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on the topic **“Finances of limited liability companies”**

by

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Abstract

The qualification bachelor's thesis contains 74 pages, 20 tables, 5 figures and a list of used sources from 45 names.

"Finances of Limited Liability Companies"

The object of the study is financial and investment activities of the limited liability companies.

The subject of the study is methods and tools for financing and investing in limited liability companies.

The purpose of the qualification bachelor's thesis is to research the theoretical and methodological features of the financial and investment activities of limited liability companies and the development on this basis of directions for optimizing the efficiency of financial management of companies.

In accordance with the set goal, *the following tasks were defined:*

- to investigate the theoretical foundations of financial resources of LLCs and their sources of formation;
- to analyze the methodological approaches to the analysis of its financial activities;
- to identify the peculiarities of the finances of these companies;
- to investigate methodological approaches to the analysis of its financial activities;
- to analyze the financial and economic condition of the LLC "Silpo Food";
- to evaluate the funding sources of LLC "Silpo Food";
- to assess the effectiveness of the enterprise's investment activities;
- to provide a rationale for the development of the directions of optimization the efficiency of financial resource management.
- to identify directions for improving investment activities of the enterprise.

Practical significance of the results obtained. The practical significance lies in the ability to implement the proposed directions and recommendations to optimize the efficiency of financial resource management as well as improve investment activities at the LLC "Silpo Food" enterprise.

Year of completion of the qualified bachelor's thesis 2025.

Year of defense of the thesis 2025.

Key words: *limited liability companies, investment activities, funding sources, financial indicators, risk management, capital structure, financial resource management.*

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INTRODUCTION

One of the most popular organizational and legal forms of enterprises in Ukraine is a limited liability company. This work is devoted to the study of financial resources of limited liability companies, sources of their formation, as well as the search for ways to improve them. The availability of sufficient financial resources, their effective use predetermine a good financial position of the enterprise: solvency, financial stability, liquidity.

For the most effective use and exploitation of financial resources of the organization and ensuring their growth, thorough and exhaustive analysis is required.

The relevance of this topic is based on the fact that knowledge of the principles and patterns of the financial system of LLC companies is an important condition for understanding the work of the financial system as a whole. They use different types of resources to carry out economic activities, obtain products, income and savings, such as material, labor, and financial. In this regard, it is essential to conduct research aimed at deepening theoretical concepts and applied evaluation of the financial resources of the enterprise, their formation and use.

The problems of formation and use of financial resources, the mechanism of their functioning were and are studied by Ukrainian and foreign scientists: Birman A. M., Bringham E., J. Van Horn, Vakhrin P. I., Gapensky L., J. K. Shish, Zyatkovsky, I. V, Podderyogin A.M, Kostyuk, O. M., Melnyk, T. V. Savchuk, N. V., Koval, L. P. and many others. However, some issues related to the essence of financial resources of enterprises, the lack of developments in the management of financial resources in the context of Ukrainian practice, the mechanism of their formation and use have not been sufficiently studied. The issues related to the development and implementation of an effective strategy for the functioning and development of the enterprise in modern conditions of uncertainty and risks inherent in a changing market environment, remain relevant.

The purpose of this work is to research the theoretical and methodological features of the financial and investment activities of limited liability companies and the development on this basis of directions for optimizing the efficiency of financial management of companies.

Achieving the mentioned purpose involves solving the *following tasks*:

- to investigate the theoretical foundations of financial resources of LLCs and their sources of formation;
- to analyze the methodological approaches to the analysis of its financial activities;
- to identify the peculiarities of the finances of these companies;
- to investigate methodological approaches to the analysis of its financial activities;
- to analyze the financial and economic condition of the LLC "Silpo Food ";
- to evaluate the funding sources of LLC "Silpo Food";
- to assess the effectiveness of the enterprise's investment activities;
- to provide a rationale for the development of the directions of optimization the efficiency of financial resource management.
- to identify directions for improving investment activities of the enterprise.

The object of research is the financial and investment activities of limited liability companies.

The subject of the research is methods and tools for financing and investing in limited liability companies.

Research methods: comparison and generalization; content analysis (analysis of text data of financial reports, press releases, regulatory documents and news); grouping methods, statistical and coefficient methods for assessing the formation and use of financial resources of LLC "Silpo Food", a method of a systematic approach to determine ways to increase the efficiency of financial resource management of Silpo Food LLC in the conditions of the Russian-Ukrainian war.

The practical significance lies in the ability to implement the proposed directions and recommendations to optimize the efficiency of financial resource management as well as improve investment activities at the LLC "Silpo Food" enterprise.

The information base of the final qualified work consists of scientific sources, statistical sources, electronic resources, financial statements and other regulatory documents of the organization, as well as legislative and regulatory legal acts of Ukraine.

Approbation of the qualification thesis materials. The results of this qualification thesis were presented at the student research conference “Modern challenges and trends in the development of the financial system”: collection of abstracts of the II All-Ukrainian Scientific and Practical Conference (Ivano-Frankivsk, May 20, 2025) / Vasyl Stefanyk Precarpathian National University. Ivano-Frankivsk, 2025. pp. 95-97.

The structure of the qualification thesis. The thesis consists of an introduction, three chapters, a conclusion and a list of references.

In the 1 Chapter, the theoretical and methodological foundations of financing and investment activities of LLC companies in Ukraine were examined. Furthermore, the peculiarities of the financial management of LLCs were identified.

In the 2 Chapter, analysis of financial and economic characteristics of LLC “SILPO FOOD” were provided. Additionally, the structure and dynamics of the company’s funding sources were analyzed, revealing the degree of reliance on internal and external financing. The effectiveness of LLC "Silpo Food" investment activity was assessed using indicators such as ROE, ROA, gross margin and operating margin ratio, which confirmed the overall strategic orientation and profitability of recent investments.

In the 3 Chapter, it was provided directions for optimization the efficiency of financial resource management as well as directions for improving investment activities of the enterprise.

CHAPTER 1.

THEORETICAL AND METHODOLOGICAL FOUNDATIONS OF FINANCING AND INVESTMENT ACTIVITIES OF ENTERPRISES

1.1. Theoretical foundations of financial resources of LLCs and their sources of formation

According to Article 80 of the Economic Code of Ukraine dated January 16, 2003 (as amended), a limited liability company (hereinafter referred to as a LLC) is a business entity that has an authorized capital divided into parts, the size of which is determined by the constituent documents, and is liable for its obligations only with its property. The members of the company who have fully paid their contributions bear the risk of losses associated with the activities of the company, within the limits of their contributions [1]. The legal framework governing limited liability companies (LLCs) in Ukraine is primarily shaped by the Law of Ukraine "On Limited Liability and Additional Liability Companies" No. 2275-VIII (effective from June 17, 2018), which replaced outdated provisions of the 1991 Law of Ukraine "On Business Companies". There is stated that the maximum number of members of a limited liability company may be unlimited. The members of the company who have not fully contributed shall be jointly and severally liable for its obligations within the value of the unpaid part of the contribution of each member [2].

A limited liability company is considered to be established from the moment of state registration. The authorized capital of a limited liability company shall be paid by the members of the company until the end of the first year from the date of state registration of the company [3]. According to the legislation of Ukraine, no minimum authorized capital is required, making LLCs accessible for small and medium enterprises (SMEs). For comparison: in most countries of the European Union (EU), the minimum authorized capital of an LLC is set at 25 thousand euros; in Switzerland - 20 thousand

francs. There is no state fee for LLC registration. The cost of Ukrainian notary's services depends on the number of members (founders). A notary will usually charge a fee of about UAH 600 – approximately USD 20 for notarizing each signature of a member or translator, although the cost of notary's services may vary region-wise.

A contribution to the authorized (contributed) capital of the LLC may be cash, securities, other things or property or other alienable rights that have a monetary value, unless otherwise established by law. The disadvantage of organizing LLC financing is the complexity and cost of transferring ownership of shares. Unlike shares of a joint-stock company, LLC shares are not sufficiently mobile, since there is no organized market for their trading. In addition, the transaction of purchase and sale (transfer) of shares must be notarized [4]. If an individual or legal entity buys a share in the authorized capital of an LLC that belongs to another person, such a transaction is drawn up in the form of a share purchase and sale agreement. When paying for a share in full, the specified transaction is confirmed not only by payment documents, but also by a corresponding certificate issued by the limited liability company.

The LLCs, as well as other enterprises whose corporate rights are not traded on the stock exchange, have the problem of information asymmetry during trading in shares, which complicates their sale to a third party.

The Code of Bankruptcy Proceedings (effective from 21 October 2019) governs LLC insolvency and liquidation. Voluntary dissolution requires at least 75% of shareholder votes, appointment of a liquidator, and a two-month creditor claim period. All debts must be cleared before final deregistration. Intentionally causing bankruptcy or falsifying financial data to conceal insolvency is criminalized under the Criminal Code of Ukraine. The Code of Ukraine on Bankruptcy Procedures provides two main procedures for limited liability companies (LLCs): restructuring (sanation) and liquidation. These procedures are initiated by submitting an application to the commercial court located at the registered address of the debtor. According to Article 7 of the Code, bankruptcy proceedings may be initiated by either creditors or the debtor. Creditors have the right to file for bankruptcy if the debtor's uncontested debt exceeds 30 minimum monthly wages, which, as of 2025, amounts to approximately UAH 240,000 based on a

minimum wage of UAH 8,000 [3]. Alternatively, an LLC may initiate bankruptcy voluntarily through its management if insolvency is imminent or if there is a significant decline in the company's net assets. Specifically, a reduction of more than 50% compared to the previous year's net assets may qualify as grounds for filing, as outlined in the Law of Ukraine on Limited and Additional Liability Companies [2].

Analyzing the statistics of Limited Liability Companies (LLCs) in Ukraine and other countries offers valuable insights into their role in national economies, business environments, and entrepreneurship trends (Table 1.1)

Table 1.1 - LLC statistics in different countries

Country	Common Legal Form	% of SMEs as LLCs	Total Number (Est.)	Notes
Ukraine	TOV (TOB)	~90%	~1.2–1.4 million	Dominant business form
United States	LLC	~35% (of all entities)	~21 million LLCs	Rapidly growing, flexible tax treatment
Germany	GmbH	~70% of corporations	~1.3 million GmbH	Minimum capital €25,000
United Kingdom	Ltd	~95% of companies	~4.5 million active Ltds	Simplified filing for small Ltds
Poland	Sp. z o.o.	~80% of limited companies	~500,000+	Low capital requirement (PLN 5,000)
France	SARL	~50% of small companies	~1.6 million	Common for family businesses
Canada	Corporation (LTD, Inc.)	Varies by province	~4 million (all forms)	LLCs don't exist under Canadian law, but equivalents like Ltd are used

Source: built by the author based on [6,7,8,9,10,11,12]

In Ukraine, LLCs (known as TOVs) make up the majority of all registered businesses and are especially popular among small and medium-sized enterprises. Their popularity is due to several factors, including relatively simple registration procedures, flexibility in management, and the advantage of limited personal liability for owners.

When comparing Ukraine to other countries such as the United States, Germany, the United Kingdom, and Poland, it's clear that this legal form is widely used across different economic systems. Despite differences in legal terminology and local regulations, the LLC structure is favored globally because it offers a balance between risk protection and operational efficiency.

Effective governance is crucial for the success and sustainability of a limited liability company (LLC). One important management approach is to create a detailed operating agreement that clearly defines roles, duties, and steps for making decisions among members. Regular meetings should be held to promote open communication and to help quickly resolve problems. At its core, corporate governance addresses the agency problems that arise due to conflicts of interest between different stakeholders, particularly between majority and minority owners. Ownership structure remains a central governance mechanism in LLCs. High levels of inside ownership—where members manage the firm themselves—can promote alignment between ownership and control. However, when ownership is unevenly distributed, conflicts among members may arise. Effective governance in such cases requires clear operating agreements, decision-making rules, and protection mechanisms for minority owners. Financial policy is also an important governance tool in LLCs. Since LLCs typically do not issue public shares or rely heavily on external equity financing, internal cash flow control becomes key. Strategic use of debt and profit distributions (similar to dividends) can help limit the potential misuse of funds [13, p.11].

Financial condition of the LLC is a complex concept, the economic content of which derived from the availability and flow of financial resources, which is reflected in the balance sheet. The financial condition of LLC is formed in the process of their relationships with suppliers, customers, tax authorities, banks and other partners. Moreover, the enterprises enter into financial relations in order to form and use financial resources, the proper provision of which is a condition for the successful functioning of any enterprise.

It is possible to identify four main directions in the evolution of financial resource management:

1. The improvement of mechanisms for forming financial results of the organization's activities and increasing the efficiency of the organization's performance;
2. The diagnostics of the financial condition of the organization;
3. The development and advancement of the theory and practice of risk assessment, as well as methods of managing them (risk management);

4. The company valuation.

The emergence of the first direction of financial management was driven by the need for effective management of the current activities of the organization, which, in turn, led to the search for new mechanisms and tools for such management. The development of the first direction was successively reflected in the following concepts:

- in the concept of cash flows;
- in the concept of discounted cash flows;
- in the concept of organizational performance efficiency.

The fundamental among them is the concept of cash flows, as it explains the nature of cash movement. Its premise is that any financial decision can be assessed from the perspective of its impact on the cash inflow and outflow of the organization.

The direction "diagnostics of financial condition of the enterprise " arose abroad in 1930s–1940s. Investors needed to have information about the financial condition of a company to receive returns on investments. For a long time, this direction evolved through improving ratio analysis, which in most cases includes an analysis of financial stability, liquidity, solvency, business activity, profitability, etc. Over time, the methods and tools for diagnosing the financial condition of an organization became increasingly complex. Initially, such diagnostics were conducted using horizontal and vertical analysis of the balance sheet, then — ratio analysis, rating analysis, correlation-regression models, expert assessments, etc.

After economic downturns, many companies went bankrupt, and others were on the verge of bankruptcy. This fact required the construction of predictive models based on diagnostic models that foresee economic insolvency.

Examples of such bankruptcy diagnostic methods are the models of Altman, Beaver, and others. Altman's model has become widely used in practice due to its ability to effectively predict the financial instability of companies.

Within the framework of the third direction, the concept of compromise between risk and return was formulated by F. Knight in the 1920s. The essence of the concept lies in the fact that obtaining any income is most often associated with risk, and the

relationship between these indicators is directly proportional: the higher the return, the higher the level of risk [14].

The development of this concept was reflected in the works of several foreign scholars in the early 1960s.

This direction found practical application in managing company value based on the concept of Economic Value Added (EVA), developed by J. Stern and D. Stewart. The essence of the concept is that the rate of return on invested capital should cover the investor's risks [15].

