

сфері освіти, охорони здоров'я, літератури, музики, журналістики та наукових досліджень) та Na-Starte (2014 р., фінансування проєктів у сфері культури, видавничої справи, мистецтва та спорту).

Аналіз діяльності зазначених вище краудфандінгових платформ дав можливість зробити наступні висновки. Усі вони придатні для фінансування стартап-проєктів за умови, що останні мають соціальну або культурну значимість, містять елементи творчості та інновацій. Фінансування таких проєктів, у своїй більшості, відбувається за принципом «усе, або нічого» (тобто, проєкт повинен у визначений термін зібрати усю заявлену суму коштів; у зворотному випадку грошові внески повертаються спонсорам), а також за умови сплати на користь засновників платформи комісійної винагороди в розмірі 5-12% в залежності від умов фінансування. Слід очікувати, що наступне десятиліття супроводжуватиме подальший розвиток подібних платформ в Україні, що буде зумовлено посиленою імплементацією ІТ у суспільному житті, а також пошуком альтернативних джерел фінансування стартап-проєктів.

Список літератури:

1. Огляд краудфандінгових майданчиків [Електронний ресурс] / BestInvestPro.com. – 14.03.2017. – Режим доступу: <http://bestinvestpro.com/uk/oglyad-kraudfandirovix-majdanchikiv/>
2. 9 краудфандинг-платформ для финансирования культурных инициатив [Електронний ресурс] / Программа ЕС и восточного партнерства «Культура и креативность». – Режим доступу: <https://www.culturepartnership.eu/article/9-kraudfandirovix-platform-dlya-finansirovaniya-kulturnyx-iniciativ>

УДК 330

Olha Pinchuk
6-year student, group FMB-607i,
financial and economic faculty
SHEE “Kyiv National Economic University
named after Vadym Hetman”,

Iryna Ivanets
PhD in Economics, associate professor of
Corporate Finance and Controlling Department
SHEE “Kyiv National Economic University
named after Vadym Hetman”

THE IMPROVEMENT OF DUE DILIGENCE PROCESS FOR ANALYZING THE APPROPRIATENESS OF INVESTING MORE EFFICIENTLY

Key grounds to perform the due diligence on capital market include sale/purchase of the company, M&A deals, assessment of company's investment attractiveness, starting IPO process, checking the reliability of your counterparty, receiving target investment loan from foreign bank. In these cases, due diligence is aimed to minimize risks for investors on capital market, to establish sound strategy and investment policy as well as to improve financial management qualitatively.

Taking into account that Ukrainian M&A market saw a slight increase in 2016, with the deal volume rising by 35% year on year[1] and the index of investment attractiveness of Ukraine in the first half of 2017 left a negative plane[2], the role of proper and clear due diligence is very crucial for reducing information asymmetry and for making deal or other transaction a successful story.

Transactions that undergo the due diligence process are more likely to be successful than those that do not. The Deloitte Center for Board Effectiveness points out some of the key reasons why due diligence is imperative:

- *Inherent bias*. Both buyers and sellers can be inherently (if unintentionally) biased. Sellers typically present optimistic forecasts and/or base their forecasts on growth assumptions that may be unrealistic. Buyers can be unrealistic about the extent of synergies and the speed with which they may be achieved. (This may be particularly true when the acquirer is a public company required to disclose pro forma financial information).

- *Inaccurate financial information*. Even if prepared with the best of intentions, financial information can be incomplete, inaccurate or misleading, due to myriad

difficulties involved in identifying contingencies, nonrecurring matters, the outcomes of tax issues and other related items.

- *Benefits in negotiation.* Due diligence can facilitate better negotiation of deal terms, such as those pertaining to net working capital targets and definitions, net debt definitions, and optimal allocations of tax benefits and exposures. A full understanding of tax benefits and exposures may lead to renegotiating deal terms and structure to achieve desired tax benefits.

- *Risk analysis.* Due diligence may uncover potential exposures in areas such as product liability, environmental concerns and compliance with the Foreign Corrupt Practices Act that can turn even a small transaction into a “bet-the-company” transaction[3].

Due diligence is a complex procedure involving legal, tax, financial and commercial experts. Consequently, this procedure is very time-consuming, it may take from several weeks till a year to conduct it. During the due diligence process some particular activities should be performed:

- Spending time at the business location, talking to managers, executives, employees.

