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Київ 2024

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(EXPLANATORY NOTE)

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*I certify that this qualification paper does not
contain borrowings from the works of other
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Kyiv 2024

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T A S K
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2. Date of the paper submission to the graduate department 25.11.2024 p.
3. Initial data for the project: general characteristics of FORTA & K LLC, characteristics of the company's structure, analysis of business and foreign activities, and general statistics on the company's activities.
4. Content of the explanatory note: general characteristics of FORTA & K LLC, analysis of economic, internal, and financial activities, analysis of the foreign economic activities of the company, and proposals for optimization of such activities.
5. List of mandatory graphic material: tables, diagrams, graphs, diagrams illustrating the current state of the problem and methods of solving it.

6. Calendar plan-schedule

№	Task	Period of execution	Mark of execution
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1.	Studying and analysing scientific articles, literary sources, regulatory documents, preparing the first version of the introduction and the theoretical part	02.09.24-20.09.24	done
2.	Collecting statistical data, conducting timekeeping, identification, preparation of the first draft of the analytical part	21.09.24-13.10.24	done
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4.	Preparing the final version of the qualification paper, checking it with the standard controller	04.11.24-14.11.24	done
5.	Approving the paper with the supervisor, obtaining the supervisor's review, submitting it to the Management of Foreign Economic Activity of Enterprises Department for admission to the defence, obtaining internal and external reviews, certificate of academic performance	15.11.24-19.11.24	done
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Seeker

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Scientific adviser of the qualification paper

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		Task issued by	Task accepted by
Part 1	Professor, Doctor of Economics Razumova K.M.	02.09.24	02.09.24
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ABSTRACT

The explanatory note to the qualification work "Development of measures to improve the competitiveness of FORTA & K LLC in foreign economic activity" consists of 137 pages and contains 20 tables, 97 references.

Keywords: ENTERPRISE COMPETITIVENESS; COMPETITIVENESS MANAGEMENT; INTERNATIONAL MARKETS; BENCHMARKING; PLASTICS INDUSTRY.

The object of research - the Ukrainian plastics products manufacturer FORTA & K LLC.

The objective of the work is to analyze and develop practical recommendations for managing risk of FORTA & K LLC by assessing its current management systems, financial performance, and identifying strategic measures to enhance its position in both domestic and international markets.

In accordance with the objective, the following tasks were defined:

- to analyze the theoretical foundations of enterprise competitiveness and its management;
- to study the activities and external environment of FORTA & K LLC;
- to evaluate the current international competitiveness of FORTA & K LLC using various analytical tools;
- to propose strategic measures for improving the company's risk evaluation in international markets;
- to assess the financial impact of the proposed measures through cost-benefit analysis and profitability calculations;
- to explore ways to enhance the company's risk management system, with a focus on staff motivation and competitiveness management.

The subject of the study is the management of risk and improvement of the international competitiveness of FORTA & K LLC in the plastics industry. *Research methods:* To solve the tasks set, the author used the methods of structural, logical, and system analysis, classification methods, expert assessments, the method of comparisons and analogies, and a systematic approach.

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INTRODUCTION

Relevance of the research topic. In the globalized economy, enterprises engaged in foreign economic activities face a myriad of risks that can impact their financial stability and operational efficiency. The ability to identify, assess, and manage these risks is crucial for ensuring long-term success and sustainability. As markets become more interconnected, the complexity and unpredictability of these risks increase, making risk management a vital component of strategic planning for any enterprise involved in international trade. The case of FORTA & K LLC, a company actively participating in foreign economic activities, underscores the importance of developing a robust risk management framework that can adapt to the dynamic global market.

The purpose of the thesis is to explore and analyze the theoretical foundations of risk management and apply them to the practical assessment of risks faced by FORTA & K LLC in its foreign economic activities, with the aim of developing recommendations for effective risk management strategies.

The object of research is the risk management process at FORTA & K LLC, an enterprise engaged in foreign economic activity.

The subject of the study is the theoretical, methodological, and practical aspects of economic risk management within the context of foreign economic activities.

The theoretical and methodological basis of the study consists of a review of existing literature on economic risk management, including theories, models, and approaches developed by both domestic and international scholars. Key contributions from researchers in the field of risk management, such as F. Knight, H. Markowitz, and J. Stiglitz, form the foundation of the theoretical framework.

The information base of the study includes financial reports, internal documentation, and external analyses related to the operations of FORTA & K LLC. Additionally, industry reports, international trade data, and case studies from similar enterprises will be used to support the analysis.

The scientific novelty of the obtained results lies in the application of established risk management theories to the specific context of FORTA & K LLC, leading to the development of tailored strategies that address the unique challenges faced by the company in its foreign economic activities. This study also contributes to the existing body of knowledge by providing insights into the practical application of risk management in a real-world setting.

The practical significance of the obtained results is evident in the potential for FORTA & K LLC to enhance its risk management practices based on the recommendations derived from this research. Implementing these strategies could lead to improved decision-making processes, reduced exposure to financial and operational risks, and ultimately, greater success in international markets.

In an era marked by unprecedented global interconnectedness, the significance of effective risk management for enterprises engaged in foreign economic activity cannot be overstated. For companies like FORTA & K LLC, which operates in the complex domain of importing and exporting plastic raw materials, the ability to identify, assess, and mitigate risks associated with international trade is crucial for maintaining operational stability and achieving sustainable growth. The global market presents a multitude of risks, including fluctuating exchange rates, geopolitical uncertainties, and varying regulatory environments, all of which can impact the financial performance and strategic positioning of an enterprise. This paper addresses these challenges by exploring the theoretical foundations of risk management specific to foreign economic activities, providing a structured approach to understanding and navigating the multifaceted risk landscape that international businesses encounter.

The significance of this study lies in its dual focus on theoretical exploration and practical application. By synthesizing established theories of risk management with contemporary practices from international contexts, the paper aims to offer a comprehensive framework tailored to the unique needs of FORTA & K LLC. This framework not only enhances the company's ability to manage economic risks but also contributes to its competitive advantage in the global market. The insights and recommendations derived from this research are expected to provide actionable strategies for mitigating risks and capitalizing

on opportunities, thereby supporting the company's long-term success. Furthermore, the study's findings are intended to be of broader relevance, offering valuable lessons for other enterprises engaged in similar international activities, and thereby contributing to the advancement of risk management practices within the field of foreign economic activity.

CHAPTER 1. THEORETICAL FOUNDATIONS OF RISK MANAGEMENT AT AN ENTERPRISE ENGAGED IN FOREIGN ECONOMIC ACTIVITY

1.1. Economic essence of risk management and its classification.

In today's ever-changing economic environment, market relations are transforming rapidly, which means that there is ambiguity and uncertainty about the expected end result; therefore, risk, i.e. the danger of failure and unforeseen losses, is increasing. This is especially true in the early stages of entrepreneurship.

A common and controversial view in risk theory is that risk is uncertainty. The well-known Polish scientist Oskar Lange noted that economists of the neoclassical school (late nineteenth and early twentieth centuries) for a long time used the term 'uncertainty' instead of 'risk' [5].

The debate over the validity of interpreting the concept of 'risk' through 'uncertainty' has been going on for more than 100 years. Alan Willett in his book 'The Economic Theory of Risk and Insurance' (1901) was the first to highlight the economic aspect of risk. The scientist based his analysis on the concept that although the term 'risk' is used in different meanings, there is a general consensus that it is associated with the concept of uncertainty. The latter can characterise every situation in which it is impossible to present the process of activity and its consequences absolutely accurately, i.e. where it is impossible to identify the cause and effect relationship between the elements of this process. Therefore, A. Willett formulated his view on the correlation between risk and uncertainty based on the principle of general determinism, which means that all obvious phenomena, including random ones, are the results of other causal phenomena. Ignorance of the full group of preconditions leads to the effect of chance, so people are in a state of uncertainty.

Entrepreneurship is always associated with uncertainty, which arises, for example, in cases of uncertainty in

- 1) the external environment

2) the economic situation, which results from uncertainty in the supply and demand for goods, money, factors of production, etc;

3) the diversity of the spheres of capital application;

4) in the variety of criteria for giving preference in investing funds;

5) related to the limited knowledge of the subject business area, etc. Economists have distinguished between risk and uncertainty.

Uncertainty is a state in which it is impossible to carry out any research to obtain any quantitative or qualitative characteristics and/or specific results. Uncertainty can be interpreted and detailed as: unreliability, ambiguity.

P. Ibatulin argues that, firstly, risk is possible only in cases where it is necessary to make a decision (if this is not the case, then there is no point in taking risks). In other words, it is the need to make a decision under conditions of uncertainty that generates risk. Second, risk is subjective, while uncertainty is objective.

Thus, a risk situation can be characterised as a type of uncertainty when the occurrence of events is probable and can be determined, i.e. in this case, it is objectively possible to assess the probability of events that are assumed to occur during the project implementation and that result in losses or reduced project efficiency [32].

I. Volkov and M. Gracheva believe that uncertainty implies the presence of factors in which the results of actions are not deterministic, and the degree of possible influence of these factors on the results is unknown. For example, it is incomplete or inaccurate information.

As you can see, risk is an objective element in making any business decision because uncertainty is an inevitable characteristic of the components of business in modern conditions. However, uncertainty is not analogous to unpredictability, as uncertain situations and the risks arising from them are defined by probability and can be quantified. Unpredictability, on the contrary, means the inability to determine the exact time and sometimes the place of an event.

Risk is always inherent in the free enterprise economy, as business involves the deliberate acceptance of risk in order to obtain the desired return. It is impossible to avoid economic risks completely □. They exist because of the objective categories of conflict

and uncertainty inherent in the economy, the lack of complete information, and the impossibility of accurate forecasts regarding many parameters of economic objects and processes. The object of risk is considered depending on the purpose and level of research. At the micro level, it can be a single business transaction, product type, technology, area of production activity, etc.; at the meso level, it can be a separate enterprise, industry, socio-cultural community of people in a certain territorial unit; at the macro level, it can be a country, region, etc. All risk objects are systems - sets of elements of an arbitrary nature that have connections and form a certain integrity [44].

A risk object is a system whose efficiency and operating conditions are not precisely defined in advance. A risk subject is defined by its legal capacity to make decisions regarding the risk object. Usually, at the micro level, risk subjects are individuals (executives, managers, responsible employees). At the meso- and macro-level, collective decision-making is more common.

A risk bearer is a person (individual or group) who is interested in the results of managing a risk object and has the competence to make decisions regarding the risk object. All risks arise as a result of various factors that become sources of risk. A risk source is a factor (phenomenon, process) that causes uncertainty of results due to certain endogenous or exogenous changes or actions of risk subjects.

Sources of risk are divided into two groups by their manifestation: external and internal. External sources of risk are formed in the external environment of the system, and it is impossible to completely avoid their impact (for example, an enterprise as a system is affected by external sources of risk: natural, political, social, macroeconomic factors). Internal sources of risk (personnel, equipment, technology, etc.) arise within the system, and their presence and activity depend largely on the actions of the risk bearer.

Thus, the activities of all economic entities are accompanied by risk. The classification of risks makes it possible to divide them into homogeneous clusters based on certain characteristics, which facilitates the application of specific methods of risk analysis, assessment and management. The need to classify risks is also related to the fact that an entrepreneur is forced to take risks by uncertainty.

Risk classification means the systematisation of a multitude of risks based on certain attributes and criteria that allow subsets of risks to be grouped into specific groups. There are more than 40 different risk criteria. The classification details the possible types of risk depending on the type of business activity. To date, economic theory has not developed a generally accepted and comprehensive approach to risk classification. This is due to the fact that in practice there are many manifestations of risk, and this sometimes makes it difficult to distinguish between its individual types [12].

Risk management is essentially an economic function aimed at ensuring the protection and optimization of a company's resources. It is fundamentally related to the economic theory of decision making under uncertainty, where the goal is to minimize the negative impact of unforeseen events while taking advantage of opportunities that arise.

The importance of risk management becomes particularly evident in companies engaged in foreign economic activities, where external and internal uncertainties can significantly affect operations and profits.

The economic nature of risk management stems from the need to preserve and increase the value of the enterprise. In this context, risk is defined as the probability that an event will occur and negatively affect the achievement of objectives. This definition includes both the harm (threat) and the benefit (opportunity) of risk. While traditional risk management focuses primarily on minimizing negative outcomes, modern approaches such as enterprise risk management (ERM) emphasize the dual nature of risk, where the goal is not only to reduce losses but also to capture potential opportunities.

Risk Classification Risk management involves identifying, assessing, and prioritizing risks, followed by a coordinated effort to minimize, monitor, and control the probability or impact of unfortunate events. To manage risks effectively, it is essential to classify them based on various factors. Risk classification serves as a fundamental step in developing appropriate risk management strategies. **Financial risks:** These are risks that have a direct impact on the financial position of the company..

They include: **Market risks:** This risk arises from fluctuations in market prices such as changes in exchange rates, interest rates and commodity prices. **Credit risks:** The risk of loss due to counterparties failing to meet their obligations

Liquidity risks: The risk that the company will not be able to meet its short-term financial obligations due to the inability to convert assets into cash. Operational risks: These are risks arising from internal processes, systems and people

For example: Process risk: Deficiencies or failures in internal processes. System risk: Failures or disruptions in IT systems. Human error risk: Risks arising from errors or professional misconduct by employees Strategic risks: These are risks that affect the company's long-term objectives. They include: Business environment risks: Changes in the external business environment that can affect the company's strategy, such as changes in regulations or changes in consumer behavior [11].

Reputational risks: The risk of damage to the company's reputation due to adverse events, public perception, or negative media coverage. Non-compliance risks: These risks arise from non-compliance with laws, regulations, and industry standards..

They include: Legal risks: The risk of non-compliance with government regulations, which can result in legal sanctions and financial loss.

Environmental risks: The risk of non-compliance with environmental laws and regulations, which can result in fines, legal action and reputational damage.

External risks: These risks come from external sources over which the company has little or no control. They include: Geopolitical risks: Risks arising from political instability, conflict or changes in government policies in the countries where the company operates

Natural disaster risks: Risk of loss due to natural phenomena such as earthquakes, floods or storms. Socio-economic risks: Risks related to changes in the economic and social environment, such as inflation, unemployment and demographic developments. Risk Management Process The risk management process is a continuous cycle that includes risk identification, risk analysis, risk assessment, risk treatment, and risk monitoring.

This first step involves identifying all the risks that may affect the business. This requires a thorough understanding of the business environment and the various factors that may pose a threat or present an opportunity.