The main forms of the financial resources in the economic cycle are the fixed and current assets of the enterprise, ensuring effective functioning at the current level. Financial resources are directly reflected in the liabilities of the balance sheet of the enterprise, determining its ability to stable activity. The structure and composition of these liabilities play a crucial role in determining the enterprise's financial stability, risk exposure, and its ability to sustain continuous operations under changing economic conditions. These funds, including stable receipts from founders, are used to cover expenses related to the production of finished products, investments and other financial transactions that determine the volume of activity. The main point in the process of scientific research of financial resources of enterprises, as an economic category, is the definition of the concept of "financial resources of the enterprise".

T. Zhuravleva studies the formation of financial resources of an enterprise in crisis conditions. Financial resources are the most valuable asset of an enterprise, which, constantly circulating, ensures the functioning of investment, operational, and financial activities [16].

Zyatkovsky I. V. considers the financial resources of an enterprise to be the sum of cash reserves and earmarked revenues, which the enterprise disposes of on the basis of ownership, full economic management and operational management and uses for statutory needs [17].

Bilolipetsky V. G. and Merzlyakov I. V. divide financial resources into internal, which in real form are presented in standard reporting in the form of net profit and

depreciation, and in transformed form - in the form of stable liabilities and associated [18].

The company may be financed on the basis of additional contributions from shareholders, attraction of bank and commercial loans, including through the issue of bonds (under certain circumstances), as well as other financing instruments permitted by applicable law and the company's charter. If the creditworthiness of the company and its assets are insufficient to attract the required amount of credit resources, individual LLC members may provide guarantees or other types of collateral for loans to be allocated to the company. This increases the company's financing options. All financing decisions should be aligned with the company's strategic objectives and risk management policies to ensure long-term financial stability and sustainable growth. In this case, the liability of the participants for the LLC's obligations is not limited to their contributions to the authorized capital, but additionally extends to the property provided as loan collateral.

Quite often, in order to save on taxes, LLC shareholders provide long-term loans to the company instead of financing the company by increasing the authorized capital. In this case, the shareholders will be treated as both owners and creditors of the company [19].

The risk of capital loss for a creditor participant will be lower, as under bankruptcy law, creditors' claims are satisfied in priority to owners. In order to prevent abuse of the owners' loans, the laws of European countries, including Germany, Switzerland and Austria, provide that in the event of a company's bankruptcy, the claims of creditor members are satisfied in the same manner as other owners, i.e. in the last place [20].

Summing up, it can be concluded that financial resources of enterprises are formed from internal (authorized capital, depreciation, gross income and profit) and external (loans received; share and other contributions; funds mobilized on the financial market) sources (Figure 1.1).

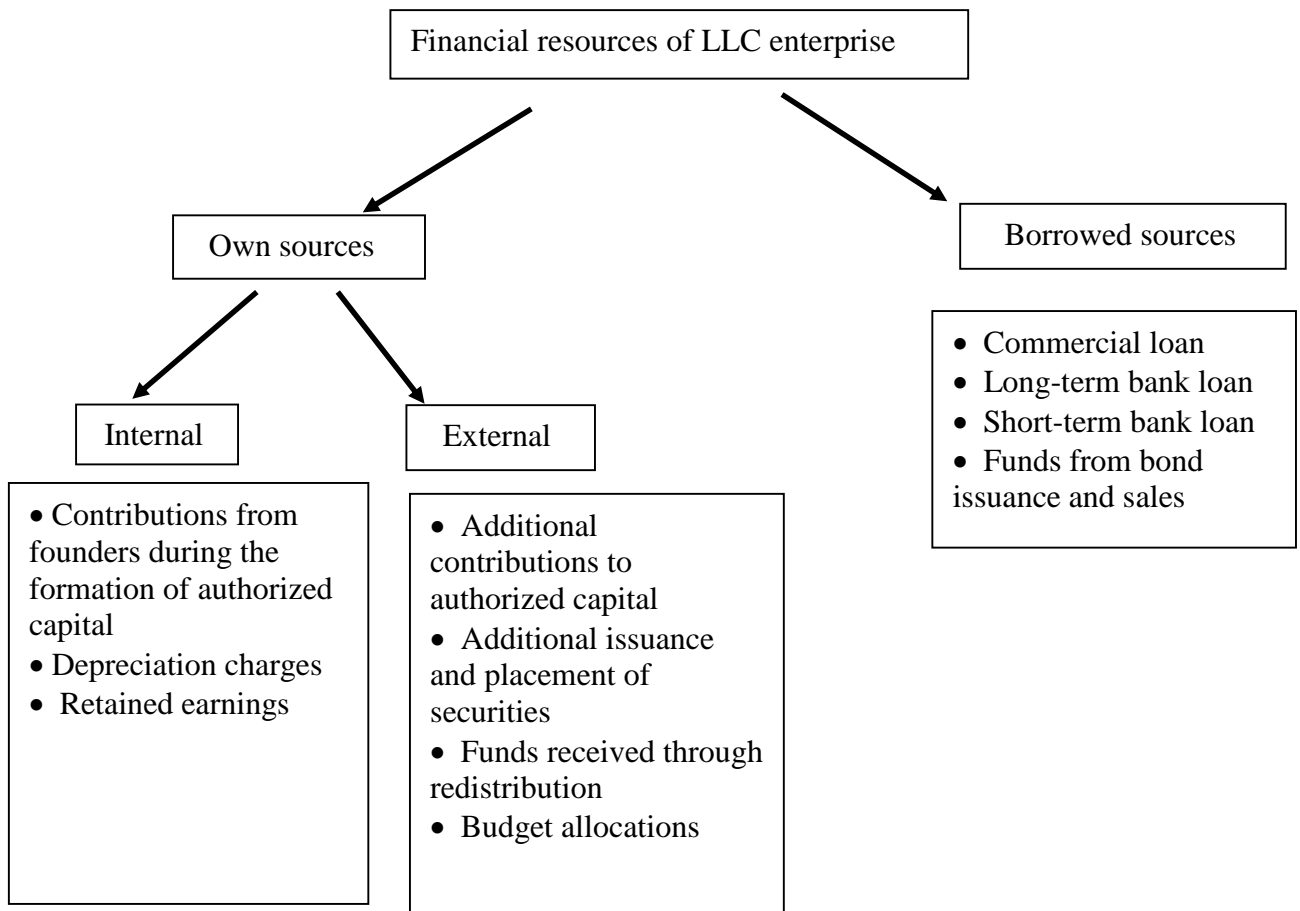


Figure 1.1 - Financial resources of LLC enterprise

Source: made by author based on [21]

The main criterion for assessing the efficiency of financial assets utilization is “financial leverage”. Financial leverage is an economic factor arising from the use of borrowed funds in the financial capital of the enterprise, allowing to increase the return on equity. Capital management is aimed at maximizing the return on equity at a given level of financial risk. The key mechanism for making financial decisions is the calculation of the efficiency of the use of borrowed capital, measured by the leverage effect [22, p 377]. One of the common approaches to the management of financial resources of the enterprise is the use of current liquidity criteria and the ratio of provision with own working capital.

Acceleration of turnover of current assets is important in the management of financial resources. Inflationary processes in the economy can quickly depreciate current assets, which reduces their efficiency. Therefore, the enterprise should ensure the acceleration of asset turnover to maintain financial stability [23, pp.85-89].

To accelerate the turnover of current assets at the enterprise it is advisable to systematically plan the purchase of necessary materials; to use modern warehouse systems for economical storage of stocks and finished products; to improve methods of forecasting demand for products; to ensure uninterrupted delivery of raw materials.

1.2 Methodological approaches to the analysis of its financial activity

Analysis of the financial activity of the LLC is carried out with the help of various methods and techniques.

There is distinguished two types of financial analysis - internal and external. Internal members are firms (financial managers) and external - other people for the company (for example, auditors) [24, p. 47].

Internal analysis includes the study of the mechanism of formation, placement and realization of cash reserves for the purposes of monitoring the financial position, improving profitability and increasing cash flow. Its results are used for planning, controlling and forecasting the financial position.

External analysis is the study of the financial condition of a business entity for the purpose of predicting the degree of risk of investment funds. External analysis is performed by investors, suppliers of material and financial resources, controlling authorities on the basis of published reports. Its task is to introduce the probability of profitable investment funds in order to maximize the benefits and costs of liquidity.

For financial analysis and assessment of financial position the main information source is accounting financial statements. The balance sheet and profit and loss statement are the main sources of information for the analysis of the composition and structure of the organization's assets and its capital.

The main directions of the analysis of the financial condition of the organization are: the analysis of the structure and quality of assets and liabilities, compliance of the management structure with the performed operations, reasonableness of expenses, reflection of income, analysis of the indicator of the amount of profit, activity of the

organization as a whole and by its separate types, distribution of the amount of profit, use of the created reserves.

The practice of monetary analysis has developed the main criteria (methodology for analyzing) cash reports:

1. Horizontal analysis involves comparing each item of the financial statements with the previous period to determine the dynamics of indicators reflected in the statements, as well as analyzing the dynamics of the structure of indicators.

2. Vertical (structural) analysis is the establishment of the structure of financial indicators and determination of the influence of each item of financial statements on the final indicators of the organization's activity reflected in the forms of accounting financial statements.

3. Trend analysis is carried out by comparing each element of the financial statements with a number of previous periods with the subsequent determination of the main trend in the dynamics of indicators.

4. Comparative analysis is divided into intra-industry (comparison of the main indicators of the organization, subsidiaries and structural subdivisions) and inter-industry (comparison of the organization's indicators with the indicators of competitors and with the average industry indicators).

5. Factor analysis involves analyzing the impact of individual factors (reporting items) on the researched resultant indicator.

The methodology of analysis of the financial condition of the organization includes graphical, tabular and coefficient methods.

The graphical method of financial analysis allows to assess the financial condition of both the enterprise as a whole and individual objects of financial analysis.

Tabular method involves the preparation of comparative tables with the identification of absolute and relative (in percent) deviations in the main indicators of reporting, calculation of relative deviations of indicators in per cent in relation to the balance sheet year for several years.

Coefficient method - financial proportions between various items of accounting financial statements. The advantage of this method of analyzing financial condition is the simplicity of calculations and evaluation.

The method of analyzing the financial condition includes blocks:

- balance sheet liquidity analysis;
- analysis of economic stability;
- analysis of business activity;
- profitability analysis.

Balance sheet liquidity is the availability of assets that can be sold in the same terms that are set to cover liabilities. Simply put, if the company is able to realize an asset, and use the proceeds to repay the debt without defaulting, it means that liquidity has been achieved. A high degree of liquidity indicates that the company possesses sufficient liquid assets or near-cash resources that can be mobilized quickly and with minimal loss in value.

The degree of balance sheet liquidity depends on the company's solvency. The leading symptom of liquidity is a formal excess of the value of current assets over short-term liabilities.

To analyze the balance sheet liquidity, the assets of a company's liquidity sheet are grouped by degree of liquidity - on faster turns in the means less. Liabilities are also grouped according to the urgency of payment promises (Table 1.2).

Table 1.2- Analysis of company balance sheet liquidity [25, pp. 139-145]

Assets (A)	Liabilities (P)
A1 – Most liquid assets	P1 – Most urgent liabilities
Cash, short-term financial investments	Accounts payable, overdue loans
A2 – Quickly realizable assets	P2 – Short-term liabilities
Accounts receivable, other assets	Short-term loans and borrowings
A3 – Slowly realizable assets	P3 – Long-term liabilities
Inventories, long-term financial investments	Long-term loans and borrowings
A4 – Hard-to-realize assets	P4 – Permanent liabilities
Fixed assets, other non-current assets	Own funds sources (adjusted with working capital)

A balance for which the following ratios are fulfilled will be considered absolutely liquid: $A1 \geq P1$, $A2 \geq P2$, $A3 \geq P3$, $A4 \leq P4$. If at least one of the inequalities is not fulfilled, the company's balance sheet cannot be considered absolutely liquid.

Also the comparison of liquid assets and liabilities allows to calculate the following indicators:

1) current liquidity, which indicates the solvency (+) or insolvency (-) of the organization for the nearest time period under consideration: $A1 + A2 \geq P1 + P2$; $A4 \leq P4$;

2) prospective liquidity is a forecast of solvency based on the comparison of future receipts and payments: $A3 \geq P3$; $A4 \leq P4$;

3) insufficient level of prospective liquidity: $A3 < P3$; $A4 < P4$;

4) the balance sheet is not liquid: $A4 > P4$.

Liquidity analysis is carried out by means of step-by-step comparison of separate groups of assets with short-term liabilities and allows to reveal the degree of securing current liabilities with funds. This approach highlights potential liquidity gaps, thereby informing effective working capital management and mitigating the risk of financial distress

The coefficient analysis of the company's liquidity involves the calculation of relative indicators (Table 1.3).

Table 1.3 - Relative liquidity indicators [26, p.81]

Indicator	Recommended Value	Formula	Description
Coverage Ratio (Overall Liquidity Ratio)	> 1	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	Indicates the sufficiency of current assets to cover current liabilities.
Quick Liquidity Ratio	$0.6 - 0.8$	$\frac{(\text{Current Assets} - \text{Inventory})}{\text{Current Liabilities}}$	Measures the company's ability to promptly meet its short-term obligations using highly liquid assets.
Absolute Liquidity Ratio	$0.2 - 0.25$	$\frac{(\text{Cash and Cash Equivalents} + \text{Marketable Securities})}{\text{Current Liabilities}}$	Determines the immediate ability of the company to settle short-term debts using cash or cash-equivalent assets.

The choice of coefficients for the analysis of the economic stability of the organization depends on the sectoral adaptability of the organization, the criteria of crediting and granting loans, the formed structure of the sources of asset purchase. The analysis of these ratios is performed at the beginning and the end of the year, their comparative assessment is given, reflecting the economic situation of the organization. This comparison helps identify trends in financial health, assess the effectiveness of management decisions, and support strategic planning by highlighting areas that require improvement or further investment to ensure long-term stability and growth.

