working capital. Consulting companies can help managers to do an thorough assessment of working capital, inventory turnover, credit terms for suppliers, and to find ways for generating more cash in business activities.

CONCLUSIONS

In Introduction nine tasks were set, and now it is time to answer them. In this paper I used and analyzed relevant literature, financial books, articles and other sources. The aim of this paper was to draw on what others have to say about this topic and engage the sources in order to thoughtfully find and present a unique perspective on the issue hand. The tasks of this research paper were to develop an understanding of importance of financial management, learn to understand how financial management affects enterprises and all business activities, study the role of financial management in Business Media Network company. After completing the work, it is possible to say that the aim of this work has been achieved through accomplishing all the tasks.

Financial management is an essential discipline as it guides the financial managers to make informed financial decisions in their companies. Financial management is guided by several principles that the managers should adhere to in ensuring that the finances of a company are appropriately invested. The investment comes with the analysis of the outcome where different financial profitability and market ratios are used in establishing the stability of a firm.

Agency theory explains the relationships between shareholders and company executives directors; the relationship between 2 parties , the principal and the agent. Expectation theory, also known as unbiased expectations theory, predicts future short-term interest rates based on current long-term interest rates. This theory believes that an investor earns the same profit by investing in two consecutive one-year bond investments versus investing in one two-year bond today. Investors use this theory to make decisions based upon a forecast of future interest rates. Modern portfolio theory of investments is aimed to maximize portfolio expected return for a given amount of portfolio risk, or in another way to minimize risk for a given level of expected return, by wisely choosing the proportions of assets. Trade-off theory of capital structure refers to the idea how much debt financing and equity finance does the company need to balance the costs and benefits. The important message is to explain the fact that most corporations are financed partly with debt and with equity. Pecking order theory tries to solve the same problem as Trade-off theory of capital structure. It states that companies and corporations prioritize their sources of financing (does not matter if it is internal or external) according to the Principle of last effort.

There are two main financial objectives in the company: profit maximization and wealth maximization. Business organization can survive only if profit maximization objective is achieved. The risk factor is ignored in the short-term perspective, on the other hand, when investor invest their funds with high returns expecting for long-term run, the risk factor is high. Organization’s stakeholders such as shareholders, creditors, employee, and suppliers are more interested in wealth maximization. When company is striving to maximize wealth of shareholders, reserves for business growth in the market and expansion are being building up; also company’s shares are maintained in the market price.

The three main types of financial decision-making: investment decisions;

financing decisions; and dividend decisions. Investment decisions consider exploiting different assets for achieving the highest possible returns for investors in dividends forms. The criteria for analyzing investment decisions are rate of return, project cash flow and investment criteria. Investment decision might be short-term and long-term; in order to make wise investment decisions business organization may need professional external help for assessing investment opportunities. Financing decisions consider the best ways to raise funds for different purposes, from short-term and long-term available financial resources. Managers have to calculate factors such as the cost of raising funds, risks, cash flow positions, operating costs, and control considerations. Dividend decisions is about of creating a balance for distributing profit shares to each shareholder and for retained profit for business development and expansion.

Role and responsibilities of financial manager:

- Conduct financial planning and setting financial objectives for organization;
- Effective management of money, payments, bills, paying wages, paying debt loans and other liabilities, purchasing of equipment, raw materials, suppliers;
- Controlling cash flow, all money that comes in and out, all expenses and profits;
- Calculate the capital required and to form capital structure;
- Make investments in order to gain more capital and regular returns;
- Controlling and manage incomes. Saving capital for expansion, innovation, and paying dividends to shareholders;
- Financial control and analyzing of company's finance, using financial ratio and analysis.