Risk Analysis: Once risks have been identified, they must be analyzed to understand their potential impact and likelihood of occurrence. This step typically involves quantitative and qualitative assessments to prioritize risks based on severity and likelihood. **Risk Assessment:** In each stage, risk is compared with the organization's risk appetite, that is, the level of risk the company is willing to accept. This helps identify which risks require immediate action and which can be monitored over time.

Risk treatment: This involves deciding on the best course of action to manage each risk. Options include avoiding risk, minimizing risk, sharing risk (through insurance or partnerships), and maintaining risk (accepting risk and preparing for its potential impact). **Risk monitoring and review:** The final step is to continuously monitor the risk environment and the effectiveness of risk management strategies.

This ensures that new risks are identified quickly and existing strategies are adjusted as necessary to adapt to changing circumstances. The risk management process must be integrated into the company's culture and decision-making processes. By doing so, businesses can ensure that risk management is not viewed as a standalone activity but as a vital part of their overall business strategy. **The Role of Enterprise Risk Management (ERM)** Enterprise risk management (ERM) represents an evolution of the traditional approach to risk management

ERM aims to create an integrated, comprehensive framework for addressing risks across all aspects of a company's operations. Unlike traditional risk management, which typically addresses risks in isolation, ERM promotes a holistic view of risk, recognizing the interdependencies between different types of risks and their potential impact on business objectives. Enterprise risk management (ERM) provides a structured approach to aligning risk management with the strategic objectives of an enterprise [23].

By integrating risk management into the overall governance and decision-making processes, enterprise risk management (ERM) helps organizations not only protect themselves from losses but also help them take advantage of business opportunities. This strategic alignment is particularly important for companies engaged in foreign economic activities, where risks can be complex and multifaceted.

Implementing enterprise risk management (ERM) involves several key steps: Risk culture and governance: Establish a risk-aware culture and governance structure that supports effective risk management. Risk appetite and tolerance: Determine the level of risk the organization is willing to accept to achieve its objectives. Identify and Assess Risks: Systematically identify and assess risks throughout the organization.

Risk Response Strategies: Develop strategies to address identified risks, including avoiding, mitigating, sharing, and accepting risks. Monitoring and Reporting: Continuously monitor risk exposures and report on the effectiveness of risk management activities. In summary, the economics of risk management lie in the ability to protect business assets and create value through the prudent management of uncertainty.

By categorizing risks and implementing a comprehensive risk management process, businesses can navigate the complexities of global markets, improve resilience, and achieve sustainable growth. Risk management in the context of business operations, especially those involving foreign economic activities, is a systematic approach to identifying, analyzing, and responding to potential risks that may adversely affect the organization's ability to achieve its objectives. The economic essence of risk management lies in the ability to minimize losses and maximize opportunities by using a structured and proactive process to ensure the continuity and sustainability of business operations.

Risk management can be classified into different categories based on different criteria, such as the nature of the risk, the source of the risk, and the extent to which the organization has control over the risk. The main categories include financial risk, operational risk, strategic risk, and non-compliance risk, among others. Each category includes specific types of risks that an organization must manage to maintain stability and ensure long-term success. For companies that conduct business overseas, the complexity and scope of risk increase significantly due to factors such as currency fluctuations, geopolitical instability, and different regulatory environments [2].

Therefore, a comprehensive risk management framework, known as enterprise risk management (ERM), is often used. ERM integrates risk management into the overall strategic management process, allowing organizations to manage risk at all levels and functions.

The enterprise risk management framework consists of several key elements, each of which plays an important role in effective risk management. These elements include the internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring.

These elements work together to form a cohesive risk management strategy that is aligned with the organization's goals and objectives. This information can be visualized in Figure 1.1, which illustrates the conceptual framework of enterprise risk management (ERM).

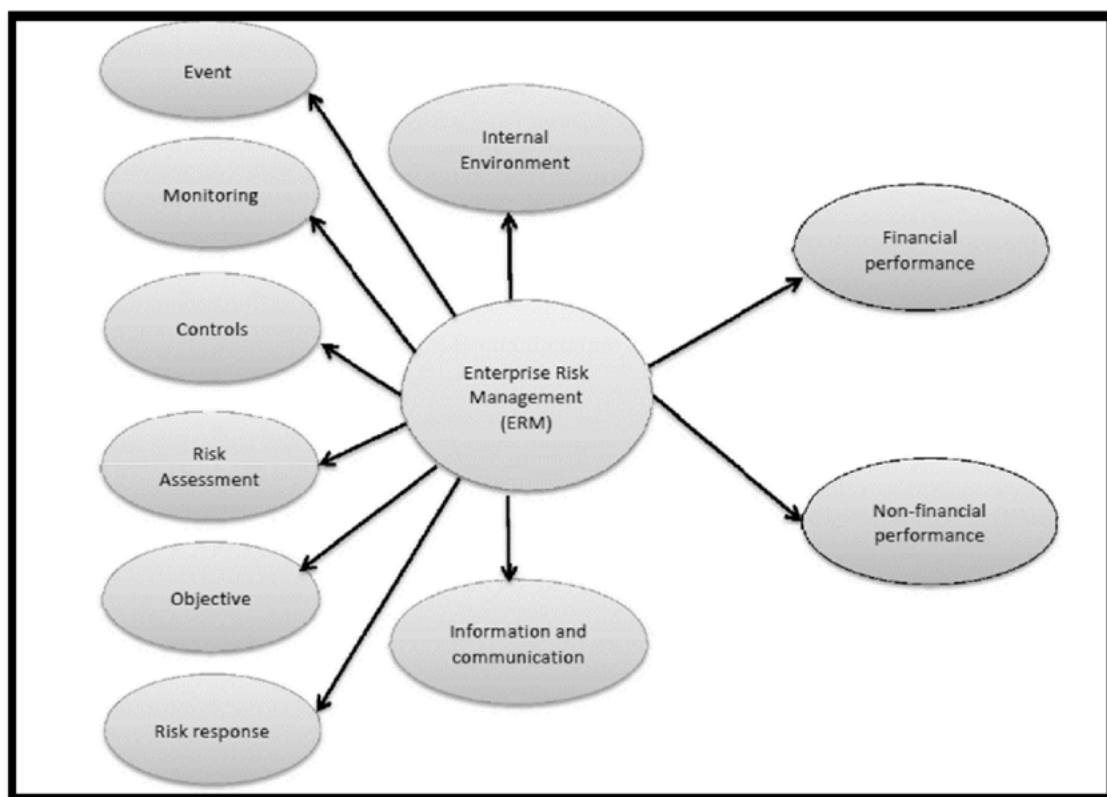


Fig. 1.1. Conceptual framework of enterprise risk management.

The diagram in Figure 1.1 depicts the interrelationships between the various components of ERM and highlights how these elements contribute to both financial and non-financial performance. Central to this framework is the ERM process, which is influenced by the organization's internal environment. The internal environment determines the approach to risk management, including the culture, governance structure, and overall risk appetite of the organization.

From the internal environment, the framework expands to include key activities such as risk assessment, which involves identifying and evaluating risks that may affect the organization's objectives. This process is essential to determine which risks are most important and require immediate attention. Risk assessment is closely linked to risk response, where the organization determines how to manage the identified risks, whether through avoidance, mitigation, transfer, or acceptance. Control activities represent the actions taken to implement the risk response, ensuring that risk management strategies are implemented effectively [8].

Monitoring is another essential element, as it involves the ongoing evaluation of the risk management process to ensure that it remains effective and aligned with the organization's objectives. Furthermore, the framework emphasizes the importance of information and communication, facilitating the flow of relevant risk-related information throughout the organization. Effective communication ensures that all stakeholders are aware of the risks and the measures available to manage them. The ultimate goal of this integrated approach is to improve the organization's financial and non-financial performance. Financial performance is improved by reducing potential losses and optimizing resource allocation, while non-financial performance is improved by promoting a culture of risk awareness and resilience throughout the organization.

In summary, the risk management framework presented in Figure 1.1 illustrates the holistic nature of risk management in companies engaged in economic activities abroad. By integrating diverse elements into a unified strategy, organizations can effectively manage risk, ensuring financial stability and long-term success.

1.2. Concept and methods of economic risk management in management.

Diagram of Financial Risk Management.

Financial chance administration may be a pivotal work inside the broader teach of administration, centered on distinguishing, evaluating, and reacting to dangers that may affect an enterprise's money related wellbeing and operational soundness. The conceptual system of financial Risk Management envelops the speculations, standards, and strategies

that direct how dangers are overseen inside an organization. It is especially critical in endeavors locked in in remote financial exercises, where the complexity and differences of dangers are increased due to worldwide presentation.

At its center, financial risk management is approximately making educated choices within the confront of vulnerability. It is the method by which an organization recognizes potential dangers, assesses their probability and potential affect, and creates methodologies to play down or abuse them. The essential objective is to secure and improve the enterprise's esteem by overseeing dangers in a way that adjusts with its key objectives.

Definition and Scope of Financial Risk Management.

Financial chance administration can be characterized as the precise application of administration approaches, strategies, and hones to the assignments of recognizing, analyzing, evaluating, treating, and checking financial dangers. These dangers can stem from different sources, counting advertise vacillations, changes in government arrangements, operational wasteful aspects, and external events such as characteristic catastrophes or geopolitical precariousness.

The scope of financial Risk Management is wide and can be categorized into a few key zones:

Key Dangers: These are dangers related to the long-term goals and methodologies of the venture. They can incorporate dangers from changes in showcase conditions, competition, and shifts in customer inclinations.

Budgetary Dangers: These include dangers related to the budgetary operations of the undertaking, counting advertise dangers, credit dangers, and liquidity dangers.

Operational Dangers: These are dangers emerging from the day-to-day operations of the endeavor, counting handle disappointments, human blunders, and framework breakdowns.

Compliance Dangers: These include risks related to the disappointment to comply with laws, controls, and industry measures.

Financial Risk Management isn't limited to moderating negative results; it too includes distinguishing and capitalizing on openings that can make esteem for the

endeavor. This double center on risk relief and opportunity abuse is what recognizes advanced Risk Management from conventional ones.

The Part of Risk Management in Vital Decision-Making

Joining Risk Management into key decision-making is basic for guaranteeing that an undertaking can explore the instabilities of the trade environment whereas seeking after its long-term objectives. Vital choices, such as entering unused markets, propelling modern items, or contributing in innovation, inalienably include dangers. Without a comprehensive Risk Management system, these choices can uncover the venture to unexpected dangers that seem weaken its destinations.

Chance administration gives a organized approach to assessing the potential dangers related with vital choices. By surveying the probability and affect of different dangers, supervisors can make more educated choices that adjust Risk Management and compensate. This prepare includes:

Chance Distinguishing proof:

Distinguishing the potential dangers that may influence the key choice.

Chance Appraisal:

Assessing the probability and potential affect of each recognized chance.

Chance Reaction:

Creating methodologies to oversee distinguished dangers, such as hazard evasion, lessening, or exchange.

Hazard Checking:

Persistently checking dangers and altering the procedures as fundamental.

Through this prepare, Risk Management guarantees that vital choices are adjusted with the enterprise's hazard craving, which is the level of hazard that the organization is willing to acknowledge in interest of destinations. This arrangement is significant for keeping up the enterprise's monetary soundness and long-term practicality.

The Relationship Between Chance Administration and Esteem Creation

One of the key destinations of financial chance administration is to form and protect value for the venture. Typically accomplished by overseeing dangers in a way that optimizes the trade-off between chance and return. In economy, where endeavors are

uncovered to a wide run of dangers, successful chance administration can be a critical source of competitive advantage.

Esteem creation through Risk Management can happen in a few ways:

Fetches Decrease:

By distinguishing and relieving dangers early, an venture can maintain a strategic distance from the costs related with antagonistic occasions, such as legitimate punishments, and reputational harm.

Income Upgrade:

Hazard administration can offer assistance endeavors distinguish and seize openings that might something else be neglected due to seen dangers. For case, a well-managed undertaking might choose to enter unused showcase or contribute in advancement, sure that it has the capability to oversee related dangers.

Partner Certainty:

Compelling chance administration improves the certainty of partners, counting speculators, clients, and workers, within the enterprise's capacity to attain its goals. This could lead to expanded venture, client dependability, and worker maintenance.

In this way, risk management contributes specifically to the enterprise's monetary performance and long-term victory.

Risk Management Integrated Into General Business Management Procedures
Economic risk management needs to be incorporated into the enterprise's entire business management procedures in order to be successful. This integration makes sure that risk management is viewed as an essential component of the enterprise's operations and strategic planning, rather than as a stand-alone job. Integration can happen on a number of levels:

Corporate Level: The organization's governance structure should incorporate risk management practices. This include creating risk appetites, setting risk management policies, and making sure risk management is taken into account when making any strategic choices.

Operational Level: The enterprise's regular procedures should include risk management at the operational level. This entails integrating risk assessments into supply chain management and project planning.

Risk Management's Place in Corporate Governance

The structure that directs and controls a corporation is referred to as corporate governance. It encompasses a group of connections between the board, shareholders, management, and other stakeholders of a business. A robust risk management framework is necessary for effective corporate governance because it guarantees that the business is run in a way that is compliant with legal and regulatory requirements and aligned with the interests of its stakeholders. A key function of risk management in corporate governance is: **Ensuring Compliance:** Risk management works to keep the business compliant with industry norms, rules, and regulations in order to prevent fines and harm to the company's reputation.

Preserving Shareholder Value: The company can preserve and grow shareholder value through prudent risk management. **Encouraging Transparency:** By guaranteeing that risks are recognized, evaluated, and reported in a consistent and methodical manner, a strong risk management framework encourages transparency [17].

In this regard, the board of directors is crucial to the enterprise's risk management operations. The board is in charge of determining the organization's tolerance for risk, authorizing risk management procedures, and making sure the management group carries them out successfully. The first and possibly most important phase in the risk management process is risk identification. It entails methodically locating and recording any hazards that can compromise an organization's capacity to meet its goals. For economic risk management to be successful overall, effective risk identification is crucial because it sets the stage for later risk assessment and mitigation efforts. The worldwide business environment is dynamic and diversified, making it particularly difficult for firms involved in overseas economic activity to identify risks. Risks can arise from a number of causes, such as shifts in the economy, developments in geopolitics, modifications to regulations, and interruptions to operations. **Qualitative Approaches to Risk Assessment.** In the early phases of the risk management process, qualitative

approaches to risk identification are frequently employed to provide a comprehensive understanding of potential threats. These techniques rely on the knowledge, judgment, and experience of both individuals and teams inside the company. They are especially helpful in detecting dangers that are hard to measure or that need to be judged subjectively.