In the conditions of market relations the role of profitability indicators such as return on assets and return on current assets is great. Profitability indicators are relative characteristics of financial performance and efficiency of the enterprise. They characterize the relative profitability of the enterprise, measured as a percentage of the cost of funds or capital from various positions.

$$ROA = \frac{\text{Net income}}{\text{Average total assets}} * 100\%, \quad (1.1)$$

$$ROCA = \frac{\text{Net income}}{\text{Average current assets}} * 100\%, \quad (1.2)$$

The financial analysis of the enterprise is held with the help of relative indicators can be attributed to analytical methods, along with the analysis of budget, expenditures, balance sheet. By comparing these indicators over time or against industry benchmarks, analysts can identify trends, assess risks, and support informed decision-making aimed at improving the organization's overall financial health. Moreover, such analysis facilitates the detection of operational inefficiencies, evaluation of investment attractiveness, and forecasting of potential financial challenges. When combined with qualitative insights and strategic planning tools, relative financial analysis becomes an essential instrument for enhancing corporate performance and ensuring long-term sustainability. This method uses a wider set of indicators (Table 1.4).

Table 1.4 - Relative financial activity indicators [27, p.59]

Indicator	Recommended Value	Formula	Description
Working capital provision ratio	> 0,1	$(\text{Equity} - \text{Non-current assets}) / \text{Current assets}$	Characterizes the presence of own working capital, necessary for the financial stability of the enterprise
Equity ratio	>0,5	$(\text{Equity} / \text{Total assets}) * 100\%$	Shows the extent to which the assets used by the enterprise are formed by equity capital
Debt-to-equity ratio	>0.2 – 0.5	$\text{Total liabilities} / \text{Equity}$	Shows the share of capital invested in working capital in the total amount of the enterprise's equity capital

Based on the results of the analysis of the financial condition of the organization by the above methods, a synthetic assessment of the objects of the financial analysis of the organization and a synthetic assessment of the financial condition of the organization as a whole are given.

Synthetic assessment of the organization's financial condition is a generalization, clarification of conclusions characterizing the objects of the organization's financial condition. The purpose of synthetic evaluation is to identify the most significant quantitative and qualitative characteristics of the actual values of financial indicators that determine the financial condition of the organization. This information is important for the investor to conclude the question of the need for investment, for banks - to determine the criteria for crediting the company, for the manager - to develop adequate managerial conclusions to reduce risk and increase profitability of financial and economic work of the enterprise.

At carrying out of synthetic estimation of financial condition of the organization the general conclusions on a condition of objects of financial analysis and financial condition of the organization as a whole are formulated.

However, the assessment of the financial condition of the organization solely on the basis of financial accounting and reporting data can be distorted due to the fact that these data are not operational. The current formation of indicators of the financial condition of the organization is to a greater extent provided with the help of management accounting and analysis data.

Thus, the existing methods of assessment of the financial condition of the organization are basic, but separately in practice, as a rule, they are rarely used. When assessing the financial condition, many organizations use combined assessment methods that allow to ensure high accuracy of the analysis results.

1.3 Peculiarities of LLC's financial resources

Financial resources of monetary orientation are used for development of extra-budgetary production process, are necessary for maintenance and development of non-production sphere, increase of consumption for needs of upcoming production, and can also remain in reserve. This determines economic possibilities of their formation and use for:

- implementation of necessary capital investments;
- increase of working capital;
- fulfillment of financial obligations to the state and financial market institutions;
- investment in various securities;
- meeting of management and social needs.

The following types of financial resources of the LLC are distinguished:

- monetary income;
- cash inflows;
- monetary savings.

Monetary income is usually considered to be profit from the sale of goods, services or works; the difference between non-operating income and expenses; profit from the sale of property.

Cash inflows are funds raised in the financial market; budget funds and funds received from a higher organization through intra-industry redistribution.

Monetary savings are the so-called depreciation and reserve funds formed at the expense of profits from previous years.

Thus, financial resources are a set of cash income, receipts and other savings that are used to ensure its activities; creation, organization and place in the market.

The management of all types of financial resources largely depends on the size of LLC, type of its activity and tasks set by the management of the company.

At small LLCs for reasons of economic expediency there is no deep division of managerial labor and as a result financial management is carried out by the head himself with the help of an accountant. The main purpose of financial management of a small LLC is to ensure the enterprise's financial stability by establishing a reliable accounting system, ensuring compliance with tax regulations while legally minimizing tax obligations, managing operational cash flows efficiently, and identifying appropriate sources of financing as well as allocating financial resources based on the company's operational needs and long-term development goals.

With the growth of business there is a need for cost management, introduction of budgeting and management accounting into the financial policy, work with accounts receivable, formation of credit policy.

At the medium LLC financial management is carried out by the financial director, accounting service, planning and economic department. The tasks of financial management: planning and optimization of cash flows, cost management, attracting additional funds, setting and maintaining management accounting, financial planning, investment calculations.

The larger the business, the more important is to ensure transparency and manageability of its subdivisions. For a large business, one of the primary tasks is to

promptly obtain information on the current state and results of the activities of individual departments and the company as a whole.

At large enterprises the structure of the financial service is more complex and in general can be represented by the financial department with the following structural subdivisions: financial controlling department - planning and forecasting of financial activity of the organization; accounting department; corporate finance department; IFRS department; tax planning department; internal audit department; risk management department.

The essence of finances of LLCs is fully disclosed in their functions:

- 1) Reproductive function (formation of capital and income of the organization). The essence of this function is to ensure a constant turnover of capital.
- 2) Distributive function is that through it the formation of initial capital, the creation of the main proportions in the distribution of income and financial resources, as well as the definition of the main value proportions in the process of income distribution.
- 3) The control function is based on the cost accounting of costs of production and sale of products, performance of works, formation of income and cash funds of commercial organizations.

The presence in a sufficient amount of financial resources and their effective use predetermine a good financial position, solvency, financial stability and liquidity of commercial organization.

The increase of own financial resources of the enterprise directly depends on the amount of assessment of the profit received, which can be achieved by selling new goods and products, increasing sales volumes, reducing costs. In addition, the enterprise should continue to net important profit, which should be directed to the creation of various monetary funds, to the expansion of basic production, the introduction of innovative technologies and payment of income types to shareholders.

In 2022–2023, the capital structure of Ukrainian small and medium-sized enterprises (including LLCs) changed under the influence of military aggression, macroeconomic turbulence, and limited access to external financing.

Firstly, the debt burden remained high, but with noticeable shifts in its structure. Under conditions of limited bank lending, the role of trade payables increased — mainly short-term, often to related parties. In general, the “Debt / EBITDA” indicator (a benchmark for creditors) also remained within the acceptable range — ≤ 3.5 .

Secondly, significant shifts were observed in the sources of loan capital — most of the support came through grants, donor programs (USAID, EU, IFC), and guaranteed loans. The use of grant support funds reached more than 50% of all attracted financing among active LLCs [27].

Third, equity was formed mainly through reinvested profits, rather than contributions from new investors or the issuance of shares (which is generally unavailable to LLCs). This contributed to maintaining autonomy and optimizing the level of financial leverage.

Moreover, the capital structure was varied based on the industry. For example, agriculture and food industry demonstrated a higher level of debt (Debt-to-Equity within 1.6–2.0), which is associated with high working capital needs, especially during the sowing campaign or raw material procurement periods. The IT sector and professional services showed a low level of debt burden (Debt-to-Equity ≤ 0.8), which is explained by the digital nature of assets that do not require large capital investments. Retail trade (including retail, such as chains such as LLC Silpo) often had Debt-to-Equity above 3.0, due to large amounts of short-term payables (for example, to suppliers) - this formally increases debt, but does not always mean financial instability. State initiatives (e.g., e-Housing, 5–7–9%) have influenced the availability of loan capital. The 5–7–9% program in 2022–2023 covered over 30,000 LLCs, contributing to an increase in the share of state-supported loans in the financing structure. Together with grants (e.g., from USAID) allowed maintaining investment activity in strategic sectors, in particular in agriculture, processing, and logistics.

Return on assets (ROA) and return on equity (ROE) remained key indicators of the financial performance of limited liability companies (LLCs) in Ukraine. After a significant decline in 2022, caused by a full-scale invasion, disruption of logistics chains and increased costs, in 2023 there was a gradual recovery in the profitability of

enterprises, especially in areas that managed to adapt to new conditions or reorient themselves to foreign markets.

The average ROA for LLCs in 2022 was about 1.5–2%, in 2023 it was already 3–5%. This indicates an improvement in the efficiency of asset use. Higher ROA values were recorded in companies providing services (IT, marketing, consulting) - up to 6–8%, while in sectors with a large share of tangible assets (transport, agribusiness, manufacturing) - 2–3%. This is due to the difference in the structure of assets and the capital intensity of operations. ROA is an important indicator of the operating efficiency and overall productivity of a company's assets.

As for the return on equity (ROE), the average level in 2022 was within 4–6%, and in 2023 it increased to 8–12%. The highest values were achieved by companies with a small level of liabilities and high margins - for example, in financial, consulting and technology LLCs (ROE over 15%). In traditional sectors (logistics, construction, trade), ROE was 6–10%, and in the agricultural sector it often remained below 5% due to the significant amount of invested capital and seasonality of income [27].

To sum up, finances of LLCs are much more than just managing money—they play a key role in keeping the business running smoothly and supporting its future growth. By understanding its finances means understanding how the company plans, distributes, and controls its financial resources to reach both short-term and long-term goals.

It can be concluded that the main task of LLC finances is to ensure a balance between flow stability and long-term development. Businesses must not only take advantage of the effective use of available resources, but also strategically plan their growth ahead, steadily advancing their competitiveness and financial strength. This approach will help LLC maintain its solvency and strengthen its position in the market even in conditions of instability.

CHAPTER 2.

ANALYSIS OF FINANCIAL AND INVESTMENT ACTIVITIES OF THE LLC “SILPO FOOD”

2.1. Financial and economic characteristics of LLC «Silpo Food»

The limited liability company “SILPO-FOOD” was registered on August 5, 2016 and PJSC “Closed Non-Diversified Corporate Investment Fund Retail Capital” became the founder of this legal entity. It owns 100% of the shares, with the authorized capital of UAH 15,188,703 thousand.

In general, "Silpo" is a supermarket that uses the self-service method. On average, the retail area of one chain supermarket is up to 1,200 m², the size of the assortment varies from 6,000 to 12,000 items, including both food and related products, depending on the size of the store itself [29]. The main type of activity of "Silpo" LLC is retail trade in non-specialized stores mainly of food products, beverages and tobacco products, which is classified in KVED 47.11. As of December 31, 2023, the total number of retail outlets is 316 supermarkets (2022: 305 supermarkets) in 79 cities of Ukraine (2022: 71 cities of Ukraine), including 4 "LE SILPO" delicatessen markets with a premium range of food products and of non-food products and there are 23 separately allocated DARKSTORE e-commerce trading facilities (1 DARKKITCHEN) on the territory of supermarkets. In addition, the Company has logistics facilities in its structure (vehicle fleet, service station, warehouses of class A distribution centers), as well as the restaurant "Positano" and Silpo Restro - food courts in retail chains [30].

The average retail space of each Silpo store is 1,394 square meters, and the number of employees reaches 29,526 [30], which indicates a positive impact on the level of employment in Ukraine. However, in comparison with 2023 (33,393), the company had to reduce its staff due to a decrease in the need for store employees (caused by their destruction or demolition) and a decrease in the profitability of the enterprise. The development of

entrepreneurial activity creates objective prerequisites for the actual implementation of individual elements.

The LLC participants are not liable for the debts of the enterprise, but may incur losses within the value of their shares; the LLC's property consists of legal sources, such as contributions to the authorized capital, part of which belongs to the participants, and the participants' income. The general meeting is responsible for determining the main areas of activity, considering and approving forecasts, reports and balance sheets, electing the executive body and the audit commission, establishing the terms of remuneration for managers, distributing profits and determining consistent compensation.

Financial and economic indicators of any enterprise indicate the dynamics of the organization's activities. Therefore, the next step will be to analyze the main indicators of the activities of LLC "SILPO-FOOD" (Table 2.1), to see how the use of financial resources of this enterprise has changed and what can be proposed in the future to improve financial results by influencing certain variables.

Table 2.1 – Analysis of the profit and loss accounts of Silpo-Food LLC [29]

№	Indicator	2022 year	2023 year	Absolute Change	Relative Change, %
1	Revenue from sales	69,990,601	84,727,987	+14,737,386	+21.06%
2	Cost of goods sold	(50,815,360)	(60,419,457)	-9,604,097	+18.90%
3	Gross profit	19,175,241	24,308,530	+5,133,289	+26.77%
4	Other operating income	724,956	912,627	+187,671	+25.89%
5	Selling expenses	(17,517,107)	(19,669,097)	-2,151,990	+12.29%
6	Administrative expenses	(3,384,954)	(4,357,328)	-972,374	+28.72%
7	Other operating expenses	(160,951)	(63,920)	+97,031	-60.30%
8	Operating profit / (loss)	(1,162,815)	1,130,812	+2,293,627	-197%
9	Other income	514,944	572,060	+57,116	+11.09%
10	Other expenses	(3,980,812)	(930,622)	+3,050,190	-76.60%
11	Financial income	57,897	384,148	+326,251	+563.30%
12	Financial expenses	(2,502,288)	(2,909,288)	-407,000	+16.27%

Continuation of the Table 2.1

13	Income / (loss) from investments in associates	(363,909)	(97,876)	+266,033	-73.11%
14	Loss before tax	(7,436,983)	(1,850,766)	+5,586,217	-75.10%
15	Income tax expense	(196,212)	—	+196,212	—
16	Net loss for the year	(7,633,195)	(1,850,766)	+5,782,429	-75.75%

In 2023, Silpo demonstrated remarkable financial resilience despite ongoing wartime disruptions. Revenue from sales grew by 21%, rising from approximately 69.99 billion UAH in 2022 to 84.73 billion UAH in 2023. This growth indicates strong adaptability in logistics and supply chains under crisis conditions, possibly driven by higher consumer demand for essentials and strategic store placement in safer or more active regions amid population migration.

Gross profit also increased significantly, by 26.8%, from about 19.18 billion UAH in 2022 to 24.31 billion UAH in 2023. This improvement likely reflects better pricing strategies, favorable supplier negotiations, enhanced operational efficiency despite inflation and currency pressures, and potentially a shift toward a more expensive product mix or cost transfer to consumers.

Most notably, Silpo shifted from an operating loss of 1.16 billion UAH in 2022 to an operating profit of 1.13 billion UAH in 2023, highlighting a strong turnaround and restored core profitability. This was probably achieved through effective cost containment, administrative restructuring, and recovery from the extreme uncertainty following the full-scale invasion in 2022.

Although Silpo still reported a net loss in 2023, the loss shrank substantially by approximately 75.7%, from 7.63 billion UAH in 2022 to 1.85 billion UAH. This reduction suggests improved financial discipline, cost optimization, stabilization in some regions, and possible benefits from tax incentives, government support, or wartime relief programs.