Income statement includes the revenue that the company earned for a period (for example one fiscal year or a quarter); the expenses incurred during this time period; and the profit the firm has earned. Balance sheet- contains all information about company's assets (value that company's owns) and all information about liabilities (debts and loans) and shareholders' equity (the money invested by owners). Therefore, balance sheet is about assets, which equal to liabilities and shareholders' equity for a particular date. Next important financial statement is cash flow statement; all reports cash received and spent by the company over a particular period, can be a quarter or a full year. Statement of shareholders' equity provides information about activities in the common and preferred stock accounts, the retained earning account, and changes in owners' equity that do not appear in the income statement.

Capital budgeting is a long term planning for making and financing proposed capital outlays. Thus capital budgeting can be defined as the company's decision to invest its current funds more efficiently in long-term activities in anticipation of an expects flow of future benefits over the years. Business Media Network company has many projects, and is planning to expand and open up new projects, so capital budgeting has a direct impact on determining how many new proposals or projects the company should undertake.

Control is a function of management at all levels in the organization, from top management to bottom levels. They all have to perform good control in a similar way. Managers control work in order to ensure that available resources are used in efficiently as possible by monitoring deviations from planned costs. Financial controls are the procedures, policies, by which managers monitor and control the direction, allocation, usage of financial resources. The implementation of effective financial control policies has to be done after a through analysis of the policies and future perspective of a company. Next point is that financial controls, including procedures, policies, are integral duty of managers for monitoring the direction, allocation, and usage of company's financial resources.

In order to survive and continue making profits companies need to be prepared ahead and have anti-crisis plan. . Finance manager has to allocate the budget to the areas of your business that can increase your business profitability. One of the first things that a company should contemplate over during its financial crisis is to postpone any plans for expansion, events, or any other activities that require a lot of money. in times of crisis, cash flow needs to be monitored even more closely. Accountant or finance manager has to use accounting software for company's advantage, automate payment collection, and track income and expenditure across all departments; make sure that customers' invoices are well managed, all invoices are paid on time, send payment reminders to customers before they become due.

Every startup has to establish financial goals. For profitability goals the finance manager needs identify the revenue sources, i.e. sales, interest on investments, rental income, etc., and project a specific number for each source.
Next is to identify all the operating expenses, i.e. payroll, rent, materials, transportation, advertising, utilities, interest payments, licenses, and taxes, and mention the projected value for each. Once the manager has the revenues and expenses projections, he can set some realistic goals (including increasing sales and decreasing expenses), which save money for expansion or capital reserves. By a smooth cash flow, we mean the company's ability to maintain enough operating capital to cover basic expenses.

REFERENCES

1. Anon, 2021 The Top Financial Challenges Faced By Small Business (and How To Overcome Them). (2021, November 19). PLANERGY Software. https://planergy.com/blog/small-business-financial-challenges/
2. Al-Marzooqi, M. B., & Nobanee, H. (2020). Financial Analysis of Amazon. *SSRN Electronic Journal*. Researchgate. https://doi.org/10.2139/ssrn.3647442
3. AZAM, G. (2018, October 13). *What is financial management? Explain its functions and importance?* StartUp Plan. https://startupaplan.com/what-is-financial-management/
4. *Business Media Network*. (n.d.). Bmnua.com. Retrieved May 5, 2023, from http://bmnua.com/#project
5. *Business in Times of War: A Ukrainian Perspective*. (n.d.). Payoneer. Retrieved May 5, 2023, from https://www.payoneer.com/resources/business-in-times-of-ukrainian-war/
6. Bye, S. (2022, August 5). *The importance of financial management in business*. University of Sunderland. https://online.sunderland.ac.uk/the-importance-of-financial-management-in-business/
7. Donaldson, G. (1963) "Financial Goals: Management vs Stockholders" Harvard Business Review, 41 May -June. 116-129
8. *Financial Controls*. (n.d.). Corporate Finance Institute. https://corporatefinanceinstitute.com/resources/risk-management/financial-controls/
9. *Financial management in startups: the biggest challenges and tips – Everestcard*. (n.d.). https://everestcard.com/2022/02/21/financial-management-in-startups-the-biggest-challenges-and-tips/
10. *Financial management: What is it and why is it important?* (n.d.). PFH Private University of Applied Sciences. Retrieved May 5, 2023, from https://www.pfh-university.com/blog/financial-management-what-why-important#:~:text=Not%20only%20does%20the%20financial