Among the most popular qualitative techniques are the following:

Expert Judgment: To detect possible hazards, this approach entails speaking with specialists both inside and outside the company. Because of their experience and expertise, experts can offer insightful advice that can assist identify problems that may not be immediately obvious.

Brainstorming: Team members get together to create a list of potential hazards during brainstorming meetings, which are a collaborative method to risk identification. The intention is to foster innovative and open-minded thinking by enabling participants to take risks without fear of instant assessment or condemnation. Throughout the business, brainstorming is especially useful for producing a broad range of ideas and identifying hazards from many angles.

Delphi Method: Using several rounds of questionnaires, a panel of experts provides feedback in an organized procedure called the Delphi method. A facilitator gives the panel a summary of the answers following each round so that the experts can adjust their suggestions in light of the group's input. By going through this iterative process, experts can reach a consensus and improve the identification of hazards [37].

SWOT analysis is a strategic planning tool that aids businesses in identifying internal and external elements that may have an impact on their goals. It stands for Strengths, Weaknesses, Opportunities, and Threats. SWOT analysis is commonly utilized for strategic planning, but it may also be used to identify hazards for a business by emphasizing potential threats and weaknesses. Surveys and Interviews: Surveys and interviews with important stakeholders, including as workers, clients, vendors, and authorities, can yield insightful information about possible hazards. These stakeholders, particularly in areas like customer satisfaction, supply chain reliability, and regulatory

compliance, can provide perspectives on risks that may not be immediately apparent to management.

Quantitative Techniques for Risk Assessment.

Using statistical methodologies and numerical data, risks can be identified through quantitative methods of risk identification. These techniques are especially helpful in identifying risks that have a measurable component, like market, operational, and financial concerns. Quantitative methods offer a more objective and data-driven approach to risk identification by examining past data, trends, and probabilities.

Among the most popular quantitative techniques are:

Statistical Analysis: To find patterns and connections in historical data that can point to possible hazards, statistical techniques including regression analysis, time-series analysis, and variance analysis are applied. Regression analysis, for instance, can assist in determining the relationship between economic indicators and market performance, exposing potential dangers related to interest rate swings or economic downturns.

Sensitivity analysis looks at how alterations to one or more input factors may affect a certain result or choice. Organizations are able to determine which aspects are most vulnerable to change and provide the biggest risk by adjusting important assumptions and parameters. Sensitivity analysis, for instance, can be used to determine how an organization's profitability might be impacted by changes in commodity or exchange rate pricing.

Scenario analysis is the process of constructing and evaluating theoretical scenarios that depict several possible future states of the universe. These hypothetical situations are employed to investigate the possible effects of different hazards on the company. Scenario analysis assists organizations in identifying risks that could emerge under various scenarios, such as economic crisis, political instability, or technology upheaval, by taking into account a variety of alternative futures.

Probability-Impact Matrix: This risk assessment tool integrates the possibility of a risk materializing along with the possible consequences it might have for the company. Plotting of risks is done on a matrix, where probability and impact are represented on opposite axes. This approach assists in ranking risks according to their relative

importance, giving priority to high-impact, high-probability issues. At Risk Value (VaR): Value at Risk is a popular quantitative technique in financial risk management that calculates, with a certain degree of confidence, the possible loss an investment portfolio might incur over a specific time period. VaR is especially helpful in recognizing and controlling market risks, like those resulting from changes in interest rates, asset prices, and currency rates.

Methods of Industry-Specific Risk Identification

To address the special hazards associated with various sectors, industry-specific risk identification approaches are frequently used in addition to generic qualitative and quantitative methodologies. These methods are designed to meet the unique demands and features of the sector, guaranteeing that all pertinent risks are recognized and adequately addressed.

The following are a few instances of industry-specific techniques:

Manufacturing and retail supply chain risk mapping: This technique entails locating possible hazards at every turn in the supply chain, from the procurement of raw materials to the point of delivery. This method is especially crucial for the industrial and retail sectors, as supply chain interruptions can have a big impact on delivery times and consumer satisfaction.

Credit Risk Modeling: In order to determine the probability that borrowers would miss payments on their loans, credit risk modeling is utilized in the banking and finance sectors. This method identifies possible credit risks and chooses suitable risk reduction techniques by examining past credit data, borrower characteristics, and economic factors.

Audits of Regulatory Compliance (Medicine and Health): Audits of regulatory compliance are crucial for sectors like pharmaceuticals and healthcare, where stringent regulations must be followed. By identifying any risks associated with breaking laws, rules, and industry standards, these audits assist ensure that the company stays out of trouble with the law and keeps its good name.

Environmental Impact Assessments (EIAs): In order to identify potential risks connected to pollution, depletion of natural resources, and environmental deterioration, environmental impact assessments (EIAs) are done in industries including mining and

energy. Organizations can evaluate the possible environmental impact of their operations and create risk-reduction plans with the use of EIAs. Risk assessments for cybersecurity in technology and telecommunications: Cybersecurity risk assessments are essential for identifying possible risks to network integrity and data security in the technology and telecommunications sectors. These evaluations entail analyzing the IT infrastructure of the company, locating weak points, and estimating the possible damage from cyberattacks. Utilizing Software and Technology for Risk Identification

Technological developments have greatly improved an organization's capacity to recognize threats. Organizations are able to automate and expedite the risk detection process with the growing prevalence of specialist risk management software and tools. These tools have a number of benefits, such as improved efficiency and accuracy as well as the capacity to analyze big data sets.

Here are a few instances of how technology is applied to risk identification: Automated Risk Assessment Tools: These tools examine data and spot possible threats by using machine learning and algorithms. Large datasets can be processed by these technologies efficiently and precisely, and they can spot trends and abnormalities that could point to possible dangers [16].

Predictive analytics is the process of forecasting future risks by utilizing statistical models and previous data. Organizations can foresee possible hazards and take proactive steps to mitigate them by analyzing trends and patterns. Real-Time Monitoring Systems: These systems keep tabs on key risk indicators (KRIs) and give businesses the most recent information about possible hazards. These systems have the ability to identify shifts in the external environment, such as shifts in the state of the market or in geopolitical events, and they can notify businesses of new threats.

Risk dashboards: They give managers a visual depiction of the risk profile of their firm and enable them to keep an eye on threats in real time. Organizations can more easily detect and prioritize risks by customizing these dashboards to highlight important metrics and indicators.

Internal and External Audits' Function in Determining Economic Risks

Internal and external audits are essential to the process of identifying risks. They offer a neutral, unbiased evaluation of an organization's risk management procedures, assisting in the identification of possible hazards that might have gone unnoticed or undervalued.

Internal Audits: The company's internal audit division or risk management group is in charge of conducting internal audits. They entail a methodical examination of the organization's controls, procedures, and approaches to risk management. Internal audits assist in locating any hazards within the company and offer suggestions for enhancing risk control procedures.

Effective risk identification is not just about the tools and techniques used but also about the broader organizational context in which these activities are carried out. The success of risk management processes, including risk identification, largely depends on various factors that are deeply embedded in the organizational culture and practices. These factors include how well risk management is integrated into overall project management, the commitment of individuals and the organization as a whole, the tailoring of risk management efforts to the specific needs of the organization, and the quality of communication within the organization [4].

Figure 1.2 below illustrates the critical factors that contribute to the success of risk management in an organization. Each of these factors plays a vital role in ensuring that risks are identified and managed effectively, thereby supporting the organization's ability to achieve its objectives in a dynamic and often unpredictable economic environment.

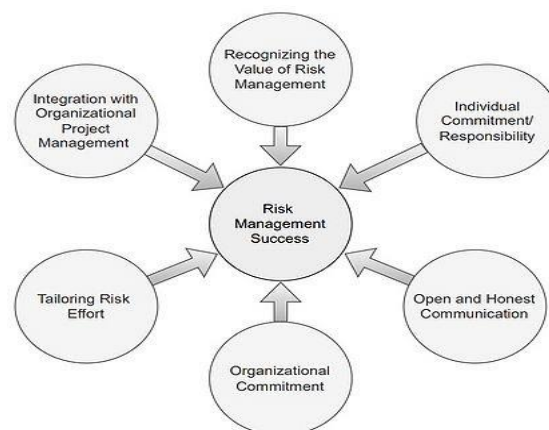


Fig. 1.2. Critical factors that contribute to the success of risk management.

The effectiveness of risk management depends on a number of interrelated factors, as Figure 1.2 illustrates. Risk management is made to be part of the larger strategic and operational processes by being integrated with organizational project management. A culture where risk awareness and proactive risk identification are given priority is fostered by the organization's recognition of the importance of risk management at all levels [9].

In addition to corporate commitment, individual accountability and commitment are essential for guaranteeing that risk management is given due consideration and that sufficient resources are set aside to detect and reduce risks. Since open and honest communication promotes the free exchange of information between various organizational levels and departments, it is crucial for the prompt identification of hazards.

When combined, these elements foster an environment that is conducive to risk detection and management, improving the organization's capacity to negotiate the intricate web of financial hazards, especially when it comes to international economic activity.

1.3. A study of international experience in economic risk management at an enterprise engaged in foreign economic activity.

Due to the variety and volatility of the environments in which they operate, multinational companies (MNCs) are subject to a wide range of economic hazards. These risks include changes in international trade policy, volatility in foreign exchange rates, political unpredictability, and disparities in country regulatory standards. MNCs have created strong risk management frameworks that are both comprehensive and flexible enough to be adjusted to various geographic settings in order to handle these difficulties.

Practices for managing risks globally are not uniform; they differ according to the legislative, economic, and cultural contexts. Nonetheless, a few universal concepts and ideas have become recognized as best practices. These include implementing region-

specific methods that are adapted to local conditions and adopting standardized risk management frameworks like ISO 31000 and COSO ERM.

Frameworks and Standards for Risk Management

The implementation of global frameworks and standards is a fundamental component of the global approach to risk management. The two most well-known frameworks are COSO ERM (Enterprise Risk Management) and ISO 31000. These frameworks give recommendations that may be tailored to various organizational and geographical settings, facilitating an organized approach to risk identification, assessment, and management.

The international standard ISO 31000 for risk management offers concepts and recommendations for handling risks in various kinds and sizes of businesses. It highlights how crucial it is to integrate risk management into the decision-making procedures and organizational culture. For multinational corporations (MNCs), ISO 31000 provides a basic framework that may be tailored to the unique hazards prevalent in various geographical areas.

COSO ERM: The ERM framework was created by the Committee of Sponsoring companies of the Treadway Commission (COSO) to assist companies in managing risks in order to meet their goals. In North America, COSO ERM is especially well-liked since it provides a thorough approach that combines risk management with the performance and strategy of a business. COSO ERM offers MNCs a strong framework for handling risks that affect both the operational and strategic spheres. The framework is especially helpful for MNCs functioning in complicated regulatory settings since it places a strong emphasis on risk appetite, risk tolerance, and governance.

Variations in Risk Management Techniques by Region. Global frameworks offer a common platform, but multinational corporations (MNCs) need to modify their risk management strategies to fit the unique legislative, cultural, and economic contexts of the areas in which they conduct business. North America: Sarbanes-Oxley Act (SOX) and other regulatory regulations have a significant impact on risk management in North America, especially in the United States. Since this legislation requires financial reporting to be transparent and subject to stringent internal controls, compliance has become a key

component of risk management techniques. Furthermore, the U.S. legal system places a strong emphasis on the risk of lawsuit, which has led businesses to implement thorough risk management strategies that involve stringent documentation and reporting guidelines. North American risk management practices are frequently distinguished by a high level of formality and a focus on responsibility and governance. Europe: Due to the European Union's strict laws on data privacy (such as the GDPR) and environmental requirements, multinational corporations operating there frequently have to navigate a complicated regulatory environment. In Europe, there is often a greater integration of risk management with sustainability and corporate social responsibility (CSR) efforts. Businesses must now more than ever evaluate and manage risks pertaining to human rights, the environment, and ethical governance. The various legal systems in the area have an impact on the European approach to risk management as well, requiring a more sophisticated and customized method of handling risks in various nations [41].

Asia: The area's dynamic market circumstances and fast economic expansion frequently influence risk management strategies in the region. MNCs doing business in China and India, for example, have to negotiate intricate regulatory frameworks that are always changing. Political and economic risks are also major issues; they include hazards resulting from government policies and geopolitical disputes. The cultural component of risk management is also very important in Asia. For example, the Chinese concept of *guanxi*, which means ties and networks, may have a big impact on how risks are viewed and handled.

Case Studies of International Businesses.

Siemens AG (Germany): Siemens is a multinational company that operates in more than 190 countries. It has integrated ISO 31000 principles with its internal governance structures to create a complete risk management framework. Regular risk assessments are a key component of Siemens' risk management approach, both globally and regionally. The assessments concentrate on detecting risks associated with political unrest, regulatory changes, and technological upheaval. Because of the company's highly flexible strategy, it can react swiftly to new dangers in various markets.

Toyota Motor Corporation (Japan): The company's cultural values, notably the idea of continual improvement (kaizen), are fundamental to Toyota's risk management procedures. Toyota has created a framework for risk management that prioritizes supply chain management and operational resilience. This strategy has shown to be very successful in mitigating the risks associated with natural catastrophes; Toyota's reaction to the 2011 Japanese earthquake and tsunami is one example. In addition, the firm places a high priority on quality control and regulatory compliance as part of its risk management approach because they are essential to preserving its standing in international marketplaces.

General Electric (USA): With operations in several markets and sectors, General Electric (GE) places a high priority on risk management as part of its worldwide strategy. COSO ERM has a big impact on GE's risk management strategy, which places a lot of focus on matching risk management with the organization's strategic goals. Regular risk evaluations by GE take into account both financial and non-financial risks, such as those pertaining to cybersecurity, regulatory compliance, and geopolitical events. A strong internal audit department that guarantees adherence to international standards and best practices supports the company's risk management procedures [24].

Multinational firms' worldwide approaches to risk management serve as an example of the value of both regional flexibility and uniform standards. While COSO ERM and ISO 31000 offer a strong framework for managing risks across markets, multinational corporations (MNCs) also need to customize their risk management plans to the unique regulatory, cultural, and economic environments of each area. It becomes evident from case studies of top MNCs like General Electric, Siemens, and Toyota that effective risk management calls for a blend of local knowledge and international best practices. MNCs may manage the intricacies of international economic operations with this integrated strategy, minimizing risks and taking advantage of possibilities in a variety of markets.