The war context remains critical: 2022 was marked by massive logistical challenges, supply chain disruptions, consumer panic, and store closures in occupied or

unsafe areas. By 2023, partial stabilization, regional adaptation, normalization of consumer behavior, and better crisis management contributed to Silpo’s clear recovery trajectory.

In order to fully assess the financial condition of Silpo-Food LLC, it is not sufficient to focus solely on revenue growth, gross profit, or operating profit. These indicators reflect important aspects of the company’s performance, such as market strength, pricing strategy, and cost efficiency. However, to evaluate whether the company is truly financially stable—especially during periods of high uncertainty like wartime—it is crucial to analyze its liquidity.

Liquidity analysis allows us to examine whether Silpo has enough short-term assets to meet its immediate liabilities and sustain uninterrupted operations. This is particularly important in the retail sector, where large volumes of daily transactions, continuous inventory turnover, and tight supplier payment schedules require strong short-term financial management. Effective liquidity management ensures that Silpo can promptly pay suppliers, manage cash flows efficiently, and avoid disruptions that could affect customer satisfaction and overall business continuity.

By analyzing liquidity ratios such as the current ratio and quick ratio, we can gain deeper insight into how Silpo balances revenue generation with financial discipline.

The analysis of the liquidity of the balance sheet consists of comparing assets, grouped by their liquidity level, with liabilities, grouped by their maturity. The results of the calculations are presented in Table 2.2.

T

a b l e 2	Assets	2022 year	2023 year	Liabilities	2022 year	2023 year	Payment surplus or deficit	
							2022	2023
1							-22 536	-24 886
e A1	1 066 300	1 418 482	P1	23 602 577	26 305 148		277	666
2 A2	2 667 280	6 539 255	P2	4 793 541	3 442 287		-2 126	3 096 968

Continuation of the Table 2.2

A3	7 721 103	5 014 030	P3	15 998 056	14 045 697	-8 276 953	-9 031 667
A4	22 214 755	20 386 742	P4	-10 724 736	-10 434 623	32 939 491	30 821 365
Balance	33 669 438	33 358 509	Balance	33 669 438	33 358 509	-	-

Source: calculated based on data from the balance sheet of the annual financial statements of Silpo-Food LLC

To determine the liquidity of the balance sheet, compare the totals of grouped assets and liabilities (Table 2.3)

Table 2.3 - Comparison of assets and liabilities of the balance sheet

2021	2022	2023
A1<P1	A1<P1	A1<P1
A2>P2	A2<P2	A2>P2
A3<P3	A3<P3	A3<P3
A4>P4	A4>P4	A4>P4

Source: built based on data from Table 2.5

The balance sheet is considered liquid if:

$$A1 \geq P1; A2 \geq P2; A3 \geq P3; A4 \leq P4$$

Having analyzed the regrouped structure of the balance sheet, we can conclude that during the three years analyzed, only one ratio of asset and liability groups ($A2 > P2$) meets the conditions of absolute liquidity in 2021 and 2023. Therefore, the liquidity of the organization's balance sheet is in poor condition. Comparison of the most liquid funds and quickly sold assets with the most urgent obligations and short-term liabilities indicates the insolvency of the enterprise in the near future. In 2023, the enterprise was not able to repay current debt in the amount of -24,886,666 thousand UAH. Also, the enterprise's inventories (A3) do not cover accounts payable (P3), which indicates an insufficient amount of inventories of Silpo-Food LLC. Failure to fulfill the last inequality

indicates the insufficiency of the organization's equity (P4) to cover hard-to-sell assets (A4).

The analysis of the balance sheet liquidity gives a general idea of the ratio of various elements of the enterprise's current assets and liabilities. However, for all its significance, in order to obtain a more complete picture of the liquidity status and level of solvency, the liquidity assessment should be supplemented with calculations of the corresponding coefficients (Table 2.4). By analyzing liquidity ratios such as absolute liquidity ratio and quick ratio, we can gain deeper insight into how Silpo balances revenue generation with financial discipline.

Table 2.4 - Indicators for assessing the liquidity of assets of Silpo-Food LLC for 2021-2023 years.

Coefficient	Years			Deviation 2023/2021
	2021	2022	2023	
Absolute liquidity ratio	0,06	0,04	0,05	-0,01
Quick liquidity ratio	0,30	0,19	0,28	-0,03
Coverage ratio	0,53	0,40	0,44	-0,10
Accounts payable/receivable ratio	3,55	6,56	3,06	-0,49

Source: based on data from the annual financial statements of Silpo-Food LLC

According to the results of the analysis of asset liquidity assessment indicators, first of all, we can note the negative dynamics of the decrease in all coefficients in 2023, as well as the non-compliance of Silpo-Food LLC's indicators with regulatory values (Figure 2.1).

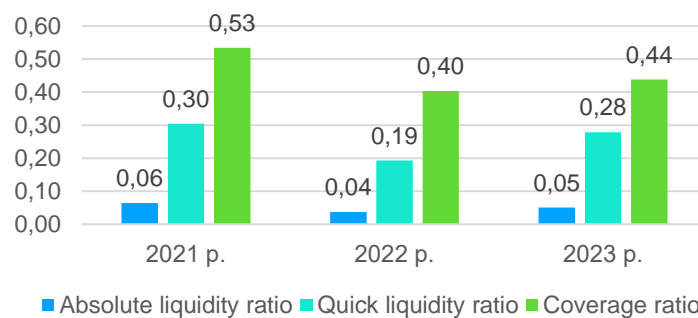


Figure 2.1 - Dynamics of changes in asset liquidity indicators for 2021-2023

Source: based on data from the annual financial statements of Silpo-Food LLC

The absolute liquidity ratio, which demonstrates the ability of the enterprise to immediately repay its short-term liabilities from highly liquid assets, decreased from 0.06 in 2021 to 0.05 in 2023, which indicates a lack of immediately available resources to cover short-term debts.

The quick liquidity ratio, which shows the ability to repay short-term liabilities from the most liquid assets (excluding inventories), decreased from 0.30 in 2021 to 0.28 in 2023. This indicates some deterioration in the solvency of the enterprise.

The coverage ratio characterizes the ability of the enterprise to repay current liabilities from all current assets. This indicator decreased from 0.53 in 2021 to 0.44 in 2023, which indicates a decrease in overall financial stability.

The absolute and quick liquidity ratios are within the regulatory value throughout the analyzed period. In contrast, the negative dynamics of the decrease in the coverage ratio, as well as non-compliance with the regulatory value, indicates a deterioration in the solvency status, since current assets are not enough to meet current obligations. This leads to a decrease in confidence in the company from creditors, suppliers, investors and partners.

The ratio of payables to receivables was 3.06 in 2023, which is 0.49 less than in 2021. Usually, the optimal value of the indicator is approximately equal to one. A higher indicator indicates that the company attracts more funds from creditors than it provides to debtors. This may be a sign of a liquidity crisis.

Thus, based on the analysis of the balance sheet liquidity, it can be concluded that during the analyzed years, the liquidity position of LLC Silpo-Food remained in an unsatisfactory state. Despite notable improvements in financial performance—such as a 21% increase in revenue, a turnaround from operating losses to profits, and a substantial reduction in net losses—the company's low liquidity ratios indicate a heightened vulnerability in managing short-term obligations. This disconnect suggests that while Silpo-Food has succeeded in stabilizing and growing its core operations, it may be relying heavily on credit or delaying payments to suppliers to sustain cash flow. Such a strategy, if not addressed, could pose risks to long-term financial stability, particularly in crisis conditions where access to external financing may be limited. Therefore, alongside

strengthening profitability, improving liquidity management should remain a strategic priority for ensuring the company's sustainable financial health. Hard-to-sell assets exceed current liabilities, i.e. the minimum condition of financial stability is not met. Among the four ratios characterizing the presence of liquid assets in the organization for the reporting period, only one is met. This indicates that the enterprise does not have enough of its own funds to pay for urgent obligations, which makes it vulnerable to external adverse changes. It is worth noting that the liquidity indicators that have developed, as well as the level of financial stability of Ukrainian enterprises, in particular Silpo-Food LLC, reflect the impact of the ongoing war on their activities. As a result of the crisis, consumer demand has significantly decreased, which caused a decline in production and deterioration in the activities of enterprises, led to a reduction in the number of personnel, and a decrease in business activity.

2.2. Analysis of the LLC “SILPO FOOD” funding sources

All companies in the modern market economy face the problem of choosing a source of financing. The reputation, financial position, and competitiveness of a company depend on the optimal and effective formation and use of a specific source of funding.

Internal sources refer to the company's own funds or self-financing, which is considered the most reliable method, as it indicates a good financial condition of the enterprise. In addition, it reduces the risk of bankruptcy since there is no debt to other creditors. The main internal sources include: equity capital, depreciation, net profit, and proceeds from the sale of surplus assets, where the first two are the most significant and require more detailed consideration.

To ensure the company's operations, the main source of financing is, first of all, equity capital, which includes authorized, accumulated, reserve and additional capital, as well as retained earnings and targeted financing. Figure 2.2 shows the composition and structure of equity capital.

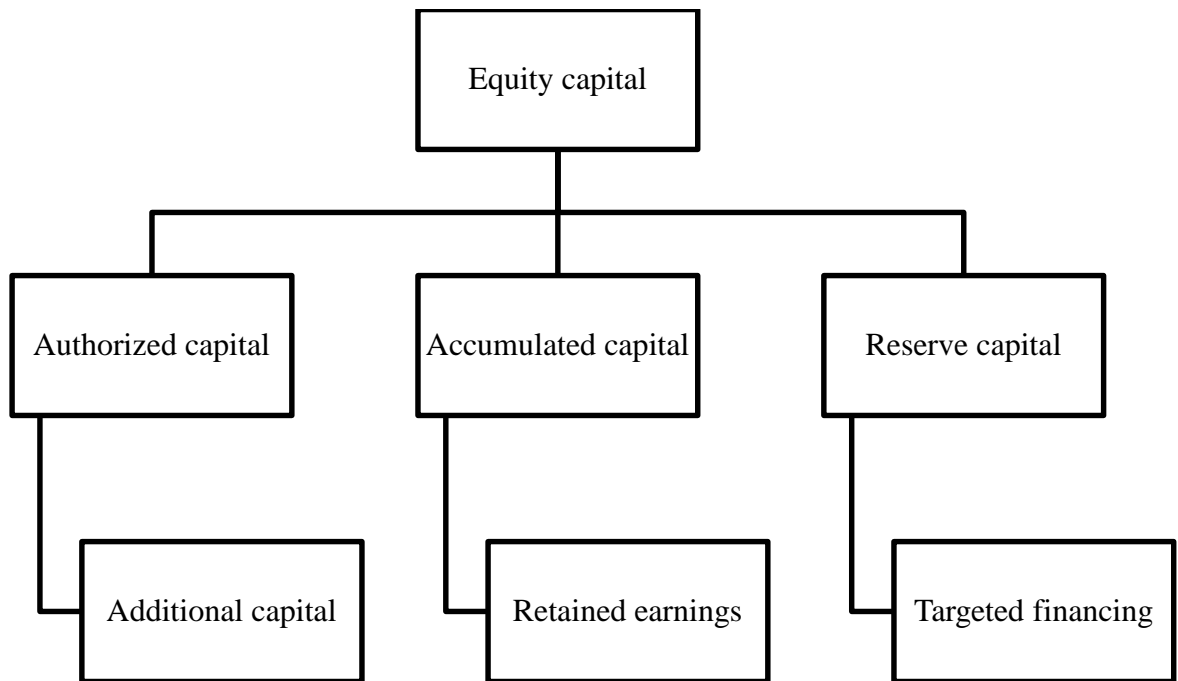


Figure 2.2 – Structure of the equity capital as a funding source [30, p.12]

There is no minimum authorized capital for a Limited Liability Company (LLC) established by Ukrainian legislation. The authorized capital for companies is legally defined based on creditors' interests and the value of the company's assets.

The SILPO-FOOD Group's share capital belongs to the sole participant, PJSC Retail Capital. In 2023, there were no changes in the composition of the Company's participants, and the authorized capital was increased by UAH 2,141,000 thousand. As of January 31, 2023, the registered and fully paid-up authorized capital amounted to UAH 15,188,703 thousand (December 31, 2022: UAH 13,047,703 thousand). Additional capital for Silpo-Food is an increase in the company's own capital that comes from outside events, like when the market value of the company's assets goes up. It's like an extra value added to the company's assets, not from regular business but from things like the rising price of land or buildings they own. In 2023, Silpo-Food's financial reports don't directly mention additional capital. But given the tough economic situation in Ukraine because of the war, the revaluation of assets might have been limited due to an unstable market.

Ukrainian legislation, specifically the Law of Ukraine "On Limited Liability and Additional Liability Companies", states that limited liability companies (LLCs) like Silpo-Food must establish a reserve fund [2]. According to Article 87 of the

Commercial Code of Ukraine, the reserve fund must be at least 25% of the company's authorized capital, formed through annual deductions of at least 5% of net profit until the required amount is reached [5].

Based on the reported authorized capital in 2023, the minimum reserve capital required by law would be 25% of this amount, which calculates to approximately UAH 3,797,175,750. However, the exact amount of Silpo-Food's reserve capital is not publicly disclosed in the available sources, and companies may choose to allocate more than the minimum required, depending on their internal policies or financial strategies.

Retained earnings are the most important part of equity capital funding source for an enterprise and also serves as an indicator of its performance efficiency. At the end of the year, the net profit received by the enterprise is distributed to cover losses, pay dividends, and form a reserve and other funds. The remaining undistributed profit is reflected in the balance sheet as retained earnings and represents the reinvestment of profit into the company's assets. Retained earnings refer to the portion of the organization's profit that is not used to pay taxes and is not distributed among shareholders, but is instead reinvested into the company's assets. Over the years, this source can become quite significant in the structure of equity sources, enabling it to fund growth initiatives, improve operational capacity, and enhance overall sustainability. The amount of retained earnings depends on the results of business operations as well as on dividend policy. Table 2.5 highlights the advantages and disadvantages of this source of financing.

Table 2.5 - Advantages and disadvantages of retained earnings as a source of funding

Advantages	Disadvantages
No time and cost required for mobilization	Limitations due to non-payments, barter, taxation, etc.
No risk of default	Not available during the early stages of enterprise operation

Source: built by the author based on [32, pp.66-70]

Thus, as a source of financing, retained earnings remain the main method of ensuring the enterprise's investment activities, provided the company is profitable.

In the case of Silpo Food, the company's retained loss at the end of 2023 was 25 624 088 thousand UAH (2022: 23 773 322 thousand UAH). Because of the retained loss, Silpo-Food doesn't have any positive retained earnings to tap into as a funding source. They would need to turn profitable and reduce this loss over time before retained earnings could be used for funding.