11. *Financing Decisions*. (n.d.). Financial Edge. https://www.fe.training/free-resources/valuation/financing-decisions/#:~:text=What%20are%20Financing%20Decisions%3F
12. *Financial Statements Examples – Amazon Case Study*. (n.d.). Corporate Finance Institute. https://corporatefinanceinstitute.com/resources/accounting/financial-statements-example-amazon-case-study/
13. Green, Rebecka Financial Management for Startups. Feb 21, 2023. URL https://www.businessnewsdaily.com/15158-manage-financial-health-startups.html
14. Hill, B. (2013). *Key Concepts of Financial Management*. Chron.com. https://smallbusiness.chron.com/key-concepts-financial-management-60904.html
15. *How to increase working capital and keep your business agile*. (2020, September 12). BDC.ca. https://www.bdc.ca/en/articles-tools/money-finance/manage-finances/stay-agile-increased-working-capital
16. *How to Set Financial Goals for a Small Business Startup» StartupGuys.net*. (2020, December 16). StartupGuys.net. https://www.startupguys.net/how-to-set-financial-goals-for-a-small-business-startup/
17. *IMPORTANCE OF FINANCIAL MANAGEMENT FOR STARTUPS*. (n.d.). Www.linkedin.com. https://www.linkedin.com/pulse/importance-financial-management-startups-manaf-pottekattil/?trk=articles_directory
18. Iyer, R. (2023, February 3). *Why invest in Ukrainian startups today?* TechCrunch. https://techcrunch.com/2023/02/03/why-invest-in-ukrainian-startups-today/
19. Jain, C. M. K., & Kumar, M. (2016). *Financial Management Granth*. CA M K JAIN.
20. James C. Van Horne, John M. Wachowicz, Jr, Fundamentals of Financial Management 13th edition Pearson Education Limited 2009, 2005

21. Johnson, R. W., & Melicher, R. W. (2017). *Financial management*. Allyn And Bacon.
22. Juneja, P. (2019). *Financial Management - Meaning, Objectives and Functions*. Management Study Guide. https://www.managementstudyguide.com/financial-management.htm
23. KAGAN, J. (2019). *Understanding Financial Plans*. Investopedia. https://www.investopedia.com/terms/f/financial_plan.asp
24. Keown, AJ, Scot, Jr. D.F., Martin, J.D., and Petty, S.W (1985) Basic Financial Management 3rd Edition. (Study Guide) Prentice-Hall, Inc, Engle Wood Cliffs, New-Jersey.
25. Kopp, C. M. (2021, September 4). *Understanding Agency Theory*. Investopedia. https://www.investopedia.com/terms/a/agencytheory.asp
26. Long, J. (2017, March 16). *8 Financial Tips for Entrepreneurs Launching a Startup*. Entrepreneur. https://www.entrepreneur.com/starting-a-business/8-financial-tips-for-entrepreneurs-launching-a-startup/290617
27. LSBF. (2018). *What is the importance of Financial Management?* Https://Www.lsbf.org.uk. https://www.lsbf.org.uk/blog/news/importance-of-financial-management/117410
28. Market Business News. (2020, February 5). *What is financial management? Definition and examples*. (n.d.). Market Business News. https://marketbusinessnews.com/financial-glossary/financial-management/
29. Mihajlović, M., Tadin, D., & Gordić, B. (2020). The role of financial management in the company. *Tehnika*, *75*(4), 498–503. Researchgate. https://doi.org/10.5937/tehnika2004498m
30. Murphy, C. B. (n.d.). *Using Unbiased Expectations Theory to Compare Bond Investments*. Investopedia. https://www.investopedia.com/terms/e/expectationstheory.asp#:~:text=Expectations%20theory%20attempts%20to%20predict
31. S, N. (2017, January 13). *Top 3 Forms of Organization | Business*. Economics Discussion. https://www.economicsdiscussion.net/organizations/top-3-forms-of-organization-business/25401