Businesses that participate in international trade must manage a complicated array of risks that go beyond their home markets in the linked global economy of today. Exchange rate swings, shifts in trade agreements, geopolitical unrest, and disparities in national regulations are a few examples of these hazards. Many firms depend on the

advice and assistance of international risk management organizations as well as adherence to international legislation that influence the global economy in order to properly manage these risks. These organizations and laws are essential for assisting businesses in reducing risks, maintaining stability, and encouraging long-term growth in global marketplaces. A significant role in the global risk management scene is played by international financial institutions (IFIs). To assist businesses and governments in managing economic risks, they offer financial resources, risk management instruments, and policy recommendations.

World Bank: Developing nations rely heavily on the World Bank for both financial and technical support. It offers financial support to initiatives that lessen poverty and advance economic growth. The World Bank plays a vital role in risk management by offering insurance and guarantees against political risks such as political violence, contract breaches, and expropriation. The World Bank assists lenders and investors in reducing the risks involved in making investments in developing nations through its Multilateral Investment Guarantee Agency (MIGA). For businesses involved in international trade, this assistance is essential because it offers a safeguard against potential hazards that may discourage investment [31].

International Monetary Fund (IMF): By offering financial support to nations experiencing balance of payments issues, the IMF is crucial in keeping the world economy stable. Additionally, it provides technical support and policy recommendations to help nations fortify their economic frameworks. Since it assists in preventing and managing financial crises that might destabilize international markets, the IMF plays a crucial role for businesses in preserving global financial stability. Risk management is further enhanced by the IMF's surveillance role, which keeps an eye on member nations' economic policies and spots any weaknesses in the world economy.

Regional growth Banks: Organizations that assist economic growth in their particular areas, such as the Asian Development Bank (ADB), the African Development Bank (AfDB), and the Inter-American Development Bank (IDB), are vital. These banks offer funding for social programs, infrastructure improvements, and other projects that support economic development and stability. Regional development banks play a crucial

role in risk management for businesses since they contribute to the establishment of a more stable and predictable business environment. International Trade Agreements and Their Effect on Risk Control

Another essential element of the international risk management system is global trade agreements. By establishing the guidelines for international commerce, these agreements lessen uncertainty and promote a more stable economic climate. These agreements assist businesses in managing risks associated with tariffs, trade barriers, and regulatory compliance by offering a standardized framework for trade.

The United States-Mexico-Canada Agreement (USMCA) and the North American Free Trade Agreement (NAFTA): One of the most important trade accords in history, NAFTA (now superseded by USMCA) allowed commerce between the US, Canada, and Mexico. Businesses operating in these nations now have better market access because to the agreement's reduction of tariffs and trade restrictions. NAFTA/USMCA provided a more stable trading environment for businesses involved in international commerce, lowering the risks related to cross-border transactions. In addition, the agreement contained measures to safeguard intellectual property rights, which reduced the likelihood of piracy and counterfeiting.

Trade policies of the European Union (EU): Businesses that operate in or conduct business with EU member states are significantly impacted by the EU's trade policies. Because of the free flow of capital, people, products, and services made possible by the EU single market, companies operate in a stable and predictable environment. Businesses also benefit from more certainty thanks to trade agreements with non-EU nations and the EU's single external tariff. For instance, the majority of the tariffs on goods sold between the EU and Japan were removed by the EU-Japan Economic Partnership Agreement, lowering the risks related to trade barriers. Furthermore, by establishing strict compliance requirements, the EU's strict regulations, especially in areas like environmental sustainability and data protection (GDPR), influence the risk management strategies of businesses [28].

Trade Agreements of the Association of Southeast Asian Nations (ASEAN): Southeast Asian businesses' approaches to risk management have been greatly impacted

by ASEAN trade accords, including the Regional Comprehensive Economic Partnership (RCEP) and the ASEAN Free Trade Area (AFTA). Through the reduction of tariffs, harmonization of standards, and simplification of customs processes, these accords have made trading within the area less dangerous and easier for enterprises. By putting less emphasis on market fragmentation and regulatory divergence, ASEAN's focus on economic integration has also helped make the region more stable and predictable for international investors.

Risk management and regulatory compliance.

A crucial component of risk management for businesses involved in international trade is regulatory compliance. The regulatory frameworks of different nations and regions control many facets of corporate operations, such as labor practices, environmental regulations, financial reporting, and data protection. Adherence to these standards is important in order to evade legal ramifications, safeguard an organization's image, and guarantee sustained viability.

Regulation on the General Data Protection (GDPR): The European Union enacted the GDPR, a comprehensive data privacy regulation that has had a big impact on businesses operating in the EU or handling the data of EU individuals. Strict guidelines for data processing, storage, and transfer are mandated under the legislation, and noncompliance will result in harsh fines. SOX, or the Sarbanes-Oxley Act: A federal legislation in the United States called the Sarbanes-Oxley Act requires publicly listed firms to have stringent internal controls and financial reporting. In an effort to increase corporate responsibility and transparency in the wake of corporate crises like Enron and WorldCom, SOX was implemented. Enterprises must have strict financial controls, frequent audits, and well-defined reporting protocols in order to comply with SOX. The legislation now forms the basis of risk management in the US, impacting how businesses handle monetary risks and preserve investor trust.

CHAPTER 2. Research of the financial and economic condition of FORTA & K LLC

2.1. General description of the activities of FORTA & K LLC

A Ukrainian company named FORTA & K LLC specializes in the importing of plastic raw materials, the manufacture of various plastic products, and the final export of these commodities to markets in Europe. By exploiting its capacity to acquire and transform raw materials into completed items for a variety of sectors, the firm has strategically positioned itself as a participant on the local and global stages. The company's operations follow international patterns in the plastics industry, where a competitive advantage is sustained via productivity, creativity, and global reach [11].

FORTA & K LLC was founded with a distinct emphasis on plastic production, and it has since expanded throughout Europe and carved out a position for itself in the Ukrainian market. The company's capacity to import premium plastic raw materials—a component essential to guaranteeing the steady manufacture of high-quality goods—was the foundation of its early success. The business established connections with important foreign suppliers over time, giving it access to a consistent supply of raw materials for its manufacturing processes. Because of its capacity to get raw materials at reasonable costs, FORTA & K has been able to adapt quickly to changes in the market and the needs of its customers.

When it comes to product offers, FORTA & K LLC has expanded. Plastic components for the automotive, construction, and consumer goods sectors are among its products.

In addition, the firm manufactures bigger plastic constructions, emphasizing tailored goods that satisfy particular customer requirements. In addition to reducing the risks brought on by market instability, this varied product base has created potential for growth into untapped markets. The company's production procedures are very flexible, allowing it to accommodate both large orders and smaller, more specific requirements. FORTA & K LLC is proud to have a state-of-the-art production facility with state-of-the-

art technology that can make a variety of plastic items. Strict quality control procedures are followed throughout the company's manufacturing operations to guarantee that the finished goods fulfill both national and international quality requirements. The company's ability to successfully enter the European market has been largely attributed to its focus on quality.

The firm uses highly automated production, which lowers labor costs and improves the manufacturing process' overall efficiency. By using automation technology, FORTA & K LLC has been able to expand its operations without having to add a substantial amount of overhead. Furthermore, the organization prioritizes sustainability in its activities by utilizing recycling methods for residual plastic components that are repurposed into the manufacturing process. This reduces waste and puts the business in line with the increasing emphasis on ecologically friendly production practices throughout the world [18].

FORTA & K has made research and development (R&D) investments, consistently looking for methods to improve product quality while cutting production costs. The company's R&D efforts are concentrated on creating innovative materials, employing energy-efficient production methods, and finding ways to prolong the life of goods so that customers receive more value.

Within the cutthroat plastics business, the company has established itself as a progressive force by incorporating innovative technology into its manufacturing processes.

Logistics and Supply Chain Management

The strong supply chain management of FORTA & K LLC is a crucial component of its business strategy. The first step in the company's supply chain is the procurement of raw plastics, mostly from overseas markets. Following that, these materials are sent to FORTA & K's production plant in Ukraine, where they are transformed into final products. Because the business depends on imported raw materials, it has solid ties with suppliers across the world, enabling consistent and timely delivery that guarantee production won't stop.

FORTA & K has put in place a productive logistics network to help with its export activities. The company's advantageous location in Ukraine allows for quick shipping of goods to numerous European markets by providing easy access to major transportation lines. Long-term relationships with foreign clients are largely based on the firm's reputation for dependability and timeliness, both of which have been much enhanced by this streamlined logistics approach.

The business also has an advanced inventory management system in place to guarantee that the right amount of raw materials and completed goods are always on hand. With the help of this technology, FORTA & K LLC can swiftly adjust to demand variations and shorten order lead times. Effective supply chain management is essential for reducing the risks brought on by supply delays, particularly in a market where consumers have high expectations for prompt delivery. Exporting Goods and Maintaining a Global Market Position

FORTA & K LLC's capacity to manufacture high-quality plastic items that adhere to international standards has allowed it to successfully establish itself in a number of European markets. The company's export strategy is centered on breaking into areas where there is a significant need for its specialty goods while keeping production costs low enough to be competitive. FORTA & K is known for providing creative and long-lasting plastic products, and it exports to both Western and Eastern European nations. The company's success in worldwide markets can be attributed to its ability to modify its products to suit the unique requirements and regulations of various nations [43].

As an example, the business abides by the strict guidelines set forth by the European Union for plastic items, especially those that have to do with their effect on the environment and their suitability for recycling. FORTA & K has made sure that its products are competitive and compliant in various areas by doing this. The company's aggressive marketing initiatives also bolster its export plan. FORTA & K engages in active participation in global trade shows and exhibits as a means of showcasing its products and establishing connections with prospective customers and partners. The company's customer base has grown as a result of these initiatives, and its brand awareness has increased throughout Europe.

A robust corporate governance framework has been put in place by FORTA & K LLC to guarantee responsibility, openness, and moral business conduct. The management team of the company is made up of seasoned experts with in-depth understanding of both global trade and the plastics sector. This group is in charge of establishing the company's long-term goals, managing daily operations, and making sure the business stays solvent. The organization routinely offers training programs that concentrate on improving technical abilities, safety procedures, and environmental sustainability because it places a high priority on staff development. The low staff turnover rate of FORTA & K is indicative of the company's dedication to its workforce and has played a significant role in maintaining operational stability.

Additionally, FORTA & K LLC follows global best practices for financial management. The organization uses strict forecasting and budgeting methods to guarantee sustainability and financial prudence. Because of its strong financial management practices and steady revenue growth, FORTA & K has established itself as a business that can withstand changes in the economy.

Sustainability and Environmental Responsibilities

FORTA & K LLC has taken a variety of steps to lessen the environmental impact of its production processes as part of its commitment to environmental sustainability. The business understands how critical it is to implement environmentally beneficial procedures, especially in view of the growing concern over pollution and plastic waste on a global scale. In order to do this, FORTA & K uses recyclable materials in the manufacturing process, guaranteeing the longevity and environmental responsibility of its goods.

Apart from recycling initiatives, the company is consistently investigating methods to reduce energy usage during the manufacturing process in order to minimize its carbon footprint. Energy-efficient equipment and production methods used by FORTA & K save operating expenses while also advancing a more sustainable production paradigm. These initiatives demonstrate the company's commitment to following international sustainability trends, which is appealing to clients who are concerned about the environment, especially in European markets [13].

In conclusion, FORTA & K LLC has been able to prosper in both domestic and foreign markets thanks to its effective combination of high-quality production, strong supply chain management, strategic market positioning, and dedication to sustainability. The organization is positioned as a major player due to its flexibility in responding to changing industry trends and regulatory constraints.

FORTA & K LLC is committed to meeting the changing needs of its domestic and international clientele by broadening its product offerings. The company successfully diversified into more sophisticated and customized plastic solutions after initially concentrating on the production of standard plastic components. These include large-scale industrial components and custom plastic moldings, which enable the business to be a flexible player that can service industries like consumer goods, construction, automotive, and packaging.

The company's research into consumer preferences and market trends, which has enabled it to spot new markets and launch cutting-edge product lines, is a major factor in this diversification. For example, FORTA & K has been able to respond to the growing demand from the construction industry for more robust, lightweight plastic alternatives to traditional materials by providing solutions that fulfill specific needs.

Furthermore, the business can serve a broad range of customers, from tiny companies in need of bespoke items to major corporations demanding bulk purchases, thanks to its capacity for both small-batch specialty orders and mass production. Because of its adaptability, the business is less vulnerable to external difficulties like shifting customer tastes or regulatory frameworks, as well as market swings and other dangers associated with relying just on one industry or market. The capacity of FORTA & K LLC to establish strategic alliances with foreign customers and suppliers has been a key factor in the company's continuous growth and market expansion. Through these partnerships, the company has gained access to state-of-the-art materials and technologies, which has improved the quality of its products and manufacturing processes.

The company has established long-term agreements with several well-known European companies on the customer side. Mutual trust is the foundation of these agreements, with FORTA & K guaranteeing timely delivery of high-quality items.

Receiving recurrent business, especially from clients in Western and Central Europe, has been made possible by the company's reputation for dependability.

The company's worldwide reputation has also been enhanced by its aggressive participation in international trade exhibitions and joint research projects with top industry players. Through these programs, FORTA & K is able to highlight its innovations and position itself as a thought leader in the plastic manufacturing industry. The company's proactive participation in global forums not only improves brand recognition but also creates avenues for potential future partnerships and market entry [14].

A constant approach to keep FORTA & K LLC ahead of the competition is to continuously spend in improving its technology infrastructure. The corporation has implemented sophisticated automated technologies in recent years that improve its production capacity while cutting down on waste and inefficiencies. The company's ability to maintain high production standards is largely dependent on automation, which enables higher output without increasing labor expenses. Automation not only increases productivity but also makes it possible for the business to create more complicated and personalized goods that are tailored to the individual needs of its wide range of customers. FORTA & K has a distinct competitive edge in the plastic manufacturing industry thanks to its ability to smoothly incorporate customer demands into the production process. These technology advancements have also streamlined business procedures.

Additionally, FORTA & K emphasizes continuous improvement heavily, evaluating its production lines on a regular basis for possible enhancements or changes. This dedication to technology development guarantees that the business will always be flexible and able to adjust to changing market demands and industry norms. Although technology and automation are essential to FORTA & K's operations, the business also understands the value of its human capital. The organization has created a corporate culture that supports creativity, teamwork, and career advancement. Opportunities for skill development and training are given to employees, with a focus on

new industrial technology, safety regulations, and quality control. The management team of the organization is made up of seasoned experts who have a thorough understanding of both domestic and foreign markets. The company's expansion initiatives and adherence to industry best practices have been greatly aided by its capable leadership. Additionally, the business values corporate social responsibility greatly and has put in place a number of initiatives to improve employee wellbeing and give back to the community.