The next internal source is depreciation charges, which can be directed toward the acquisition of new equipment to replace retired assets, restoration of capital wear and tear, technical re-equipment of production, modernization, improvement of the qualitative characteristics of the produced goods, etc[33,p.540] Depreciation charges, as part of the replacement fund, are a major source of financing for the company's operations. The Table 2.6 shows the main pros and cons of this source of funding.

Table 2.6 - Advantages and disadvantages of depreciation funds as a source of financing

Advantages	Disadvantages
Reliability, as depreciation funds remain at the disposal of the enterprise under any circumstances.	Dependence of the depreciation fund amount on the level of inflation.
Cost-effectiveness, as it does not depend on the enterprise's performance.	Possibility of misuse (e.g., replenishment of working capital).

Source: built by the author based on [33]

During 2023, LLC "Silpo-Food" documented its depreciation charges as reaching a total of 3,57 billion UAH (2022: 3,41 billion UAH). This amount represents a category of expenses where no cash movement occurs. Depreciation functions as a conditional expense that lowers accounting profit while leaving cash flow unaffected.

Under typical operational circumstances depreciation charges build a cash reserve which stays accessible to the company. The company may temporarily utilize these funds as an internal financing source if they do not immediately direct them towards fixed asset renewal or repair. Silpo faced numerous logistical challenges combined with inflation and supply disruptions during 2023 which necessitated rapid inventory replenishment to

prevent store shelf shortages. Through depreciation funds the company managed to bypass costly credit options by utilizing its own internal reserves for:

- prepayments to suppliers;
- constructing strategic reserves of products;
- managing financial support for logistics expenses in difficult areas.

In addition to internal sources, there are also external ones that a company can turn to when it needs funds that it cannot provide on its own. One of the first and most popular sources of external financing is loan, which can be either bank loan, based on standard lending principles, or investment loan, used for building new facilities, modernization, and reconstruction, or loan for operational purposes such as replenishing inventory and purchasing material resources. Its advantages and disadvantages are presented in Table 2.7.

Table 2.7 - Advantages and disadvantages of loan as a funding source

Advantages	Disadvantages
Shorter time to obtain funds compared to other financing sources.	Complexity of paperwork and formalities.
Possibility to attract funds in significant amounts.	Often not issued for starting a new business.
Higher control over the efficiency of investment use.	A riskier method.
Possibility to meet the financial needs of small enterprises.	For large sums, collateral in the form of material or financial assets or third-party guarantees is required.
Possibility to increase the profitability of own funds as a result.	—

Source: built by author based on [33]

Analyzing the loan structure of Silpo-Food LLC as of December 31, 2023 and 2022, we can assess the company's approach of using loans as a source of financing from multiple angles such as structure, cost and risk as well (Table 2.8).

Table 2.8 – Loan structure of the LLC “Silpo-Food”

Indicator	% (2023)	Thousand UAH (2023)	% (2022)	Thousand UAH (2022)
Long-term bank loans:				
– In national currency	19.67%	2,692,642	16.36%	2,837,975
– In foreign currency (Euro)	8.94%	1,246,840	6.91%	1,205,422
Total long-term bank loans		3,939,482		4,043,397
Less: Current portion of long-term bank loans		(2,266,289)		(2,646,119)
Long-term portion of bank loans		1,673,193		1,397,278
Short-term bank loans:				
– Bank overdrafts	24.50%	58,801	15.30%	28,007
– Short-term bank loans	23.25%	599,932	16.29%	600,000
Total short-term bank loans		658,733		628,007
Current portion of long-term bank loans		2,266,289		2,646,119
Total short-term portion of bank loans		2,925,022		3,274,126

Source: built by the author based on [29]

From the Table above we can observe that Silpo-Food LLC uses loans as a significant source of funding. Silpo’s total long-term bank loans slightly decreased from UAH 4.04 billion in 2022 to UAH 3.94 billion in 2023. However, a considerable portion of these long-term loans is due within one year: UAH 2.27 billion in 2023 versus UAH 2.65 billion in 2022. After excluding this current portion, the net long-term bank loans stood at UAH 1.67 billion in 2023 compared to UAH 1.40 billion in 2022, showing a moderate increase in reliance on longer-term debt for stable financing. The company consistently uses short-term financing for working capital or liquidity purposes. Nevertheless, the total short-term debt burden—including both short-term bank loan and the current portion of long-term bank loan—decreased from UAH 3.27 billion in 2022 to

UAH 2.93 billion in 2023. This indicates a reduction in the company's short-term debt obligations and possibly a more cautious approach to immediate repayment pressures. At the same time, borrowing costs increased notably. Interest rates on long-term loans in the national currency rose from 16.36% in 2022 to 19.67% in 2023, while Euro-denominated loans increased from 6.91% to 8.94%. Similarly, the cost of bank overdrafts jumped from 15.30% to 24.50%, and short-term loan rates grew from 16.29% to 23.25%. These trends reflect higher financial market risk, inflation, or tighter monetary policy in the country.

Despite the rising cost of borrowing, Silpo continues to rely on loans as a key financing method. This underlines the importance of debt in supporting operations, growth, and investments without diluting ownership, as would occur with equity financing.

Another external funding source is leasing. Financial leasing is the main type of leasing used in Ukraine. The Law of Ukraine "On Financial Leasing" defined the general legal and economic principles of only financial leasing and left out of consideration its other types. Thus, according to its Art. 1 financial leasing is a type of civil legal relations arising from a financial leasing agreement. financial leasing, which involves the transfer to the lessee of property purchased to order for long-term use for a fee on the terms determined by the agreement [34].

A finance lease, as defined under IFRS 16, transfers substantially all the risks and rewards of ownership to the lessee, resembling a financed purchase. The lessee recognizes the leased asset (e.g., vehicles) and a corresponding lease liability on the balance sheet.

According to Silpo's financial statement as of December 31, 2023, the company actively utilizes financial leasing as a funding method, particularly for acquiring transport assets.

The balance sheet shows that transport vehicles under financial leasing are recorded at a value of UAH 357,028 thousand as of the end of 2023. This reflects a decrease compared to the previous year, where the value stood at UAH 465,829 thousand. The reduction of UAH 108,801 thousand may indicate either the completion of lease contracts, disposal of leased vehicles, or a strategic shift toward reducing reliance on this type of financing.

Thus, both internal and external sources of financing have their own advantages and disadvantages at each stage of a company's development (Table 2.9).

Table 2.9 – Advantages and disadvantages of different sources of financing

Source	Advantages	Disadvantages
Internal	<ul style="list-style-type: none"> - Easy method of attracting funds, no need for additional approvals from other parties. - No extra interest payments. 	<ul style="list-style-type: none"> - Limited amount of available funds, hence fewer opportunities for expansion and investment. - No increase in funds for investment through borrowing.
External	<ul style="list-style-type: none"> - Unlimited amount of funds can be obtained. - Increases the company's potential during modernization, development, and growth. - Leads to increased profits and overall profitability. 	<ul style="list-style-type: none"> - The more credit obligations an organization has, the lower its financial stability, and the higher the risk of bankruptcy. - Interest payments on loans reduce overall profit. - External financing involves bureaucratic difficulties and satisfying bank conditions.

Source: built by the author based on the analysis above

So, based on the sources of financial resources that Silpo Food LLC attracts to finance its activities, three forms can be distinguished:

➤ **self-financing** is financing entirely from its own financial resources, used in the implementation of short-term projects with a low rate of return;

➤ **credit financing**, which is used in the implementation of short-term projects with a high rate of return on investment. But on the other hand, the lender does not claim to participate in the income from the sale of investments;

➤ **mixed financing** is a combination of several sources of financing that can be used in the implementation of any investment projects.

We can observe from the Table 2.10 the dynamics of capital structure indicators based on known financial leverage ratios, which allow us to assess the ratio of equity and debt capital in more detail.

Table 2.10 – Financial leverage ratios of the LLC “Silpo Food”

Ratios	Formula	2023 year	2022 year
Debt-to-Assets Ratio	Total debt / Total assets	1.31	1.32
Debt-to-Equity Ratio	Total debt / Total equity	-4,2	-1,8
Debt-to-Capital Ratio	Total debt / (Total debt + Total equity)	1.31	2.15
Asset-to-Equity Ratio	Total assets / Total equity	-3,2	-1.42

Source: built by author based on [29]

Based on the Table above we can make conclusion that Silpo’s financial condition for the period 2022–2023 is characterized by a significant dependence on borrowed funds due to negative equity, which indicates accumulated losses or other negative factors in the capital structure.

The debt-to-assets ratio shows that the company's debt exceeds the total value of assets (a value above 1). This is an anomaly that indicates problems with equity - it is likely negative. Despite a slight improvement from 1.32 to 1.31, the situation remains critical, since the company actually finances its activities mainly through debt obligations.

The debt-to-equity ratio has negative values (-1.87 in 2022 and -4.20 in 2023), which clearly indicates negative equity. The lack of positive equity means that Silpo cannot cover its liabilities from its own resources and is completely dependent on external financing.

The debt-to-capital ratio, which reflects the share of debt in total capital, also shows anomalous values above 1 in 2022 and a decrease to 1.31 in 2023. This confirms that most of the capital is loans, and equity is negative or minimal. Although the indicator has improved, the debt ratio is still extremely high, which carries high financial risks.

Finally, the asset-to-equity Ratio also has negative values (-1.42 in 2022 and -3.20 in 2023), which highlights the negative equity.

Overall, the analysis of the indicators indicates that Silpo is in a financial risk zone, with a high level of debt burden and a lack of stable equity.

In its turn, the negative value of Silpo-Food’s equity can be largely attributed to a combination of structural investment inefficiencies and the macroeconomic consequences of the ongoing war in Ukraine. A significant portion of capital has been allocated to loss-

making investment projects, particularly the opening of unprofitable retail locations in economically distressed or depopulated regions. This pattern reflects fundamental weaknesses in investment evaluation, including inaccurate cash flow forecasts, failure to account for inflationary pressures, and inadequate risk adjustments in the discount rate (WACC).

The situation has been further exacerbated by the full-scale Russian invasion in 2022, which has had a profound impact on Ukraine's economy and the retail sector in particular. According to the National Bank of Ukraine, GDP fell by 29.1% in 2022, while inflation peaked at 26.6%, severely affecting consumer purchasing power and operating costs [45]. Many retail businesses, including Silpo, experienced store closures, supply chain disruptions, and increased security and logistics costs in affected regions. As of 2023, over 15% of retail locations in high-risk zones were either temporarily or permanently closed, directly impacting revenue streams and leading to a sharp decline in cash flow. In March 2022, a Russian missile hit Silpo's Kvitneve (Kharkiv region) warehouse, destroying 10,000 pallets of frozen goods valued at UAH 542 million [30].

These combined internal and external factors have led to the erosion of shareholder equity. To avoid similar outcomes in the future, it is essential for Silpo-Food to implement the recommendations that will be proposed in this research, which advocate for a more rigorous and risk-sensitive approach to investment appraisal. This includes incorporating inflation-adjusted and scenario-based cash flow forecasting, applying risk-adjusted WACC, and conducting sensitivity analyses to better anticipate adverse conditions. Adopting such practices will improve the quality of investment decisions, support financial resilience, and contribute to the company's long-term value creation in an uncertain and high-risk environment.

The analysis of the company's financing sources is aimed at determining the impact of capital structure on the cost of capital, the value of enterprises and profitability indicators. For a full-fledged study and obtaining relevant conclusions, let's turn to the provisions of the Miller-Modigliani theorem, which remains one of the most important concepts in corporate finance.

Modigliani and Miller's second proposition (Proposition II) states that as a company increases its level of debt financing, the expected return on equity also increases [38, p.275]. As a firm takes on more debt, financial leverage rises, which increases the risk for equity investors. Debt holders have priority claims on the company's cash flows, so shareholders face greater risk and demand higher returns. Despite this, the overall weighted average cost of capital (WACC) remains constant under ideal conditions, since the lower cost of debt exactly offsets the higher cost of equity. This conclusion assumes no corporate taxes, no bankruptcy or transaction costs, perfect information, and investment decisions independent of financing choices, making the firm's capital structure irrelevant to its value.

However, when real-world factors such as corporate taxes are introduced, debt gains an advantage through the tax deductibility of interest payments, which creates a tax shield that lowers the effective cost of debt. As a result, the WACC initially decreases with moderate levels of debt. But as debt continues to increase, the risk of financial distress and bankruptcy grows, raising the firm's overall risk and cost of capital. Consequently, the WACC curve typically follows a U-shape—falling at first due to tax benefits, then rising as excessive leverage leads to higher financial risk. This framework helps explain why companies seek an optimal capital structure that balances the tax advantages of debt against the costs of financial distress.

Therefore, while a company's value fundamentally depends on its ability to generate cash flows from productive investments, the analysis of its financing sources plays a crucial role in supporting this value creation. The examination of financing aims to uncover new opportunities, optimize the mix of debt and equity, and improve the company's financial stability. This involves analyzing the company's operational data, monitoring changes in its capital structure over time, and evaluating the impact of these changes. Additionally, it includes identifying ways to raise and allocate capital more efficiently, as well as implementing risk management strategies in managing financial resources. Together, these efforts help strengthen the company's financial position and ensure sustainable growth.

2.3 Assessment of the effectiveness of the enterprise's investment activities

The main factor in successful business development is the company's investment policy, the effectiveness of which directly affects its competitiveness. In a narrow sense, investment activity, or investing itself, is the process of converting investment resources into investments.

From the standpoint of structural analysis, investment activity as an object of study can be considered in the unity of the following main elements: subjects and objects of economic relations. The main subject of investment activity is the investor. Investors can be: depositors, buyers, customers, creditors and other participants in investment activity. The user of investment activity objects usually combines the role of the customer (it is also called the project organizer enterprise or the recipient enterprise) [35, p.28].

Harmonization of the interests of all subjects of investment activity is a necessary factor in increasing the effectiveness of investments. Financial resources act as sources of financing the investment activity of government entities.

The Table 2.11 below presents key financial metrics that are commonly used to assess an enterprise's investment capabilities.