32. Schooley, S. (2020, September 10). *Advantages and Disadvantages of a Corporation - Business News Daily*. Www.businessnewsdaily.com. https://www.businessnewsdaily.com/15805-corporation-advantages-and-disadvantages.html
33. *Survey: 12% of Ukrainian startups shut down, 30% moved abroad at least partially during the war*. (2023, January 2). Intellinews.com. https://intellinews.com/survey-12-of-ukrainian-startups-shut-down-30-moved-abroad-at-least-partially-during-the-war-265600/?source=ukraine
34. Team, W. E. (2022, October 2). *Financial Management*. WallStreetMojo. https://www.wallstreetmojo.com/financial-management/
35. *The Basics of Financial Management for Small-community Utilities RCAP RURAL COMMUNITY ASSISTANCE PARTNERSHIP an equal opportunity provider and employer*. (n.d.). https://www.rcac.org/wp-content/uploads/2014/12/RCAP-Financial-Management-Guide.pdf
36. *THEORIES IN FINANCIAL MANAGEMENT*. (2013). Blogspot.com. http://thecommercepedia.blogspot.com/2013/03/theories-in-financial-management.html
37. Titman, S., Keown, A. J., & Martin, J. D. (2011). *Financial management : principles and applications*. Prentice Hall.
38. Titman, S., Keown, A., & Martin, J. (n.d.). *Financial Management Principles and Applications*. http://mmoore.ba.ttu.edu/Fin3320/Titman-Ch1-3.pdf
39. Umoh, P. N. (1995) Principles of Finance, Page Publishers Services Ltd. Lagos
40. Van Horne, J. C. (1986) Financial Management and Policy, 7th Edition
41. *What is the Role of Financial Management In An Organisation?* (n.d.). Https://Www.shoutoutuk.org/. Retrieved May 5, 2023, from https://www.shoutoutuk.org/2022/10/04/what-is-the-role-of-financial-management-in-an-organisation/
42. *What is the role of financial management in business - Talentedge Learning Series*. (2018, March 30). Talentedge. https://talentedge.com/articles/role-financial-management-business/

43. *Accounting Ratios*. (n.d.). Corporate Finance Institute. https://corporatefinanceinstitute.com/resources/accounting/accounting-ratios/
44. *Ratio Analysis*. (n.d.). Corporate Finance Institute. https://corporatefinanceinstitute.com/resources/accounting/ratio-analysis/
45. P. Singh, C. D. (2020, January 19). *Responsibilities of CFO/CEO Under Companies Act & SEBI Regulations*. TaxGuru. https://taxguru.in/company-law/responsibilities-cfo-ceo-companies-act-2013-sebi-lodr-regulations-2015.html
46. Kelly, R. (2020, April 13). *Top 20 Finance Job Titles*. Ongig Blog. https://blog.ongig.com/job-titles/finance-job-titles/
47. BSc, CEPF®, T. T. (n.d.). *What Is Quick Ratio? | Importance, Formula, Example, and Pros*. Finance Strategist. https://www.financestrategists.com/wealth-management/accounting-ratios/quick-ratio/
48. *SEC.gov | Beginners' Guide to Financial Statement*. (2007, February 5). SEC.gov | Beginners' Guide to Financial Statement. https://www.sec.gov/reportspubs/investor-publications/investorpubsbegfinstmtguide
49. BSc, CEPF®, T. T. (n.d.). *Debt-to-Equity (D/E) Ratio | Meaning & Other Related Ratios*. Finance Strategist. https://www.financestrategists.com/wealth-management/accounting-ratios/debt-to-equity-ratio/
50. BSc, CEPF®, T. T. (n.d.). *Debt Ratio | Definition, Formula, and Example*. Finance Strategist. https://www.financestrategists.com/wealth-management/accounting-ratios/debt-ratio/