High staff retention rates at FORTA & K are a result of the company's open and inclusive work environment, which also helps to maintain operational stability and consistency in production quality. Additionally, the management of the organization is dedicated to encouraging accountability and openness in all business interactions, building confidence with partners, customers, and employees alike [16].

In light of the intricacy of conducting business in both local and foreign markets, FORTA & K LLC has created an extensive framework for risk management. The organization consistently carries out risk evaluations to pinpoint possible hazards, such as disturbances in the supply chain, variations in exchange rates, modifications in laws, and adjustments in customer preferences. FORTA & K is able to minimize possible losses and guarantee that its operations continue to be steady even in unstable market conditions by taking a proactive approach to risk management.

Additionally, the corporation keeps a diverse group of suppliers, which lessens its reliance on a single raw material source. This guarantees that even in the case of supply chain problems, it can continue to satisfy production expectations. Furthermore, FORTA & K keeps a close eye on modifications to international trade laws and modifies its activities as necessary to guarantee compliance.

It is crucial to take into account the primary operations that propel FORTA & K LLC's export and production procedures in order to comprehend the company's entire operational environment. These tasks are essential for maintaining product quality, managing resources effectively, and making sure the business can satisfy demands from both domestic and foreign markets. An analysis of these operational operations reveals the essential components that support FORTA & K's prosperity in international trade. An overview of FORTA & K LLC's primary operational areas is given in the Table 2.1.,

along with an explanation of each one's significance and the performance indicators that are employed:

Table 2.1

FORTA & K LLC's Primary operational areas

Activity	Description	Key Metrics	Strategic importance
Raw Material Sourcing	Importing plastic raw materials from suppliers, ensuring quality and timely deliveries.	Supplier lead time, Material quality standards	Ensures uninterrupted production flow.
Production	Manufacturing of various plastic products, including components and large constructions	Output volume, Efficiency (e.g., time per product)	Central to the company's revenue generation.
Quality control	Ensuring all products meet European export standards before distribution.	Defect rate, Compliance with export regulations	Reduces returns and strengthens customer trust.
Packaging	Preparing finished goods for distribution with careful labeling and product handling.	Packaging cost per unit, Handling efficiency	Protects goods during transit, reduces damage risk.
Distribution and Export	Managing logistics for shipping finished goods to European customers.	Delivery times, Freight costs	Crucial for maintaining customer satisfaction overseas.

Source: compiled by the author

This table shows how every operational action is essential to the company's overarching strategic goals and production cycle. For instance, the procurement of raw materials is essential to sustaining a consistent flow of inputs, and the business makes ensuring that suppliers follow effective delivery timetables and quality requirements. To

maintain output volume and efficiency, production processes are closely monitored, and quality control makes sure that the products live up to the high standards of European markets. Last but not least, the company prioritizes export logistics and distribution to make sure that completed goods reach clients in a timely and economical way, improving client happiness and fortifying business ties in overseas markets.

By focusing on these key operational activities, FORTA & K LLC ensures that its products are competitive both in terms of quality and cost, allowing the company to maintain a strong position in the European market.

2.2. Research of financial and economic activities of FORTA & K LLC.

A number of important measures that demonstrate the success and general well-being of the business can be used to evaluate the financial and economic operations of FORTA & K LLC. Operating in a highly competitive and volatile environment, FORTA & K LLC is a corporation engaged in international trade, specifically in the import of plastic raw materials and the export of finished plastic products. To maintain long-term sustainability and growth, the company's financial and economic decisions must thus be carefully considered.

Profit and Positioning in the Market

The 1.5 million UAH yearly income that FORTA & K LLC disclosed demonstrates its market placement. Revenue has grown steadily over time, indicating that the business has reinforced its position in both home and foreign markets and successfully responded to client requests. Diversification helps reduce the risks associated with market saturation and demand variations in a single product line, which is why the company focuses on creating a wide range of plastic products, from small components to bigger things. The company's export-focused approach, which focuses on European markets, helps it generate even more money. FORTA & K LLC can better withstand local economic issues by reducing its reliance on the Ukrainian market by spreading its clientele across many geographic locations. Through increased income potential from overseas sales and access to new markets, this approach also helps the firm [34].

FORTA & K LLC's financial performance is largely dependent on its ability to efficiently manage its manufacturing costs. The company's labor, raw material, and other direct manufacturing costs are included in its cost of goods sold (COGS), which is 600,000 UAH every year. This graph emphasizes how crucial cost control and effective procurement procedures are. Due to the company's heavy reliance on the import of plastic raw materials, changes in currency exchange rates or worldwide market pricing may have an effect on production costs. For FORTA & K LLC to maintain strong profit margins, these variables need to be regularly monitored.

Additionally, the company's 60% gross profit margin demonstrates how efficient its production is. This margin shows that the business can make significant profits from its manufacturing operations even in the face of fluctuations in the cost of raw materials. Paying close attention to worker productivity, waste management, and manufacturing procedures is necessary to reach this degree of efficiency.

Management of Operating Profit and Expenses

With an operational profit margin of 46.67%, FORTA & K LLC demonstrates that it can efficiently control its operating costs. Administrative expenditures, marketing initiatives, and distribution logistics are all included in operating expenses and are necessary to keep the business's competitive advantage in the marketplace. The business's anticipated 200,000 UAH yearly running expenditures are a major part of its cost structure and have a big impact on how profitable it is.

The company's capacity to strike a balance between cost reduction and expansion is demonstrated by the 700,000 UAH net profit it achieved via efficient management of these expenditures. The company's investment in marketing and distribution channels is probably a major contributing reason to the growth of its clientele and its global and local market reach.

Management of Cash Flow and Liquidity

The predicted 500,000 UAH yearly cash flow from operating operations is a crucial sign of FORTA & K LLC's financial stability. A firm with positive cash flow may pay its debts and reinvest in its operations, all without having to rely too much on outside funding for future expansion. This is especially critical for businesses that operate internationally,

since maintaining stable cash flow is essential to fostering long-term partnerships with suppliers and clients.

The company's outstanding operational management is demonstrated by its ability to sustain a positive cash flow. This guarantees that FORTA & K LLC has enough cash on hand to cover short-term obligations, handle ongoing costs, and make strategic investments in projects that will improve production capacity and expand the company's market [34].

Investment Practices and Sustainability over the Long Run

The long-term viability of FORTA & K LLC depends on its capacity to reinvest in its business. The company's projected yearly cash outflow from investing activities—roughly 200,000 UAH—reflects its dedication to modernizing manufacturing procedures, making investments in cutting-edge technology, and broadening its line of products. The corporation positions itself for future development and competitiveness in both domestic and foreign markets by continually investing resources toward investment. Particularly in the plastics manufacturing sector, where technical developments can result in higher production efficiency and more innovative products, are investments in automation, R&D, and quality control. By concentrating on these areas, FORTA & K LLC makes sure it can adapt to changing market needs and maintain its competitiveness.

Debt Control and Payoff

Even if the business has continued to operate profitably and with high revenue growth, it's crucial to take its debt management procedures into account. Based on the company's 500,000 UAH total debt and 1,000,000 UAH shareholder equity, the debt-to-equity ratio of 0.5 represents a prudent use of financial resources. According to this ratio, FORTA & K LLC is financing its activities with prudent debt use while keeping a sizable equity basis. It might be beneficial for a business to have a reasonable amount of debt since it can finance strategic projects and growth without taking on too much debt. It is crucial to comprehend the several elements that make up FORTA & K LLC's financial structure in order to start a detailed investigation of the company's financial and economic operations. These elements take into account the company's historical performance, present situation, and future development prospects. Examining the

company's income sources, cost control, investment trends, and operational effectiveness are all part of the financial framework analysis. We can learn more about the company's long-term viability and financial health by assessing these important areas.

Serving both local and international markets, FORTA & K LLC is a competitive player in the plastics business, especially in its exports to European clients. The company's ability to sustain steady revenue growth over time is indicative of its effective business strategy and excellent market positioning. But comprehending this expansion necessitates dissecting the essential financial elements of the business. The management of operating expenditures, investment in new technologies, cost drivers, and income streams all have an impact on the company's financial health [31].

The creation of revenue is one of the most important components of FORTA & K's financial performance. The firm has expanded the range of products it offers by adding a variety of plastic items, from big building materials to tiny plastic components. By utilizing a variety of market niches, the corporation may lessen its dependence on a particular product line thanks to this diversification technique. The company's capacity to increase revenue is contingent upon its adeptness in cost management, specifically with regard to the cost of goods sold (COGS), which encompasses labor, raw materials, and manufacturing overhead.

The company's financial activities show a well-organized structure in terms of cost control. The cost of raw materials, which include different kinds of polymers used in production, is managed by FORTA & K LLC. It is essential to efficiently acquire these supplies at competitive pricing in order to have a healthy gross profit margin. The business also makes investments in manufacturing expenses and manpower to make sure that the production processes are as efficient and high-quality as possible. In a market where competition is fierce, maintaining profitability requires strict cost control.

The company's investment plan, which demonstrates its dedication to expansion and long-term sustainability, is equally significant. FORTA & K LLC makes large investments in new machinery acquisition and facility modernization. Future revenue growth may be fueled by these expenditures, which are intended to increase manufacturing efficiency and broaden the product offering. Additionally, the business

devotes funds to research and development (R&D) in order to find creative solutions for raising product quality and cutting manufacturing costs.

The company's operating expenditures are a significant aspect of its financial operations. These consist of utilities, marketing, distribution, and administrative expenditures. By successfully controlling these costs, FORTA & K LLC has made sure that the earnings from sales are not diminished. The firm has strengthened its market position by allocating greater resources to its expansion ambitions while adhering to a strict approach to minimizing operational expenditures [26].

The business has also taken a cautious approach to debt management. Profits are reinvested by FORTA & K LLC back into the company rather than being borrowed from outside sources. This strategy helps the business have a sound balance sheet while reducing the financial risk related to debt. Through prioritizing internal expansion and reducing external obligations, the organization sets itself up for long-term prosperity. The working capital management of FORTA & K is another essential component of its financial structure. The corporation makes sure it has enough liquidity to pay for daily operating expenditures by keeping a healthy cash reserve and short-term assets. An organization that manages its working capital well is better equipped to handle supplier relationships, react swiftly to changes in the market, and continue uninterrupted production operations.

The way the business distributes its profits demonstrates a well-rounded plan. While some of the profits are returned to shareholders, the remaining half is reinvested in the company to support development. This well-rounded strategy rewards investors for their faith in the firm while ensuring the company has the funds required for future growth.

A business like FORTA & K LLC, which works in a capital-intensive sector needing constant investment in production capacity and technology, must retain a sizeable amount of its earnings for reinvestment.

FORTA & K LLC has many important financial objectives that it focuses on as part of its strategic objectives. The firm wants to increase its market share in the European markets, maintain its revenue growth, and keep COGS under control.

These objectives are in line with the business's overarching plan to dominate the global plastics market. The firm will keep concentrating on enhancing operational effectiveness, broadening its product offering, and upholding solid customer and supplier connections in order to meet these goals.

Below is a Table 2.2. that summarizes the key aspects of FORTA & K LLC's financial structure and activities:

A brief summary of FORTA & K LLC's operations and financial structure can be seen in the table above. It displays the variety of revenue streams the organization generates as well as the high operating expenses. The major cost-drivers, such labor and raw material costs, point out areas that the business has to keep under control in order to be profitable. The company's investment priority areas, which include money set aside for R&D, market development initiatives, and modernizing manufacturing facilities, demonstrate its dedication to growth.

Operating expenditures are necessary to keep the business running on a daily basis. These costs include marketing, distribution, and administrative charges. To prevent the company's profit margins from being negatively impacted, these costs must be properly controlled. The working capital management strategy of FORTA & K LLC guarantees that the business has adequate liquidity to pay its short-term debts and run its operations efficiently. Furthermore, the company's stability and financial risk are improved by its careful debt management strategy, which prioritizes reinvesting revenues over borrowing from outside sources.

Table 2.2

Key aspects of FORTA & K LLC's financial structure and activities

Metric	Description
Revenue Sources	Revenue mostly from plastic product sales, with some expansion into other product categories.

Main Cost Drivers	Direct production overheads, labor costs, and raw material costs (plastic).
Invest Focus Areas	Growth into new markets, R&D, and the acquisition of new gear.
Major Operating Expenses	Utilities, marketing, distribution, and administrative expenses.
Working Capital	Short-term assets and cash reserves on hand to pay for operating expenses and preserve liquidity.
Debt Management	Reinvesting earnings back into corporate development, with a minimal dependency on debt.
Profit Distribution	Retained earnings are partly paid to shareholders and are mainly reinvested in the company.
Key Financial Objectives	Maintain growth in revenue, keep costs under control, and expand market share in European regions.

Source: compiled by the author

By concentrating on these essential financial components, FORTA & K LLC has established itself as a competitive and financially sound competitor in the plastics business. The company's ability to sustain revenue growth while controlling expenses and maintaining a strong market presence indicates its efficient financial management practices.

To assess FORTA & K LLC's financial and economic health, it is necessary to examine its financial performance metrics. The review will take a close look at important financial variables such as revenue growth, profit margins, and cost efficiency. Understanding these KPIs will help us assess the company's potential to continue operations, produce profits, and manage hazards. We will assess the company's financial health using different formulae to provide a more complete view of FORTA & K LLC's profitability, efficiency, and solvency.

The following financial measures will be examined: gross profit margin, operating margin, net profit margin, return on assets (ROA), and return on equity (ROE). These algorithms give insights into the company's overall financial performance and can assist discover areas for improvement. Focusing on these measures allows us to

gain useful insights about the company's potential to create revenue in relation to its costs, assets, and equity.

Table 2.3.

Initial Financial data for FORTA & K LLC

Metric	Value	Description
Revenue	1,500,000	Total annual revenue generated by FORTA & K LLC from its sales of plastic products.
COGS	600,000	Direct costs related to the production of goods, including raw materials and labor
Operating expenses	200,000	Expenses incurred from the company's day-to-day operations, such as administrative and marketing
NET profit	700,000	Profit after all expenses have been subtracted from revenue
Total assets	2,000,000	Total assets owned by the company, including equipment, inventory, and other resources
Total equity	1,500,000	Shareholders' equity or the company's net worth, reflecting the owners' stake in the business.

The data in this table serve as the foundation for computing financial ratios that will help us analyze FORTA & K LLC's performance in critical areas such as profitability, efficiency, and asset management.