Table 2.11 – Key financial indicators of the Silpo Food LLC for 2022-2023 years

Indicator	Value (thousand UAH) 2022 year	Value (thousand UAH) 2023 year
Revenue from sales	69,990,601	84,727,987
Operating expenses	(17,517,107)	(24,090,345)
Financial expenses	(2,502,288)	(2,909,288)
Net financial result	(7,633,195)	(1,850,766)
Operating cash flow	3,918,393	6,675,632

Source: built by author based on [29]

The net financial result shows a loss of €1.85 billion, highlighting that after all revenues and expenses are accounted for – including taxes, depreciation, and financing costs – the company is currently unprofitable. This is a critical concern from an investment standpoint. Persistent losses could force the enterprise to divert funds away from investment projects to cover operational shortfalls or debt obligations. Despite the net loss, one of the most encouraging signs in the data is the operating cash flow of €6.68 billion. This figure reflects the actual cash generated from the company's core business activities, excluding financing and investing cash flows. Positive and substantial operating cash flow means that, even though the company shows an accounting loss, it is still generating real, usable cash from its operations. This is a crucial distinction, as cash flow is often a better indicator of an enterprise's ability to invest, repay debt.

Profitability ratios are key tools for assessing the effectiveness of a company's investment activities. They allow us to understand how successfully the company generates profit from sales, operating activities, and how effectively it uses its assets and equity. Analysis of these ratios helps investors and management assess the company's financial condition, its ability to self-finance, and its potential for growth. (Table 2.12)

Table 2.12- Silpo's key profitability indicators for 2022 and 2023 years

Indicator	Formula	2022 year	2023 year
Gross margin ratio	Gross profit / Net sales	27.4%	28.7%
Operating margin ratio	Operating income / net sales	0.82%	1.35%
Return on Assets (ROA)	Net income / total assets	-22.7%	-5.5%
Return on Equity (ROE)	Net income / shareholder's equity	32.1%	17.7%

Source: built by author based on [29]

Based on the analysis of profitability indicators, it can be concluded that Silpo's investment activities in 2023 became more effective compared to 2022, however, the overall situation remains ambiguous.

A positive signal is the increase in gross margin from 27.4% to 28.7%, which indicates improved profitability of the core business and more effective cost management.

Operating profit also improved, as evidenced by the increase in Operating Margin from 0.82% to 1.35%, which may indicate successful steps in optimizing operating costs.

However, the return on assets (ROA) indicator remains negative, although it improved from -22.7% to -5.5%. This means that the company is still generating losses, despite improvements in asset efficiency. Such a situation indicates problems in the overall financial structure or unrealized potential from investments.

Return on Equity (ROE) decreased from 32.1% to 17.7%, which at first glance may look negative. However, the decrease in this indicator is explained by the reduction of losses against the background of still negative equity - and therefore, the high ROE values are artificially inflated due to the specifics of the formula with a negative denominator.

In general, the company demonstrates some improvement in the efficiency of its operating and investment activities.

A key component of investment activity is capital investments in tangible and intangible assets. In 2022, the total volume of investments in fixed assets amounted to UAH 331.3 million, and in intangible assets - UAH 146 million. However, in 2023 there was a significant reduction: investments in fixed assets decreased to UAH 161.8 million (a decrease of more than 51%), and in intangible assets - to UAH 26.4 million (a decrease of more than 81%). Such dynamics may be a consequence of both the optimization of the investment strategy in the conditions of the war economy, and the completion of large projects launched in previous periods, in particular - energy efficiency programs, digitalization or reconstruction of facilities.

The decrease in the share of CAPEX in 2023 could also be due to the emphasis on increasing the operational efficiency of existing assets. It should be noted that 2022 was a peak year for investments amid the challenges of a full-scale war - the company needed to quickly restore stores, create backup logistics capacities, and adapt IT systems to conditions of limited availability.

It is worth noting that earlier, in 2020, Fozzy Group attracted a loan from the European Bank for Reconstruction and Development for \$ 60 million, as well as a grant of \$ 303,600 for the opening and modernization of more than 70 facilities (41 Silpo and

29 Fora), including investments in BREEAM certification [36]. This is a vivid example of the fact that the company's investment activities are often financed by external sources, which reduces direct pressure on working capital.

In parallel, the company is investing in vertically integrated production (restoration of the Vorzel plant in 2023), expansion of e-commerce channels (Click&Collect, own logistics, delivery partnerships), digital services and customer service innovations (mobile applications, self-service checkouts, loyalty programs, etc.). However, the reduction in CAPEX in 2023 may indicate the completion of the phase of active technological re-equipment or a more selective investment policy in an unpredictable macroeconomic environment.

Thus, Silpo's investment strategy in 2022–2023 combines active expansion (for example, opening new facilities) with gradual optimization of fixed and intangible capital expenditures. At the same time, public financial reporting remains limited, which creates barriers to transparent assessment of investment efficiency.

So, for a deeper analysis of the effectiveness of investment projects 2 groups of methods can be used:

1. Static – based on accounting estimates and do not take into account the entire life of the project and the inequality of cash flows at different time. These include payback period and return on investment;

2. Dynamic – based on the concept of discounting and operating time intervals.

These include:

- 1) Net Present Value (NPV);
- 2) Profitability Index (PI);
- 3) Internal Rate of Return – (IRR);

Dynamic methods allow taking into account the influence of time on the effectiveness of the investment decisions [37, p.142].

As part of the study of the investment activities of Silpo-Food LLC, an assessment of the effectiveness of a hypothetical investment project was carried out - the opening of a new supermarket chain. NPV allows investors to analyze the performance of investments by discounting future cash flows.

The financial projections for SILPO FOOD LLC have been developed using both real and nominal models to capture the impact of inflation and real growth dynamics over the forecast horizon. The approach corresponds to standard corporate finance principles, estimating the operating performance and free cash flow generation. For the calculation of the FCF we need also to build assumptions regarding other financial indicators.

First of all, we will set the initial revenue figure is set at 1,000 thousand UAH, serving as a simplified and representative baseline for subsequent forecasting. This facilitates comparability and scalability in analysis. While SILPO FOOD LLC's real revenue exceeds 80 billion UAH, a simplified baseline of 1,000 million UAH will allow us to focus on growth trends, margins, and cash flows without being constrained by exact historical values. The results can be easily scaled up to match real-world levels if needed.

A modest real growth rate of 2% per annum is assumed, reflecting conservative expectations for growth in the food retail sector in Ukraine. This rate accounts for organic growth due to factors such as population dynamics, consumption patterns, and competitive positioning, excluding inflationary effects. In 2022, the total amount of goods and services sold by retailers in Ukraine (adjusted for inflation) dropped by 24.5% compared to the previous year. This "real" contraction means the decline is not due to rising prices (inflation), but rather due to actual lower consumption: people bought fewer goods in volume or value. In 2023, the retail sector grew by 13.4% in real terms, meaning people started spending more again, and the volume of retail sales partially recovered [37]. So, we can assume that 2% revenue growth is consistent with post-shock normalization patterns and avoids optimistic bias by accounting for realistic consumption trends seen in the 2022–2023 period.

The next assumption is related to the annual inflation rate. According to the International Monetary Fund and World Bank projections, Ukraine's inflation is expected to decline gradually but stay around 7% to 9% annually in the next 3 to 5 years, reflecting ongoing supply chain pressures, currency volatility, and recovery dynamics [38]. So, we will assume the average inflation rate of 8%, which is incorporated to adjust nominal projections, consistent with historical and forecasted consumer price index (CPI) trends in Ukraine and similar emerging economies. This rate is critical to translating real growth

assumptions into nominal terms and reflecting the macroeconomic environment's impact on revenue, costs, and capital expenditures.

Regarding EBITDA margin, 30% is assumed based on the fact that according to the Statista Industry Report in 2023, EBITDA margins in the grocery retail sector across Eastern Europe generally range between 25% and 35%, depending on market maturity, company scale, and operational efficiency. So the average 30% margin aligns with industry benchmarks for large-scale grocery retail operations, balancing cost efficiency and pricing power.

Both depreciation and capital expenditures are forecasted as 8% of revenue, reflecting ongoing investment requirements in physical assets such as store infrastructure, logistics, and technology due to the consequences of war. According to company financial reports from comparable retail chains such as ATB-Market and Fozzy Group, capital expenditures typically range from 7% to 9% of annual revenues to sustain growth and modernization efforts, so we chose to use the average one.

The projections apply the statutory corporate income tax rate of 18%, consistent with Ukrainian tax regulations. This standard rate is used to calculate net operating profit less adjusted taxes (NOPLAT), representing the after-tax operational profitability available to investors. Working capital changes are incorporated based on realistic estimates tied to business growth, including increases in inventory, accounts receivable, and accounts payable. These changes reflect the liquidity demands and cash flow timing differences inherent in the company's operations and expansion.

NOPLAT captures the after-tax operating profit generated by core business activities, excluding financing effects and non-operating items.

The change in net working capital quantifies the incremental investment or release of cash needed to support growth, including inventory build-up and receivables/payables dynamics. It is a critical adjustment to cash flow, as it ties up liquidity that is not reflected in profit metrics.

Free cash flow (FCF) represents the cash available to investors after accounting for operating expenses, taxes, capital reinvestments, and changes in net working capital. It is derived as:

$$FCF = NOPLAT + Depreciation - CapEx - \Delta NWC \quad (2.1)$$

This reflects the true economic cash generation capacity of the company, which is crucial for valuation and investment decisions.

There are 2 models that can be used for financial projections:

✓ **The real model** presents financial metrics excluding inflation effects, allowing for analysis of underlying operational growth and profitability. Revenue grows annually by 2%, while costs and margins remain stable in real terms. Depreciation and CapEx are proportional to revenue, reflecting consistent capital intensity. Working capital changes reflect expansion needs relative to real sales growth.

✓ **The nominal model** adjusts the real projections by the inflation factor (8% annually), yielding an effective annual revenue growth of approximately 10.16% (calculated as the product of real growth and inflation: $1.02 \times 1.08 - 1$). All financial line items subject to inflationary pressures—including revenue, EBITDA, depreciation, and CapEx—are adjusted accordingly, while maintaining proportional relationships. Working capital changes are also scaled to reflect nominal growth and operational scale.

The following two tables present Discounted Cash Flow (DCF) projections for SILPO FOOD LLC, based on both real (constant price) and nominal (current price) modeling approaches. These projections form the analytical foundation for subsequent valuation and investment decision-making. This dual approach enhances the robustness of the valuation and supports more informed strategic and financial planning.

Table 2.13 – Cash flow forecast for Silpo LLC, 2025-2029 years

Financial line item (in 000)	Years				
	2025	2026	2027	2028	2029
Revenue	1,000	1,020	1,040	1,061	1,082
EBITDA	300	306	312	318	325
Depreciation	80	80	82	83	85
EBITA	220	226	231	235	240
Taxes (18%)	40	41	42	42	43
NOPLAT	180	185	189	193	197

Continuation of the Table 2.13

CapEx	80	88	90	92	93
Change in NWC (ΔNWC)	0	30	20	20	22
Free Cash Flow (FCF)	180	147	161	164	167

Source: built by author based on assumptions

Table 2.14 – Cash flow forecast for Silpo LLC, 2025-2029 years (inflation-adjusted, 10,16%)

Financial line item (in 000)	Years				
	2025	2026	2027	2028	2029
Revenue	1,000	1,116	1,246	1,391	1,553
EBITDA	300	335	374	417	466
Depreciation	80	89	100	111	124
EBITA	220	246	274	306	342
Taxes (18%)	40	44	49	55	62

Source: built by author based on assumptions

From the above Tables we can observe that under the real model, revenue and free cash flow grow modestly, reflecting stable operational expansion with 2% annual growth, while maintaining purchasing power and excluding inflationary effects. In contrast, the nominal model incorporates an annual inflation rate of 8%, resulting in a compounded revenue growth of approximately 10.16%, and thus significantly higher nominal cash flows.

Despite the numerical differences, both models reveal a positive free cash flow trajectory. FCF rises from 180 million UAH in Year 1 to 167 million UAH (real) and 244 million UAH (nominal) by Year 5, indicating consistent value generation and investment attractiveness.

The divergence between real and nominal cash flows further emphasizes the importance of adjusting for inflation when performing valuation in volatile economic environments like Ukraine.

After valuating the Free cash flows (FCF), we can estimate the Net Present Value (NPV) of the investment project to assess its economic viability. Imagine the project requires an initial capital investment of UAH 600,000 thousand, while the expected cash flows are forecasted over a five-year period using both real (inflation-adjusted) and nominal (current-price) models. To discount these cash flows, a 15% discount rate is applied, reflecting Ukraine's current investment climate characterized by heightened geopolitical risk, inflationary volatility, and capital cost uncertainty. Given these macroeconomic conditions, the nominal model is more appropriate for decision-making, as it captures the full impact of inflation on both revenue and cost structures.

$$NPV = \sum_{t=1}^n \frac{C_t}{(1+r)^t} - C_0, \quad (2.1)$$

where:

- NPV - Net Present Value
- C_t - Net cash inflow during the period t
- C_0 - Initial investment (a negative value as it's an outflow)
- r - Discount rate (required rate of return)
- t - Time period
- n - Total number of periods (e.g., years)

The calculation of the net present value (NPV) showed a positive value of UAH 49,549 thousand, which indicates the feasibility of implementing the project from a financial point of view.

The next one is the profitability index, which is one of the main parameters that allows to assess the prospects of an investment project in terms of future profitability.

$$PI = \frac{\sum_{t=1}^n \frac{C_f}{(1+r)^t}}{I_0}, \quad (2.2)$$

where:

- C_f - Cash flow at time t
- r - Discount rate (required rate of return)
- n - Number of time periods
- I_0 - Initial investment

The calculation of the profitability index (PI) was 1,08, which also confirms the effectiveness of the project, as the value exceeds the critical value of 1. In this case, a PI of 1.08 means that for every 1 UAH invested, the project returns 1.08 UAH in present value terms, reflecting a 8% net gain over the initial investment.

The IRR indicator is needed to determine the effectiveness of investments, strategic decisions and financial policies of companies, as well as their comparison. With its help, we can estimate how much money needs to be invested in a new business and what the return on an investment project will be so that it pays off and comes out on top, decide on cost reduction, whether it makes sense to invest in a new startup and estimate its payback period. The internal rate of return also helps companies determine the optimal rate for investors to maintain profitability, and decide on dividends - when and in what amount they should be paid. IRR is the discount rate that makes the Net Present Value (NPV) of the cash flows equal to zero:

$$NPV = \sum_{t=1}^n \frac{cf}{(1+r)^t} - \text{Initial investment} = 0, \quad (2.3)$$

After calculation, the Internal Rate of Return (IRR) for the investment project is approximately 18%. This means the project's expected return exceeds the 15% discount rate, indicating it may be a good investment based on this metric.

The payback period is the time required to fully recoup investments in equipment, solution, facility, plant, technology, real estate, etc. through the income they generate. The payback period is calculated from the start of the implementation of costs until the time when the accumulated amount of net profit exceeds the amount of costs.