- Checking sales against customer lists.

- Examining at potential future plans for expansion, condition of facilities, and property, like equipment, furniture, and fixtures to verify that they are as reported.

- Checking all documents which might incur liability for the company, including sales agreements, purchase agreements, liens on assets[4].

On the contrary, the period should not be underestimated because a its haste may lead to deal failure as it was in case of acquisition of Rover Group by BMW where due diligence and other related inspections were conducted only during 10 days: after six years of losses in a row almost all brands within a group were resold[5, p. 96].

To make the process of due diligence faster but quite precise the automation should be implemented. Some useful products have been already developed abroad in

order to simplify manual procedures of gathering and systematization the data needed for analysis. Artificial intelligence in FinTech include cutting-edge platforms such as:

- ✓ *KIRA* that automates the extraction and analysis of key provisions from across contracts making due diligence faster and more accurate, automatically finds the provisions that matter in M&A – especially in unfamiliar contracts, analyze results, extracts text (even from scanned documents) automatically into summary charts[6].

- ✓ *RAVN* that automatically searches through unstructured data within these documents and extracts the key information. This drastically reducing the time needed for reviewing documents, identifying key data and extracting it manually – one of the most time consuming parts of the diligence process[7].

The other issue under concern, according to the findings from *The Deal Machine: M&A 2017*, is that 70-90% of M&A deals fail to achieve their goals. These failings are primarily due to the de-prioritization of deal integration and due diligence analysis[8].

The survey provided the respondents (300 respondents representing legal and commercial functions from global companies with annual revenue ranging from \$1 billion to more than \$16 billion) with a list of seven reasons why deals fail to achieve their intended value and asked them to rank the three they perceived as most important. The quality and extent of due diligence analysis was widely identified, with 35% seeing this as one of their #1 or #2 areas of concern[8].

The due diligence process is failing to achieve its goals because it is being approached in too limited a way. It should be mentioned, that 79% of respondents agree that M&A value would increase if due diligence was approached more strategically. For example, the survey shows that due diligence teams were checking all the requisite boxes and providing timely information, but that expected synergies were not often achieved, so there is a need to expand due diligence beyond the box-checking exercises in order to aid synergy capture during integration. The improved processes that would most help with achieving deal success are standardized processes, including playbook, workflow, templates, etc.; processes that align to

internal business strategy and enable consistent output; leveraging past deal best practices[8].

To summarize the key points, we would like to stress that due diligence is a key tool for analyzing the appropriateness of investing since it gives an objective idea about the state of the business, financial indicators and possible risks of the target to be invested in. Still, some challenges occur while conducting due diligence, e.g. time wasting and failing to achieve intended goals, that may be eliminated by automation and standardizing.

Sources:

1. Rising to the challenge: M&A in Ukraine [Electronic source]. – Link: https://aequo.ua/content/news/files/aequo_ma_research_2017_1492069611_en.pdf

2. Investment attractiveness index of Ukraine [Electronic source]. – Link: http://www.eba.com.ua/static/EBA_IAI_1H_2017_UKR.pdf

3. M&A: The intersection of due diligence and governance [Electronic source]. – Link: <https://www2.deloitte.com/us/en/pages/center-for-board-effectiveness/articles/the-intersection-of-due-diligence-and-governance.html>

4. The Importance of Due Diligence When Buying a Business [Electronic source]. – Link: <https://www.thebalance.com/how-due-diligence-is-used-in-a-business-purchase-397778>

5. A. Kasych. Due diligence as a key tool for analyzing the appropriateness of investing / A. Kasych, Y. Yakovenko // Accounting and Finance. – 2015. – № 4 (70). – p. 92-97.

6. Kira for Due Diligence [Electronic source]. – Link: <https://kirasystems.com/how-it-works/due-diligence>

7. How financial services firms can use AI to simplify due diligence [Electronic source]. – Link: <https://www.legalsupportnetwork.co.uk/finance/resources/how-financial-services-firms-can-use-ai-simplify-due-diligence>

8. The Deal Machine: M&A 2017 [Electronic source]. – Link: <https://raconteur.uberflip.com/i/807849-the-deal-machine-m-a-2017/14>