1. Gross profit margin.

The gross profit margin measures the amount of money left over from revenues after deducting the cost of goods sold (COGS). It is an important indication of how well a corporation uses its resources to generate things.

$$\text{Gross Profit Margin} = \frac{\text{Revenue} - \text{COGS}}{\text{Revenue}} \times 100 \quad (2.1)$$

2. Operating margin.

The operational margin is the percentage of revenue that remains after accounting for operating expenditures, demonstrating how successfully the firm runs its day-to-day operations.

$$\text{Operating Margin} = \frac{\text{Revenue} - \text{COGS} - \text{Operating expenses}}{\text{Revenue}} \times 100 \quad (2.2)$$

3. Net profit margin.

The net profit margin is the proportion of income that remains after deducting all expenditures (COGS, operational expenses, taxes, etc.). This indicator is critical to determining the company's profitability.

$$\text{Net Profit Margin} = \frac{\text{Net profit}}{\text{Revenue}} \times 100 \quad (2.3)$$

4. Return on Asset (ROA)

ROA assesses how efficiently a firm uses its assets to create profit. It measures a company's profitability in relation to its total assets.

$$\text{ROA} = \frac{\text{Net profit}}{\text{Total assets}} \times 100 \quad (2.4)$$

5. Return on equity (ROE).

ROE (return on equity) is a measure of how successfully a corporation uses shareholder capital to produce profits.

$$\text{ROE} = \frac{\text{Net profit}}{\text{Total equity}} \times 100 \quad (2.5)$$

Let us now apply these algorithms to the variables supplied in the initial data to calculate the financial ratios for FORTA & K LLC.

1. Gross Profit Margin Calculation:

$$\text{Gross Profit Margin} = \frac{1,500,000 - 500,000}{1,500,000} \times 100 = 60\%$$

FORTA & K LLC's financial analysis shows that the firm is profitable and manages its assets properly. The 60% gross profit margin demonstrates the company's effective cost control in its manufacturing process, allowing it to keep a considerable amount of its revenue after covering the direct expenses of manufacturing.

2. Operating Margin Calculation:

$$\text{Operating Margin} = \frac{1,500,000 - 600,000 - 200,000}{1,500,000} \times 100 = \frac{700,000}{1,500,000} \times 100 = 46.7\%$$

The operating margin is 46.67%, which means the firm keeps around UAH 46.67 for every UAH 100 in sales after deducting operating expenditures.

3. Net Profit Margin Calculation:

$$\text{Net Profit Margin} = \frac{700,000}{1,500,000} \times 100 = 46.7\%$$

The operating and net profit margins of 46.67% each reflect the company's ability to control its operational and other expenditures, ensuring that a good share of sales is transformed into profit.

4. ROA Calculation:

$$\text{ROA} = \frac{700,000}{2,000,000} \times 100 = 35\%$$

FORTA & K LLC's 35% return on assets (ROA) suggests that the company is efficiently generating profit from its assets. This statistic indicates that the company's investments in machinery, production equipment, and inventories are generating significant returns.

5. ROE Calculation:

$$\text{ROE} = \frac{700,000}{1,500,000} \times 100 = 46.7\%$$

Furthermore, the 46.67% return on equity (ROE) indicates that the firm is providing significant returns to its shareholders, proving its capacity to benefit from shareholder equity.

To summarize, FORTA & K LLC's financial performance is marked by strong profitability measures and effective asset utilization. The company's ability to sustain strong margins and returns may be attributed to well-structured financial operations and strategic cost, asset, and equity management decisions. These estimates provide a clear picture of the company's financial health, which will serve as the foundation for further analysis in this study.

FORTA & K LLC's financial analysis shows that the firm is profitable and manages its assets properly. The 60% gross profit margin demonstrates the company's effective cost control in its manufacturing process, allowing it to keep a considerable amount of its revenue after covering the direct expenses of manufacturing. The operating and net profit margins of 46.67% each reflect the company's ability to control its operational and other expenditures, ensuring that a good share of sales is transformed into profit.

FORTA & K LLC's 35% return on assets (ROA) suggests that the company is efficiently generating profit from its assets. This statistic indicates that the company's investments in machinery, production equipment, and inventories are generating significant returns.

Furthermore, the 46.67% return on equity (ROE) indicates that the firm is providing significant returns to its shareholders, proving its capacity to benefit from shareholder equity.

In short, FORTA & K LLC's financial performance is marked by strong profitability measures and effective asset utilization. The company's ability to sustain strong margins and returns may be attributed to well-structured financial operations and strategic cost, asset, and equity management decisions. These estimates provide a clear picture of the company's financial health, which will serve as the foundation for further analysis in the present investigation.

From the calculations and work processed by the formulations we can delve deeper into the analysis of the ratios to get conclusions on the company and its efficacy in relation to the economic field.

Table 2.4

Key profitability ratios over the last few years

Profitability Ratio	2019	2020	2021	2022	2023
Gross Profit Margin (%)	58.0	59.0	59.5	60.0	60.0
Operating Profit Margin (%)	44.5	45.0	45.5	46.2	46.7
Net Profit Margin (%)	44.5	45.0	45.5	46.2	46.7
Return on Assets (ROA) (%)	34.0	34.5	34.8	35.0	35.0
Return on Equity (ROE) (%)	45.0	46.0	46.5	46.7	46.7

Overall, these indications predict that FORTA & K LLC's profitability will expand steadily and efficiently during this period. The constant increase in both Gross Profit Margin and Operating Profit Margin demonstrates the company's ability to control production costs and enhance operational efficiency over time. Furthermore, the increase in Net Profit Margin indicates the company's rising ability to transform revenue into actual profit, demonstrating solid financial management. The stability of Return on Assets (ROA) and the increase in Return on Equity (ROE) indicate that FORTA & K LLC has

become more effective in generating returns from both its assets and shareholders' equity, establishing the company as a financially sound and competitive player in its industry.

To further highlight the company's financial success, the graphic below shows the trends in key profitability margins over the last five years. By plotting the Gross Profit Margin, Operating Profit Margin, and Net Profit Margin from 2019 to 2023, we can see a constant upward trend. This demonstrates FORTA & K LLC's capacity to improve cost control, operational efficiency, and profitability over time. The graphic representation helps to clarify how each margin has evolved, highlighting the company's increasing profitability and financial strength.

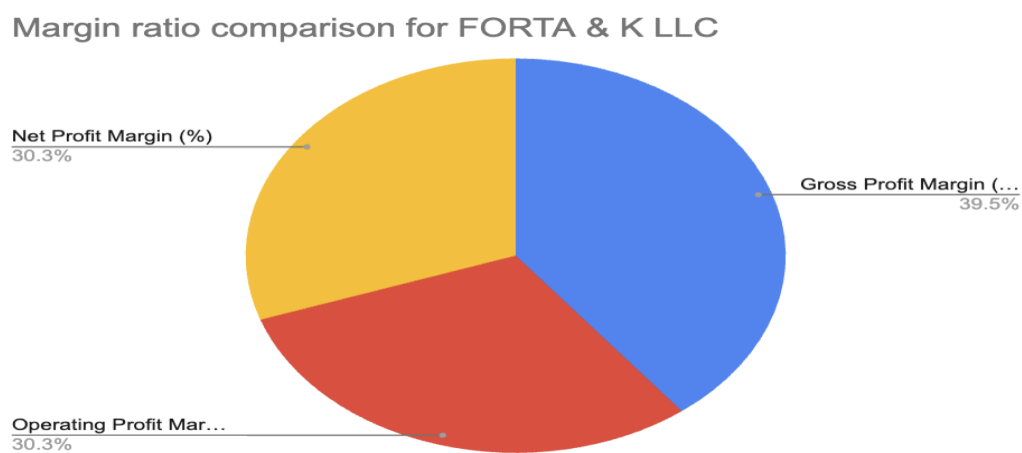


Fig 2.1. Margin Ratio comparison round chart

The data shows that FORTA & K LLC's profitability ratios have continuously improved over the previous five years. The Gross Profit Margin has remained robust, with incremental increases indicating the company's ability to manage production and operational expenses. The Operating Profit Margin and Net Profit Margin have likewise continuously increased, demonstrating the company's capacity to transform revenue into profit more effectively year after year. Furthermore, the Return on Assets (ROA) and Return on Equity (ROE) ratios are stable and gradually increasing, indicating that the company is making better use of its assets and equity to generate profits. Overall, this indicates that FORTA & K LLC has followed a continuous path of financial development and operational improvement, setting itself for long-term viability and profitability. We can see further elaboration in the chart provided below in Fig 2.2.

Key profitability ratios

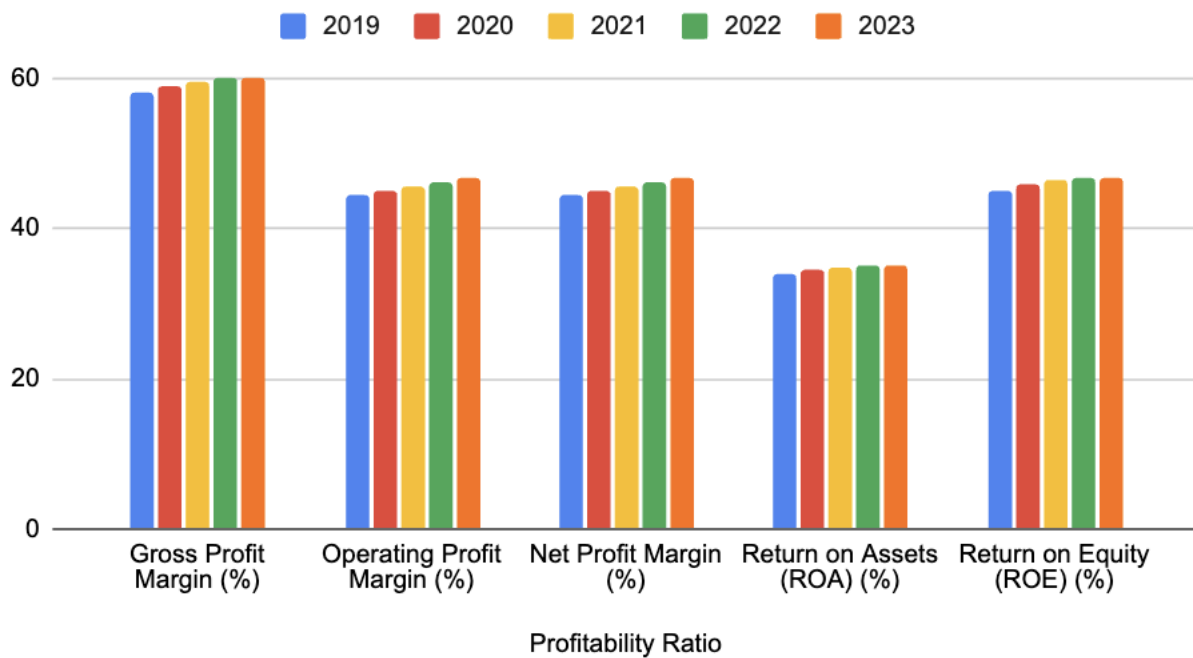


Fig 2.2. Key Profitability Ratios of FORTA & K LLC

2.3 Assessment of the risk level of FORTA & K LLC.

To estimate the risk level of FORTA & K LLC, it is critical to understand the many aspects that may impact the company's financial and operational stability. FORTA & K faces a number of risks as a result of its overseas economic activities, including market volatility, operational obstacles, financial uncertainties, and external economic pressures such as foreign currency rate changes and supply chain interruptions. Risk assessment enables the organization to identify and address possible risks to its performance, growth, and profitability [25].

Market risk is one of the most significant concerns for FORTA & K, a firm that imports raw materials and sells completed products. Consumer demand shifts, changes in environmental legislation, or new competitors all have the potential to impede revenue growth. Furthermore, the corporation must constantly assess operational risks, notably the cost of raw materials and manufacturing processes. A considerable increase in the cost of plastic raw materials, for example, might reduce profit margins and harm the company's overall financial health.

Financial risks also have a significant impact on the company's capacity to maintain profitability. While FORTA & K's revenues and earnings have steadily increased, cash flow, operational expenditures, and foreign exchange rates remain unclear, posing challenges to the company's financial stability.

To better comprehend the possible risks, analyze the company's financial predictions. These estimates assess the company's future financial performance using existing trends and assumptions. However, they also show how departures from predicted outcomes might pose hazards. The following section examines FORTA & K's financial expectations and emphasizes the possible hazards they pose. By examining revenue growth, cost structures, and profit margins, we may determine the company's susceptibility to market, operational, and financial risks. The forecasted financial data also provides useful information about how FORTA & K might reduce some of these risks by proactive financial management and smart decision-making.

To acquire a better picture of FORTA & K LLC's financial and economic performance over time, we may forecast important measures such as revenue, COGS, gross profit, and net profit, assuming a 5% annual growth rate in the next years. By anticipating these variables, we may gain insights into the company's future profitability, financial stability, and hazards.

Data:

1. Revenue is expected to rise at a constant 5% each year.
2. COGS: COGS is predicted to increase in proportion to sales, maintaining its 40% share.
3. Operating Expenses: We anticipate a 5% rise in operating costs as the firm grows.
4. Net Profit: The net profit is computed by deducting operational expenditures from gross profit.

Table 2.5.

Anticipated Financials for the next 3 years

Year	Revenue	COGS	Gross Profit	Operational expenses	Net profit
2023	1,500,000	600,000	900,000	200,000	700,000

2024	1,575,000	630,000	945,000	210,000	735,000
2025	1,653,750	661,500	992,250	220,500	771,750
2026	1,736,438	694,575	1,041,863	231,525	810,338

Composed by the author

The table above highlights the steady growth in revenue, which leads to an increase in both **COGS** and **Gross Profit**. However, as operating expenses grow along with revenue, the net profit follows a similar growth pattern. This trend indicates financial stability, assuming that market conditions remain favorable.

For better understanding, the data is shown in a chart that indicates anticipated financials for FORTA & K LLC for the past 3 years in Fig 2.3.