Here it would be appropriate to draw an analogy with the break-even point. The payback period (PP) of the project is 3.29 years, which is considered acceptable for the retail sector. After three years, the cumulative income is 540 000 thousand UAH, which is slightly below the investment amount. Another 60 000 thousand UAH is needed, which will be received in the fourth year. Accordingly, the calculation looks like this:

$$PP = 3 + \left(\frac{60\,000}{208\,000} \right) = 3.29 \text{ years}, \quad (2.4)$$

Return on investment is essentially its payback. This indicator is calculated to understand how profitable the investment will be and what income it will bring to the investor after a certain period. The investor will be able to see a profitable offer in time or, on the contrary, refuse a deal that will bring losses. In addition, this calculation will help to determine the expected amount of income from investment. The return on

investment (ROI) is calculated to be 0.65 or 65.3%, which is a high indicator of efficiency and demonstrates a significant economic effect from the project's implementation. Taken together, the results obtained indicate the financial feasibility of the investment project. The presence of a positive NPV, a PI value > 1 , an acceptable PP and a high ROI indicate a high potential for return on investment and further growth in the company's profitability. Such investment decisions can contribute to the restoration of the enterprise's profitability in future reporting periods and strengthen its position in the Ukrainian retail market.

CHAPTER 3

MAIN DIRECTIONS FOR IMPROVING FINANCIAL AND INVESTMENT ACTIVITY

3.1 Directions for optimization of the efficiency of financial resource management (on the example of LLC «SILPO FOOD»)

Efficient financial resource management is a crucial component of sustainable business operations in modern competitive environments. For retail companies like LLC Silpo-Food, one of the largest food retail chains in Ukraine, the ability to allocate and utilize financial resources effectively directly affects profitability, stability, and long-term growth. Financial management strategies must therefore be continuously optimized to align with changing market conditions, cost pressures, and risk factors.

For an enterprise to function effectively, it is not enough to simply have financial resources on its balance sheet. They must be properly formed and used in accordance with the type of activity the business entity is engaged in. That is, funds must be attracted for a period longer than their useful life.

For the analysis of the efficient financial resource management we will focus on three interconnected components: optimization of capital structure, minimization of the cost of capital, and risk management in the process of forming financial resources. Each of these aspects will be addressed both theoretically and through practical illustrations, including financial formulas, graphical representations, and real-world data wherever possible. Capital structure optimization is an important stage of strategic capital analysis, which consists in determining the ratio between the value embodied in the company's funds, which belong to it and bring profit, and the value invested in funds attracted on the basis of their return, under which the maximum efficiency of the enterprise's activities is achieved [37]. The goal of capital structure management is to minimize the cost of attracting long-term sources of financing and provide capital owners with the maximum market value of their invested funds.

For LLC Silpo-Food, identifying the optimal balance between debt and equity is essential for minimizing the cost of capital, improving profitability, and ensuring financial sustainability in the long term. Capital optimization could involve divesting underperforming assets, or restructuring assets to improve return on capital.

According to traditional capital structure theories, particularly the Modigliani-Miller Theorem (without taxes) mentioned earlier, the value of a firm is unaffected by its capital structure [38]. However, in a real-world environment with taxes, bankruptcy risks, and asymmetric information, capital structure has a direct impact on both the firm's value and its weighted average cost of capital (WACC). When taxes are introduced, debt financing becomes attractive due to the tax shield it provides, reducing the effective cost of capital. However, excessive reliance on debt increases financial risk and may lead to higher costs due to default risk and reduced creditworthiness.

The Trade-Off Theory suggests that firms should balance the tax benefits of debt with the costs of financial distress. This framework is particularly relevant for companies like Silpo-Food, which operate in a relatively stable but competitive market with moderate risks and significant operational cash flows. By carefully increasing the debt ratio, the company may take advantage of tax benefits while maintaining acceptable risk levels. Additionally, the Pecking Order Theory emphasizes the preference for internal financing (retained earnings), followed by debt, and finally equity, due to asymmetric information and flotation costs. This theory also supports a cautious approach to increasing leverage while prioritizing profitability and reinvestment.[39, p. 487]

To determine the optimal capital structure, the Weighted Average Cost of Capital (WACC) is calculated, which aggregates the cost of equity and the after-tax cost of debt in proportion to their weights in the capital structure. WACC is an indicator that characterizes the cost of enterprise resources and is used when making management decisions regarding the feasibility of implementing investment projects.

High-risk projects are necessarily characterized by a significant cost of capital. In the context of globalization, the issue of comparing trends in the cost of capital in Ukraine and the world is becoming particularly relevant. The general formula is

$$WACC = \frac{E}{V} * r_e + \frac{D}{V} * r_d * (1 - T), \quad (3.1)$$

where, E - Market value of equity;

D - Market value of debt;

$V = E + D$ - Total capital;

r_e - Cost of equity;

r_d - Pre-tax cost of debt;

T - Corporate tax rate.

The cost of equity and cost of debt for Silpo LLC are not directly available in the public financial data, as specific financial metrics like these are often proprietary for private companies. So, we will estimate these costs based on general principles using industry benchmarks and regional economic conditions. The Russian invasion increased economic volatility, inflation, and borrowing costs in Ukraine. Corporate lending rates for UAH-denominated loans in 2023 were likely elevated due to heightened risk, ranging from 15–20% for stable businesses like food retailers, compared to 10–15% in 2021. This reflects tighter monetary policy and war-related risk premiums.

$$\text{After - Tax cost of debt} = \text{Pre - Tax cost of debt} \times (1 - \text{Tax Rate}), \quad (3.2)$$

Assuming a pre-tax cost of debt of 17.5% (midpoint of 15–20%), after-tax cost of debt will be 14.35%.

The cost of equity reflects the return required by shareholders for the risk of investing in Silpo, typically calculated using the Capital Asset Pricing Model (CAPM):

$$\text{Cost of equity} = R_f + \beta * (R_m - R_f), \quad (3.3)$$

where R_f - Risk-free rate

β - Equity beta

$R_m - R_f$ - Equity market risk premium (ERP)

In 2023, Ukrainian government bond yields were significantly elevated due to war risks. Yields on 10-year UAH-denominated bonds were approximately 18–22%, reflecting high inflation and default risk. Assume Risk-free rate as 20% as a conservative estimate for 2023. As a private company, Silpo has no public beta. Food retailers typically

have low betas (0.5–0.8) due to stable demand, but Ukraine’s economic and geopolitical risks increase volatility. Assume a beta of 0.8, adjusting for war-related uncertainty but moderated by the sector’s resilience. For emerging markets like Ukraine in 2023, the ERP is high due to systemic risks, typically 10–14%. Given the war, use 12% to reflect elevated market uncertainty.

$$\text{Cost of equity} = 20\% + 0.8 * 12\% = 29.6\%, \quad (3.3a)$$

For estimation, assume a hypothetical positive equity value (e.g., UAH 1 billion) to reflect Silpo’s market presence and treat equity as minimal of the weight of 10%. Then, calculating WACC we receive:

$$\text{WACC}_{\text{current}} = 0,1 * 29,6\% + 0,9 * 14,35\% = 15,875\%, \quad (3.1a)$$

In summary, Silpo’s estimated WACC of 15.9% in 2023 reflects the high financial risks it faces due to Ukraine’s ongoing war and economic instability. This high cost of capital means it’s expensive for Silpo to raise money for new projects, which could slow down its growth and recovery efforts. While this may make some investors cautious, Silpo’s position as a stable food retailer gives it a chance to attract those who see long-term potential in essential services.

To explore how WACC responds to changes in debt ratio, we simulate several capital structures and calculate WACC for each (Table 3.2). Increased debt raises more risk, so we will assume that cost of debt will increase as lenders demand a higher return (moderate +0.05% per 1% equity increase) and cost of equity will decrease (more equity means the company is less leveraged and thus less risky for shareholders.).

Table 3.2– WACC reaches for SILPO FOOD, 2023 year

Equity (%)	Debt (%)	Rd (%)	Re (%)	WACC (%)
10	90	14.35	29.60	15.88
20	80	14.85	25.60	17.00
30	70	15.35	21.60	17.23
40	60	15.85	17.60	16.55
50	50	16.35	13.60	14.98

Source: built by author predictions

To make it more visual, we will built a chart, showing relation between WACC and debt-to-total capital ratio (Figure 3.1).

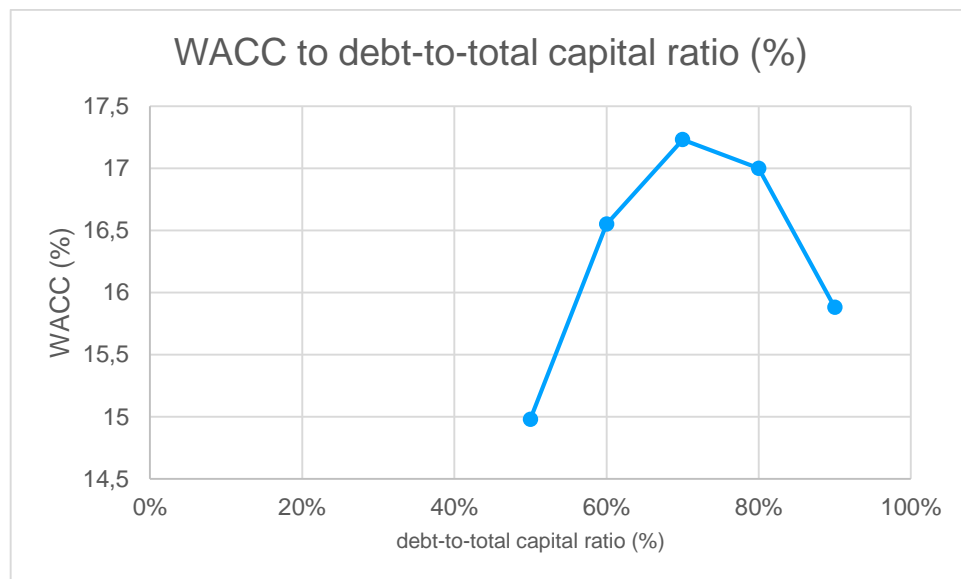


Figure 3.1 - WACC vs. debt-to-total capital ratio (Silpo-Food)

Source: built by the author using the table above

WACC starts at 15.88% with a highly leveraged structure of 10% equity and 90% debt. It then increases slightly to a peak around 17.23% when equity reaches 30%, due to the rising cost of debt and still relatively high equity costs. Beyond this point, WACC declines, falling to 14.98% at 50% equity—below the initial WACC level. This pattern highlights that increasing equity reduces the company’s overall financing costs after a certain threshold because the reduction in equity risk outweighs the moderate rise in debt costs.

So basically, the table demonstrates the trade-off between debt and equity financing costs. While some debt helps lower WACC through tax shields, too much debt increases financial risk and the cost of capital. For Silpo, moving toward a more balanced capital structure with higher equity (around 50%) may optimize financing costs by lowering the WACC, which can be crucial for supporting stable growth in challenging economic conditions. Also, lower WACC improves the net present value (NPV) of future cash flows and creates additional shareholder value.

It is advisable to start with long-term structured financing (such as bond issues or long-term bank loans with fixed interest), supplemented by internal policy adjustments such as dividend optimization or retention of greater earnings for reinvestment.

Risks are a key factor affecting both the discount rate (weighted average cost of capital, WACC) and the future cash flows (CF) of the company. In financial theory and practice, it is customary to distinguish between systematic (undiversified) and unsystematic (diversified) risks. Unsystematic risks are associated with the activities of a specific company or industry (for example, management errors, production failures, loss of a key customer) and can be eliminated through portfolio diversification. According to the capital asset pricing model (CAPM), investors who form a well-diversified portfolio should not receive an additional premium for these risks, so they are not taken into account in the discount rate. Instead, unsystematic risks are taken into account in the forecasting of cash flows, since they affect the company's operating activities. For example, according to a PwC (2023) study, 68% of company executives believe that the main threats to CF growth are internal operational risks related to production and logistics efficiency [40].

Systematic risks that are not subject to diversification are associated with general market volatility, macroeconomic and political factors, and are taken into account in the calculation of the cost of equity through the beta coefficient (β). Beta reflects the sensitivity of the asset's return to market changes: if $\beta > 1$, the asset is riskier compared to the market, if $\beta < 1$ - less risky. In turn, the WACC, which includes β in the cost of equity formula, increases with increasing systematic risks. For example, in 2022, the average β for companies in the US technology sector was 1.21, indicating higher market volatility, while in the utilities sector it was 0.58, which reduces the WACC and cost of capital of such companies [41].

In order to reduce the impact of unsystematic risks, it is recommended to implement comprehensive risk management systems (ERM), strategically diversify the customer base and suppliers, insure key assets and optimize internal business processes.

Regarding systematic risks, it is advisable for companies to use hedging instruments (in particular, currency and interest rate risk), maintain a balanced capital

structure and strategically plan investment activities in the context of the macroeconomic situation. Such measures allow to reduce β and, accordingly, WACC, which in the long term has a positive effect on the assessment of the value of the business. The optimization of Silpo-Food's capital structure should focus on decreasing the debt share modestly to approximately 50% while monitoring WACC behavior and market perception. This approach supports both theoretical models and practical financial logic.

Minimizing the cost of capital is essential for increasing the enterprise value and improving the return on investment. For Silpo-Food, firstly it can be done by improving liquidity. One of the main problems of the organization's liquidity is that the current assets of the enterprise are concentrated in hard-to-sell assets, and short-term liabilities are too large compared to the share of assets that are quickly sold and continue to grow. In the economic literature, the most common ways to increase liquidity are options through a reduction in short-term liabilities and by increasing the share of liquid (current) assets [24, p. 325]. In the structure of financial liabilities by maturity of Silpo-Food LLC, current and short-term liabilities occupy the largest share (Figure 3.2).

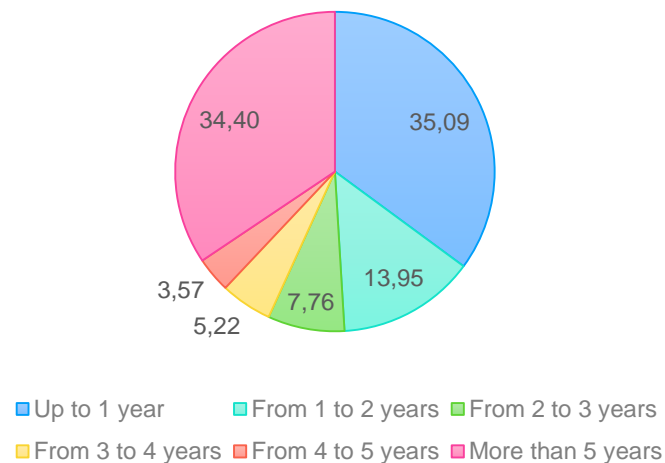


Figure 3.2 - Structure of financial liabilities by maturity of Silpo-Food LLC as of December 31, 2023

Source: built based on data from the annual financial statements of Silpo-Food LLC

From the current balance sheet structure, we can use the most effective and simple way to change the liquidity indicators of LLC “Silpo-Food” - to restructure short-term loans and borrowings into long-term ones. We can also use the levers of the organization's

working capital management in order to reorganize the asset structure to increase the share of the company's most liquid funds and reduce the volume of assets that are difficult to sell. In particular, it is possible to review the inventory structure of LLC “Silpo-Food” in order to identify hidden reserves to increase solvency.

Silpo-Food should integrate dynamic financial planning tools, such as scenario analysis and sensitivity modeling, to monitor the effect of capital cost variations under different market conditions. By developing multiple plausible scenarios—such as a base case with stable conditions, an adverse scenario with rising inflation and currency depreciation, and an optimistic scenario with controlled inflation and currency appreciation—Silpo-Food can model the impacts on capital costs, operational expenses, and revenue projections. Sensitivity models can further analyze how changes in individual parameters affect crucial financial metrics like cash flow and ROI, helping the finance team understand which variables have the most significant influence. These tools support timely decision-making and enable the finance department to react to macroeconomic shifts such as inflation, interest rate changes, and currency devaluation risks.

Another effective tool for minimizing the weighted average cost of capital (WACC) is to diversify funding sources by attracting both internal and external capital. This allows companies not only to reduce dependence on one type of financial resources, but also to choose the most advantageous options in terms of cost and risks. For example, given the high cost of loans in the Ukrainian domestic market due to macroeconomic instability and country risk, the use of alternative sources — such as bonds, loans from international financial institutions or foreign currency financing — can significantly reduce the cost of debt capital (Cost of Debt).

For example, SILPO LLC could attract financing from organizations such as the European Bank for Reconstruction and Development (EBRD) or the European Investment Bank (EIB), which provide long-term loans at 2–4% per annum in foreign currency, which is significantly lower than the average commercial lending rate in Ukraine. Since servicing such debt is cheaper than servicing similar domestic financing, this directly affects the reduction of the company's overall WACC. Additionally, the

stability and transparency of this form of financing can also positively affect the market assessment of the cost of equity, especially from foreign investors.

The third component, which is financial risk management plays a critical role in the stability and adaptability of a company's financing strategy. For LLC Silpo-Food, which operates in a volatile retail environment influenced by economic cycles, regulatory changes, and currency fluctuations, the identification and control of financial risks is indispensable in the formation and efficient use of financial resources.

There are several key categories of financial risk relevant to the company:

- liquidity risk – the risk of insufficient short-term cash to meet operational obligations;
- credit risk – the risk of default from counterparties such as suppliers or financial institutions;
- market risk – the potential losses from fluctuations in interest rates, inflation, and foreign exchange rates;
- operational and compliance risks – errors in budgeting, financial reporting, or regulatory violations.

To manage these risks effectively, Silpo-Food can implement an integrated risk management system (IRMS) that includes forecasting tools, performance monitoring, hedging strategies, and insurance mechanisms. One of the key quantitative instruments is Value at Risk (VaR), which estimates the potential loss over a specified period at a given confidence level:

$$VaR = \sigma * Z * \sqrt{t} \quad (3.4)$$

where σ - standard deviation of returns or cash flows;

Z - Z-score (e.g., 1.65 for 95% confidence);

t - time period (e.g., 30 days).

Given Silpo is a private company and we lack detailed monthly cash flow data, the best practical approach here is to use quarterly (or annual) revenue/profit data to estimate volatility, then approximate monthly VaR via scaling. Annual return from 2021 to 2023 (over 2 years) will be 16,4% based on revenue data.

Annualized growth rate (using CAGR) will be equal to 8%. Converting annual volatility to monthly volatility we will receive $\sigma = 2,3\%$ with average monthly revenue 7,06 bln UAH. After multiplying we will receive monthly standard deviation in absolute terms of 162mln UAH. Then 95% monthly VaR is approximately

$$\text{VaR} = 162,000,000 \cdot 1.65 \cdot \sqrt{1} = 267,300,000 \text{ UAH} \quad (3.4a)$$

This means that in 95% of cases, monthly cash flow losses will not exceed €19.8 million — a valuable figure for liquidity planning and debt servicing assurance.

The following matrix outlines the main risks, their likelihood, impact, and recommended responses (Table 3.3)

Table 3.3 – Financial risk matrix for LLC Silpo-Food

Risk type	Likelihood	Impact	Strategy
Liquidity risk	High	High	Restructuring short-term loans
Credit risk	Medium	Medium	Partner vetting, insurance
Market risk	Medium	High	Hedging (FX, interest rate)
Operational risk	Low	Medium	Internal audits, compliance

Source: built by the author based on [42]

Qualitative approaches such as stress testing, scenario planning, and risk workshops should be conducted regularly. For instance, if interest rates increase by 2 percentage points, Silpo-Food's interest burden could rise by over €30 million annually — a scenario that must be tested within budgeting simulations.

The optimization of financial resource management is not a one-time effort but a continuous process requiring strategic insight, analytical rigor, and operational discipline. For Silpo-Food, adopting these directions will not only reduce financing costs but also enhance resilience and create long-term shareholder value in a challenging economic landscape.

3.2 Directions for improving investment activities of the enterprise

Based on the analysis of financial indicators and assessment of the effectiveness of the investment project, a number of practical recommendations can be offered to Silpo-Food LLC aimed at improving investment attractiveness and increasing overall investment efficiency.

It is advisable to optimize the structure of the enterprise's investment portfolio, focusing resources on the most profitable and quick-payback areas. When making decisions, it is advisable to use a full set of financial indicators - NPV, PI, PP, IRR, ROI - which will avoid unreasonable costs. As per current estimates, the company's average project internal rate of return (IRR) is 9.5%, which is marginally above its weighted average cost of capital (WACC) of 8.7%. Projects with IRRs significantly higher than the WACC should be prioritized to ensure value creation. Conditionally profitable projects, but with a long payback period, should be implemented only if there is excess liquidity. Also, for effective investment activity, it is recommended to increase the efficiency of cost management. As the analysis showed, even with stable income, the enterprise faces losses. This indicates potential savings reserves, particularly in logistics, procurement, energy costs, and other supporting items.

The second important direction is the introduction of modern methods of investment project management, in particular Silpo-Food LLC can adopt contemporary investment management methodologies, particularly Management by Objectives (MBO) and Earned Value Management (EVM), to monitor project performance across milestones. Introducing flexible budgeting mechanisms and rolling forecasts will facilitate timely adjustments in response to both market volatility and internal operational changes.

MBO is a results-oriented management approach that aligns project goals with the broader strategic objectives of the organization. Under MBO, clear, measurable objectives are collaboratively defined for each investment project.

Studies indicate that organizations implementing MBO experience on average a 20-25% improvement in project success rates and up to a 15% increase in return on investment (ROI) due to enhanced focus and accountability [40].

For Silpo-Food LLC, defining MBO-based targets could include:

- ✓ Achieving a minimum IRR of 12-15% on new store investments, compared to the current portfolio average of 9.5%.

- ✓ Reducing average inventory holding periods from 59 days to 50 days, improving working capital turnover by approximately 12%.

- ✓ Launching innovative retail formats (darkstores, click&collect) with a projected payback period of under 3 years, improving cash flow cycles.

EVM integrates scope, schedule, and cost to provide real-time project performance metrics. Industry benchmarks show that companies employing EVM report an average 30% reduction in project overruns and improve schedule adherence by 25% [43]. For Silpo LLC it is advisable to establish Cost Performance Index (CPI) target of ≥ 1.0 to ensure projects remain within budget as well as Schedule Performance Index (SPI) target of ≥ 1.0 indicating projects meet or beat schedule.

Given the high financial costs, control over borrowed resources should be strengthened. Restructuring loans, and replacing part of the obligations with strategic investments can improve the overall stability of the company.

Thirdly, special attention should be paid to expanding sources of financing. Attracting direct investments, partnerships with international funds, state business support programs - all this can become an additional resource for the implementation of large-scale initiatives. If necessary, it will also be appropriate to attract capital through the issue of corporate bonds or agreements with venture investors.

Finally, the development of the innovative component of the business (including digitalization, automation of operations, the launch of new service formats, such as darkstore or click&collect) will allow to increase the margin of the business and reduce

costs in the long term. AI can optimize stock levels to reduce overstocking (which ties up capital) and stockouts (which cause lost sales). Machine learning models can predict demand using historical sales, seasonality, and external factors like holidays or economic shifts. For example, a system like IBM's Sterling Supply Chain Suite could be implemented to enable real-time inventory tracking across Silpo's 350+ stores, integrated with suppliers for just-in-time restocking, potentially reducing inventory costs by up to 20%. AI-powered chatbots, smart checkout systems, and computer vision for shelf monitoring can enhance efficiency and engagement. For example, installing Amazon's Just Walk Out-style self-checkout systems in Silpo's themed stores could reduce checkout times by 50% and labor costs by 10%, while shelf-scanning robots ensure stock availability.

To sum up, the selection and evaluation of investment projects can have a significant influence on a firm's cost of capital, on perceived risk, capital structure decisions, and future cash flow stability.

When a firm undertakes high-quality investment projects—those with strong expected returns, manageable risk, and consistent cash flows—it enhances its business risk profile and reduces uncertainty for both equity and debt investors. This improved risk profile may lead to lower cost of Equity (R_e) because investors demand a lower risk premium when the firm demonstrates a stable and profitable investment strategy. According to the Capital Asset Pricing Model (CAPM), a firm with lower systematic risk (beta) will face a lower cost of equity. Then it leads to the lower cost of debt (R_d) because lenders are more willing to offer debt at favorable interest rates when projects are low-risk and cash-generative. A strong investment portfolio reduces the probability of default and improves the firm's credit rating.

CONCLUSIONS

In the qualified bachelor thesis, it was provided a comprehensive analysis of the theoretical, methodological and practical approaches of financial resources of LLCs, were proposed directions for optimization the efficiency of financial resource management and improving the investment attractiveness of LLCs on the example of “Silpo Food”.

Based on the results of the conducted research, such conclusions and propositions were made:

1. It was concluded that based on the theoretical foundations the financial resources of an enterprise are a set of funds of the enterprise (own and borrowed), which are at its disposal and serve for its further functioning in order to obtain profit, increase competitiveness and business value. The absence of a multi-level structure (as in joint-stock companies) makes it possible to respond more quickly to changes in the economic environment and use resources efficiently. Compared to enterprises of other forms of ownership, it was stated that the management of a Limited Liability Company (LLC) is less bureaucratic, which allows it to quickly adapt to market changes. However, such simplicity can reduce the level of internal control and accountability. This organizational flexibility also influences financial decision-making processes, including the management and classification of financial resources.

2. It was provided the methodological approaches to the analysis of financial resources and it was noted that it is advisable to use their division into own and borrowed funds. In the context of an LLC, clearly distinguishing between own and borrowed financial resources becomes essential for maintaining financial discipline and transparency. This division aids in managing risk, ensuring responsible use of external funding.

3. Also, as a result, we provided general financial and economic characteristic of LLC "Silpo-Food", analyzed its financial condition as well as its liquidity, KPIs and concluded that while the company demonstrates a stable revenue base, it faces profitability challenges primarily due to high operational costs.

4. We identified the peculiarities of different funding sources, analyzed its advantages and disadvantages and concluded that the choice of financing sources critically influences a company's financial health, operational efficiency, and long-term competitiveness.

5. We assessed the effectiveness of LLC "Silpo-Food" investment activities, focusing on how the company navigated a challenging macroeconomic environment and analyzed key financial indicators, including profitability, liquidity, and investment intensity. To gain a more forward-looking perspective, we developed free cash flow forecasts under both real and nominal assumptions.

6. The possible directions for optimization the efficiency of financial resource management of LLC "Silpo-Food" were provided. As a result, we can conclude that financial performance of LLC Silpo-Food are heavily influenced by the efficiency of its financial resource management strategy. This paper has analyzed three critical components of such efficiency: the optimization of capital structure, the minimization of the cost of capital, and effective risk management during resource formation.

7. We identified directions for improving investment activities of the LLC "Silpo Food" and concluded that projects yielding significantly higher IRRs should be prioritized to enhance value creation, while projects with marginal returns or long payback periods should only be pursued under conditions of excess liquidity.

The analysis also revealed that Silpo-Food's current capital structure relies predominantly on equity. By depending largely on internally generated funds rather than borrowed capital, the company reduces its exposure to interest rate fluctuations and potential solvency issues. However, it may also limit the company's capacity for rapid expansion or large-scale investments, as equity financing can be more restrictive in terms of available resources.

So, to effectively attract financial resources and increase the efficiency of investment activities, LLC Silpo-Food needs to focus on two key areas:

- 1) optimizing the capital structure to minimize the weighted average cost of capital (WACC);
- 2) maximizing cash flows (CF) while simultaneously reducing WACC.

As we observed the WACC decreases to 14.98% with a capital structure of 50% equity and 50% debt. It is recommended to gradually reduce the debt share to this level by using long-term financing instruments such as bonds or fixed-rate bank loans. For example, raising financing from international organizations such as the EBRD or EIB at rates of 2–4% per annum will significantly reduce the cost of debt compared to domestic loans (15–20%).

Additionally, robust risk management practices, such as Value at Risk (VaR) assessments and scenario planning, are essential to mitigate both systematic and unsystematic risks, particularly in the context of macroeconomic instability and war-related uncertainties. A balanced capital structure can enhance the firm's flexibility in financing new projects and improve returns on equity. Nevertheless, it requires careful management of debt levels to avoid overleveraging and to ensure the company remains resilient in times of market volatility.

In terms of investment activities, Silpo-Food can improve efficiency by prioritizing high-return projects with Internal Rates of Return (IRR) significantly above the WACC, adopting modern project management methodologies like Management by Objectives (MBO) and Earned Value Management (EVM), and leveraging innovative technologies such as AI-driven inventory systems and automated retail formats.

The implementation of flexible budgets and rolling forecasts will allow to quickly respond to changing market conditions, increasing CF.

By implementing these recommendations, Silpo-Food LLC can position itself as a more competitive, innovative, and attractive entity for both domestic and international investors.

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