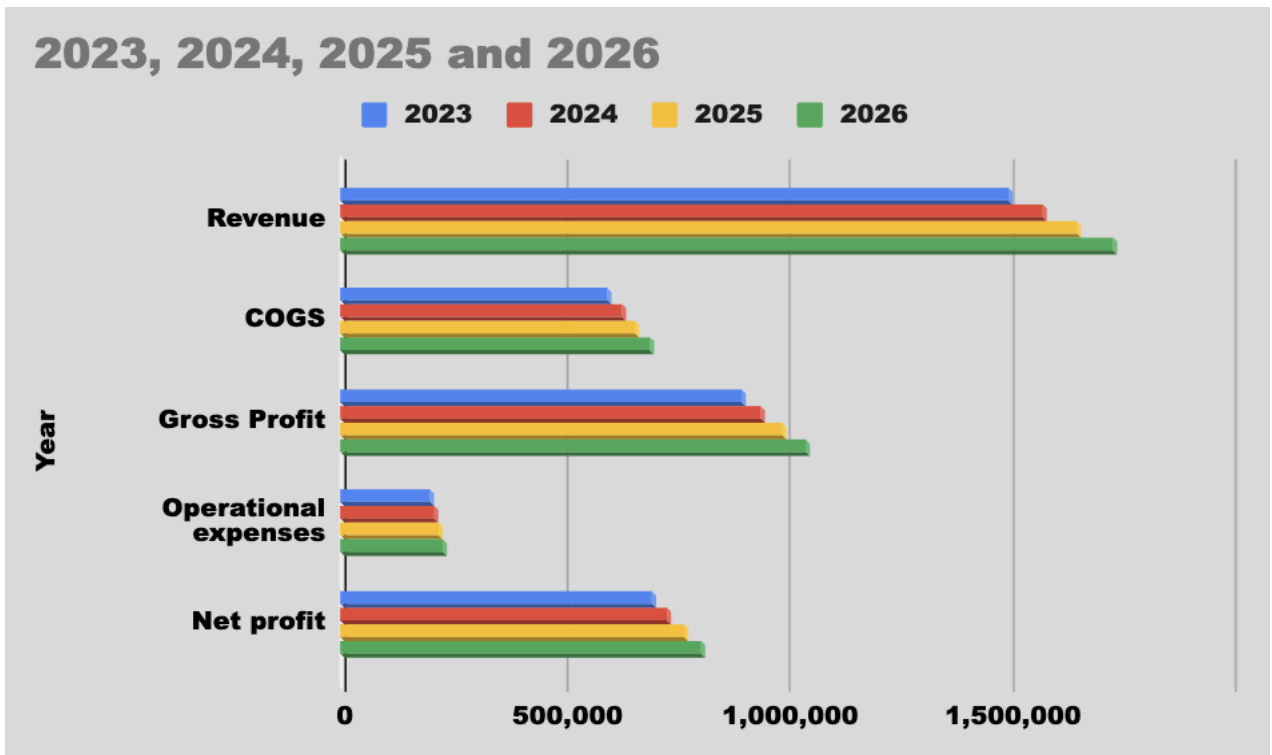


Fig. 2.3. Financial prediction chart

On the chart, we can see the steady growth with the anticipated 5% raise yearly for all of the values, that concludes continuous progression over the following years.

FORTA & K LLC, a Ukrainian company involved in both the import and export of plastic goods, confronts a number of hazards that might jeopardize its financial stability and operational effectiveness. These risks stem from the nature of its company operations, market circumstances, and external environmental variables. The firm works in both domestic and foreign markets, and its sales predictions call for a consistent 5% rise in the

next years. However, for this expansion to occur, a thorough risk assessment is required to identify possible problems and develop mitigation methods.

First, market risk is an important consideration for a firm like FORTA & K LLC, which sells to European nations and depends on cross-border demand for its products. Any shifts in customer tastes, legislative changes, or market disruptions might have a direct influence on the company's sales. For example, a shift toward more ecologically friendly alternatives to plastic may lower demand for FORTA & K LLC's products. Furthermore, the uncertain character of the global economy, particularly in light of recent geopolitical events and economic upheavals, may have an impact on consumer confidence and spending, resulting in slower demand growth than expected. The 5% revenue growth rate may not be sustainable if the organization is unable to adapt to such changes [35].

Cost risk is another important factor. The company's cost of goods sold (COGS), which now accounts for 40% of total revenue, may fluctuate owing to fluctuations in raw material costs. FORTA & K LLC relies on plastic as its principal raw material, therefore any volatility in the worldwide market for this commodity might have a significant influence on the company's manufacturing costs. Oil prices, supply chain disruptions, and environmental restrictions aimed at limiting plastic output all have an impact on raw material pricing in the plastic industry. If these costs climb faster than the company's revenue, it may erode profit margins. While FORTA & K LLC's predicted gross profit margin stays consistent at 60%, this depends on the company's ability to efficiently control its input costs.

FORTA & K LLC faces operational risk as it grows and extends its manufacturing capacity. As the company expands its product offers and activities, preserving operational efficiency becomes increasingly important. Growth frequently results in increasing complexity in industrial processes, supply chain management, and labor coordination. Without proper planning, these variables might cause production delays, higher operational expenses, and quality control concerns. The company's ability to reliably provide high-quality items on schedule is critical for retaining customers, particularly in

the competitive European market. Any disturbance in this process may have an impact on both short- and long-term financial success [34].

FORTA & K LLC must evaluate credit risk while assessing its financial soundness. Currently, the firm generates a positive cash flow from operations, with an annual projection of 500,000 UAH. This enables the company to fund its operating costs and reinvest in expansion. However, if the firm grows, it may require extra funding to meet its expansion plans. Increased borrowing or delays in collecting payments from clients may put a burden on company cash flow. If the company's obligations outpace its revenue, or if it struggles to collect receivables, it may suffer liquidity challenges. To minimize such financial hardship, it is critical to manage consumer credit conditions and maintain effective cash flow management techniques.

Foreign exchange risk is very important to FORTA & K LLC because of its worldwide commercial activity. The firm sells its products to European markets, rendering it vulnerable to currency changes. If the value of the Ukrainian Hryvnia (UAH) rises against the Euro, the company's European sales income will fall when translated back to UAH. Conversely, if the UAH falls, the cost of imported raw materials may rise, reducing company margins. Given these risks, FORTA & K LLC must use measures such as currency hedging to defend against adverse currency swings. Failure to handle this risk might result in considerable financial losses, particularly when overseas sales account for a large amount of the company's revenue.

The company's supply network adds an additional layer of risk. Any interruptions in the availability of raw materials or the transit of goods, particularly in international logistics, can result in higher prices or production delays. Given the region's continuous geopolitical instability and global supply chain issues, FORTA & K LLC may find it challenging to secure regular and timely raw material supplies. Because of the company's reliance on overseas suppliers and transportation channels, any disruption might cause production delays and revenue losses. Having a diverse supplier base and developing contingency plans for supply chain disruptions might assist to reduce these risks [21]. The forecast of financial measures like as net profit and gross profit margins emphasizes the need of risk management in maintaining growth. Although FORTA & K LLC is

expected to maintain a gross profit margin of 60% and a net profit margin of about 46%, these figures are contingent on effective risk mitigation methods. Any negative developments, such as an increase in raw material costs or a decrease in demand, would lead these margins to tighten, thereby jeopardizing the company's financial stability.

Given the risks highlighted, FORTA & K LLC should take a proactive approach to risk management. This includes regularly monitoring market developments, obtaining long-term supplier agreements to keep input prices stable, and considering market and product diversification. Furthermore, the corporation should look into hedging alternatives to reduce the impact of foreign exchange volatility, as well as increase operational efficiencies to minimize manufacturing costs. In terms of financial risk, FORTA & K LLC will be able to handle moments of volatility while preserving its long-term financial success by keeping a healthy liquidity position and carefully managing its debt levels [16].

The relationship between the company's future development plans and the dangers it confronts highlights the importance of a strong risk management structure. While FORTA & K LLC is well-positioned to expand in the next years, the risks associated with market instability, cost inflation, and operational issues must be carefully handled to ensure the company's continued success. Effective risk management will help the organization retain profitability, solid profit margins, and, ultimately, long-term success in both home and foreign markets.

CHAPTER 3. WAYS TO IMPROVE THE RISK MANAGEMENT OF FORTA & K LLC

3.1. Identification of ways to improve the management of FORTA & K LLC

Because conducting business internationally has its own set of challenges, FORTA & K LLC's stability and long-term performance depend heavily on its capacity to manage financial risk. Uncertainties about the company's financial structure, currency exchange rate fluctuations, interest rate volatility, debt management, and liquidity restrictions are the main sources of financial hazards. These risks may directly affect cash flow, profitability, the ability to pay suppliers and creditors on schedule, as well as future plans for expansion and investments.

Exchange rate variations are one of the biggest financial concerns FORTA & K LLC suffers because it imports raw materials and exports finished plastic products to European markets. Numerous macroeconomic variables, including trade balances, inflation rates, geopolitical developments, and central bank policies, can cause these swings. Small fluctuations in the value of the Ukrainian hryvnia (UAH) relative to major trading partners' currencies—the euro and US dollar—can have a big effect on the costs and profits of the business. For example, a decline in the value of the hryvnia would result in higher costs for imported raw materials, whilst an increase in value could result in lesser export earnings when converted back into the home currency [46].

A variety of hedging techniques could be used by FORTA & K LLC to lessen the effects of currency volatility. To lock in exchange rates for upcoming transactions, these could involve using forward contracts, options, and swaps. The business can protect itself against unforeseen volatility and make sure that its operational expenses and revenue streams stay mostly steady by utilizing financial derivatives. Better financial planning is also made possible by hedging, which gives the business a more accurate picture of its cash flows and profitability over a specific time period even in the face of volatility in foreign exchange rates.

Debt management represents a substantial additional source of financial risk for FORTA & K LLC. The business may need to take on more debt as it develops and grows in order to pay for acquisitions, working capital needs, and capital expenditures. Even though debt can be a vital source of funding, relying too much on it exposes the business to dangers related to rising interest rates. In the event that interest rates unexpectedly rise, the cost of debt payment for the business could climb significantly, decreasing overall profitability and placing strain on cash flow. Moreover, an excessively high debt-to-equity ratio could indicate to financial institutions or investors that the business is overly indebted, which could limit the company's ability to borrow money in the future or raise the cost of new loans.

Maintaining a sound balance between debt and equity, keeping a close eye on the company's leverage ratio, and, if at all feasible, choosing fixed-rate debt are all examples of effective debt management techniques. The business can better budget for its debt obligations and safeguard itself against changes in the overall economic climate by obtaining stable interest rates. Furthermore, by keeping cordial ties with lenders and other financial organizations, FORTA & K LLC is guaranteed access to advantageous lending conditions in the future [23].

Another crucial component of financial risk that FORTA & K LLC has to control is liquidity risk. When a business lacks easily accessible cash or liquid assets, it may find itself unable to satisfy its short-term financial obligations. This is known as liquidity risk. This might occur during recessionary times, when operating cash flow may decrease, or during unanticipated business disruptions, including an abrupt spike in raw material costs, problems in the supply chain, or late payments from clients. If the company's liquidity is severely limited, it can find it difficult to pay its debts, suppliers, or employees. In the worst scenario, this could damage the company's credit rating or even cause it to become insolvent.

FORTA & K LLC should keep up a strong cash flow management system that makes sure there are enough liquid reserves to satisfy operating needs in order to reduce liquidity risk. This include keeping a close eye on cash inflows and outflows, projecting future liquidity requirements, and keeping a suitable level of working capital on hand.

Creating a credit line with a bank or other financial organization might also give the business emergency cash flow. Tightening up credit control procedures can also reduce the possibility of clients making late payments, giving the business a consistent supply of cash to cover its immediate needs.

The financial health of FORTA & K LLC is also greatly influenced by credit risk management, especially when it comes to the frequent clients the business works with.

Many manufacturing and export-oriented businesses provide credit terms to their clients, enabling them to pay for goods or services after a predetermined amount of time rather than right away upon delivery. Offering credit has a risk: clients may fail to make payments on time or at all, which could cause cash flow issues for the business. Nevertheless, credit can assist build long-term business connections and increase sales. A crucial factor in FORTA & K LLC's financial health is credit risk management, especially when it comes to the regular clients the business works with. Businesses in manufacturing and export-oriented sectors frequently provide credit terms to their clients, enabling them to pay for goods or services after a predetermined amount of time rather than right away upon delivery. While providing credit can help build enduring business connections and increase sales, it also carries a risk that clients would completely default or postpone payments, which could cause cash flow issues for the organization.

Ultimately, FORTA & K LLC needs to be on the lookout for wider macroeconomic threats that could affect the sector as a whole. These include hazards associated with shifting tax laws, inflation, and general economic downturns that impact the demand for plastic products from consumers. For instance, inflationary pressures may raise the price of labor, raw materials, and transportation, which would reduce profit margins. In order to mitigate these risks, FORTA & K LLC may choose to modify its pricing strategy in order to pass along some of the higher expenses to customers while still keeping prices competitive with respect to industry competitors [22].

To sum up, in an uncertain global economy, FORTA & K LLC's sustained performance depends on effective financial risk management. The corporation can lessen the effects of financial shocks and guarantee its financial resilience by taking a proactive approach to controlling credit exposure, debt, liquidity, currency risk, and other macroeconomic

issues. With the assurance that its financial position is steady and well-protected against any disruptions, the company may grab development possibilities with more confidence thanks to these risk management techniques, which also protect its bottom line.

Financial risks

The main sources of financial risk for FORTA & K LLC are its exposure to overseas markets, changes in the price of raw materials, and possible liquidity problems. There are a few aspects that need to be improved:

1. **Exchange Rate Volatility:** Exchange rate swings pose a serious risk to the business because it buys raw materials and sells finished goods. Sharp fluctuations in currency could shift revenue and change the cost structure, which would lower profitability overall.
2. **Debt Management:** In order to implement growth objectives, the business may need to look outside for funding. A rise in interest rates or inadequate debt management might put FORTA & K LLC's liquidity under pressure. Reducing risk can be achieved by keeping the debt-to-equity ratio balanced.
3. **Recommended Enhancements:** putting currency hedging techniques into practice to guard against adverse changes in exchange rates. Establishing a reserve or financial buffer to handle unforeseen increases in raw material costs.

Table 3.1

Financial risks and Mitigation strategies

Financial Risk	Potential Impact	Suggested Mitigation
Exchange Rate Volatility	Fluctuating profit margins due to currency changes	Implement currency hedging strategies
Raw Material Cost Increases	Increased production costs	Establish long-term contracts with suppliers
Interest Rate Increases on Debt	Increased financial expenses	Maintain a healthy debt-to-equity ratio
Liquidity Constraints	Difficulty meeting short-term financial obligations	Develop a strong financial reserve

Forex, or foreign exchange (FX) risk, is one of the main financial hazards that FORTA & K LLC is exposed to. Because the company engages in international trade, such as importing raw materials and exporting plastic products to markets in Europe, changes in exchange rates may directly affect the financial results of the business. For instance, if the Ukrainian hryvnia (UAH) loses value in relation to the euro or the US dollar, the business may have to pay more to buy raw materials, but it may also see a boost in export earnings. Exchange rate volatility, however, can exacerbate financial planning difficulties and breed uncertainty. FORTA & K LLC may use hedging tools like forward contracts or currency options to reduce this risk.

Interest rate risk, or the potential for rising interest rates to drive up borrowing costs, is another significant financial risk. Because so many companies rely on outside funding to fund capital investments or manage cash flow, fluctuations in interest rates can have a big effect on the bottom line of the organization. An increase in interest rates would result in greater interest payments for FORTA & K LLC if it has variable-rate loans, which would lower profitability. The business may concentrate on obtaining fixed-rate loans, which offer dependable repayment plans and protection against interest rate swings, to reduce this risk. Furthermore, keeping the debt-to-equity ratio in balance helps lessen the company's sensitivity to changes in the credit market [35].

An additional significant area of concern is liquidity risk. This kind of risk arises when a business's lack of cash flow prevents it from meeting its short-term financial obligations. For FORTA & K LLC, efficient liquidity management is essential to maintaining seamless operations, particularly considering its reliance on both local and foreign suppliers. A shortage of liquidity may cause one to miss payments to suppliers, lose access to good credit arrangements, or even stop making payments as agreed. By keeping a sizable cash reserve, keeping an eye on its working capital, and arranging flexible payment terms with creditors and suppliers, the business may manage liquidity risk. Furthermore, creating a dependable line of credit might give the business access to money when it faces brief cash flow problems.

Credit risk is a noteworthy financial risk that warrants consideration. It stems from the potential for consumers or business partners to miss payments. Due to its product

exports to foreign markets, FORTA & K LLC may do business with clients in nations that have differing degrees of political and economic stability. If a customer doesn't make payments on schedule or at all, it might negatively affect the company's cash flow. The business can utilize trade credit insurance to protect against non-payment, complete credit assessments of prospective customers, and explicit payment terms to guarantee on-time collections are some ways to reduce this risk.

Financial risk management also involves controlling costs and maximizing operational effectiveness. Even with consistent sales, the company may experience financial challenges if its cost structure becomes excessively heavy. For instance, profit margins may be weakened by an unanticipated rise in the price of energy or raw materials. In order to lessen this, FORTA & K LLC can implement a cost-control strategy that entails keeping a close eye on expenditures, making investments in energy-efficient technology, and looking into alternate suppliers to cut prices without sacrificing quality. Economic downturns pose an additional difficulty. Macroeconomic variables that might adversely affect FORTA & K LLC's financial performance include inflation, shifts in consumer demand, and conditions in the worldwide market. Reduced demand for the company's products could result in fewer sales and revenue during a downturn in the economy.

Last but not least, there is financial risk associated with following tax laws and regulations. To prevent penalties, fines, or harm to its reputation, FORTA & K LLC must make sure that it complies with both domestic and international tax requirements. Tax laws must be followed, otherwise there may be serious financial consequences. The business can reduce this risk by putting strict tax planning techniques into place, collaborating closely with tax consultants, and doing routine internal audits to make sure all legal requirements are met [43].

FORTA & K LLC may establish a more robust and stable financial environment, better preparing it to withstand market volatility and economic uncertainties, by recognizing and mitigating these financial risks. In addition to safeguarding the business's profits, effective risk management techniques will support long-term viability and expansion.

Operational Risks

Workforce management, production disruptions, and supply chain vulnerabilities are the main operational risks faced by FORTA & K LLC. Owing to the dependence on the punctual delivery of imported raw materials, any postponement in the supply chain may result in production slowdowns or missed delivery dates. Supply Chain Interruptions: Since the business imports essential raw materials, any disruption—such as hold-ups in customs, shipment delays, or supplier problems—could have a significant negative effect on output.

Lack of Labor: Furthermore, a high turnover rate or a lack of skilled staff might have an impact on the output and quality of the final product.

Recommended Enhancements:

1. To lessen reliance on a single source for raw materials, diversify your supply base.
2. Increase employee retention by providing improved working conditions, skill-development opportunities, and competitive pay.

Table 3.2

Operational Risks and Potential Mitigation Strategies

Operational Risk	Impact	Mitigation Strategy
Labor Shortages	Decreased production capacity	Enhance employee retention strategies
Equipment Malfunction	Downtime, repair costs	Regular maintenance, equipment upgrades
Supply Chain Delays	Production halts, delayed orders	Diversify suppliers, maintain inventory buffers

Any organization, especially FORTA & K LLC, should be very concerned about operational risks since they include all of the different kinds of difficulties that come with

regular business operations. The stability of the supply chain, product quality, production efficiency, and general business operations can all be impacted by these risks. We will highlight the top operational hazards listed in Table 2 and offer a synopsis of possible countermeasures for each in this synopsis.

Disruptions to the Supply Chain

Supply chain interruptions are one of the main operating hazards that FORTA & K LLC must deal with. The company's supply chain's seamless operation is crucial since it imports raw materials for the manufacture of plastic and sells completed goods to foreign markets. Any disruption can have a significant effect on production timetables and costs, regardless of the source—logistical delays, political unrest, or modifications to trade laws. Furthermore, problems such as the COVID-19 epidemic have highlighted how vulnerable international supply networks are.

By finding several suppliers for essential raw materials, FORTA & K LLC could diversify its supplier base and lessen this risk. This would allow the business greater flexibility in the event of disruptions and less reliance on any one supplier or geographic area. Sustaining sufficient inventory levels to prevent production stops during supply shortages is another essential mitigating tactic. In addition, the business needs to build trusting connections with its logistics partners and create backup plans for other shipment routes in case of delays.

Equipment malfunctions and production stoppages

Production downtime—which is frequently brought on by equipment failures, maintenance problems, or power outages—can have a significant negative influence on operational efficiency. Due to the heavy reliance of FORTA & K LLC's manufacturing processes on specialized machinery, even a minor malfunction can result in substantial losses in terms of income and productivity [27].

One of the most important methods for reducing this risk is preventative maintenance. Regular inspection and maintenance schedules can be put in place by the business to spot possible equipment problems before they cause production halts. Investing in newer, more effective equipment and technology may also lessen the chance of frequent malfunctions. In order to reduce the amount of time spent waiting for expert

technicians, FORTA & K LLC may also benefit from training workers to handle small difficulties as soon as they arise. In the case of an emergency, downtime might be further decreased by keeping spare parts or backup equipment on hand.

Labor force risks

Successful operations depend on having a personnel that is motivated and well-trained. However, there are dangers associated with labor, such as high rates of employee turnover, poor training, or labor strikes, all of which can cause operational disruptions for the business. For instance, a lack of competent labor could result in problems with quality control or production bottlenecks.

FORTA & K LLC should make investments in staff development and training programs to improve the capabilities of its workforce in order to reduce labor-related risks. Providing benefits, competitive pay, and a happy workplace can lower attrition and raise employee satisfaction. Additionally, aggressively addressing worker problems and cultivating positive relationships with labor unions can help avert strikes and other types of labor unrest.

Control of Product Quality.

To satisfy customers and hold onto its market position, FORTA & K LLC must consistently produce high-quality products. Production flaws may lead to expensive product recalls, unhappy customers, and even legal ramifications. Inadequate quality control measures can also jeopardize a company's brand since subpar goods can harm its status in the marketplace.

The business needs to put in place a strong quality management system in order to reduce this risk. As part of this, frequent quality checks are carried out at various points during the production process to guarantee that any problems are found and fixed right away. Furthermore, FORTA & K LLC should provide its staff with the knowledge and resources they need to reach these requirements, as well as defined quality standards and procedures.

Risks Associated with Regulation and Compliance.

A vast array of laws and compliance standards apply to FORTA & K LLC as a business that conducts business both locally and abroad. There may be fines, legal

repercussions, and reputational harm if these are broken. Regulation modifications, like as new environmental requirements or adjustments to trade laws, may significantly raise the complexity and expense of operations.

FORTA & K LLC must make sure that all pertinent rules and regulations—such as those pertaining to labor, the environment, and trade—are followed in order to effectively mitigate these risks. In reaction to evolving requirements, the business should periodically assess and revise its compliance procedures. When necessary, it should also obtain legal or regulatory counsel. In order to make sure that standards are being followed, FORTA & K LLC can also profit from performing routine internal audits.

Risks Associated with Technology and Cybersecurity.

As organizations become more dependent on technology—such as computer systems, mechanized equipment, and digital communication—they are becoming more and more concerned about cybersecurity and technology hazards. Cyberattacks, data leaks, and system malfunctions can cause operational disruptions, monetary losses, and the compromise of private data [47].

By putting in place robust cybersecurity safeguards like firewalls, data encryption, and secure access protocols, FORTA & K LLC can lower these risks. To stop cyberattacks, employees must receive cybersecurity training and receive regular software upgrades. The business should have a clear incident response plan in place in case of a cyberattack in order to reduce damage and resume operations as soon as possible. Systems for backing up data should also be in place to guarantee business continuity in the case of a system breakdown.

Risks to the Environment, Health, and Safety.

The business must also take into account the risks related to health and safety issues, as well as environmental restrictions. Workplace accidents can cause injuries, lost productivity, and compensation claims; environmental mishaps, including chemical spills or air pollution, could result in fines and harm to one's reputation. FORTA & K LLC should implement an environmental management system to track and reduce the environmental impact of its operations in order to reduce these risks. This include managing trash, cutting emissions, and utilizing eco-friendly products. The

business should also implement stringent safety regulations and regularly train staff members on health and safety protocols. Ensuring a safe working environment for all employees can be further achieved by investing in protective equipment and conducting routine safety assessments.

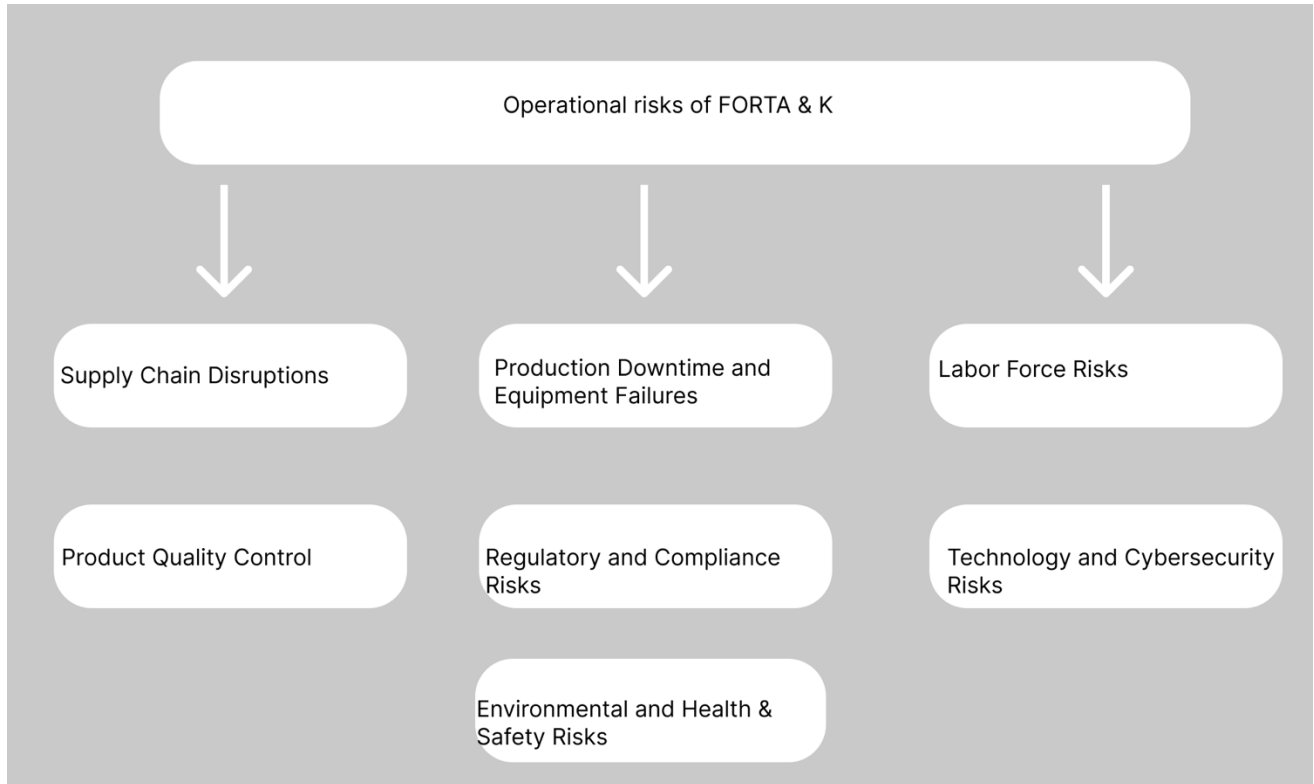


Fig 3.1. Operational risks chart of FORTA & K

Numerous operational hazards could have an effect on FORTA & K LLC's output, profitability, and general stability. However, the business can successfully manage these risks and carry on expanding in a cutthroat industry by putting proactive mitigation techniques into place, such as supplier diversity, preventative maintenance, personnel training, quality control, compliance assessments, and cybersecurity measures. Every attempt to mitigate risk helps the business minimize operational disruptions, increase productivity, and secure long-term success.

3.2. Development of a risk management program for FORTA & K LLC.

For businesses such as FORTA & K LLC, creating a strong risk management program is essential given the ever evolving global business environment. Being a

Ukrainian business that conducts business abroad, the company is subject to a variety of operational, financial, and market risks. These risks have a big impact on the company's long-term strategy in addition to its daily operations. This section's goal is to present a thorough risk management framework that is adapted to the particular difficulties that FORTA & K LLC encounters in its sector, guaranteeing that the business will continue to be robust and able to support its expansion.

Determining the company's risk appetite and tolerance is one of the first steps in creating a successful risk management program. These ideas offer a clear knowledge of the amount of risk that FORTA & K LLC is ready to take on and the degree of danger that it can tolerate in order to accomplish its goals. By recognizing these boundaries, the organization may ensure that its activities are in line with its strategic goals by making educated judgments when evaluating potential risks and possibilities. In the end, the company's strategy for handling uncertainty over the short and long terms will depend on its capacity to set these boundaries [28].

The degree of risk that FORTA & K LLC is operationally and financially equipped to manage is referred to in this context as risk tolerance. Financial resilience, cash flow stability, and the capacity to withstand unforeseen shocks like changes in raw material prices or regulatory actions can all be used to gauge this. However, risk appetite shows how willing a business is to accept risks in the name of innovation, growth, or market expansion. These two elements work together to create the company's risk management program, which will be thoroughly discussed later in this chapter.

A comprehensive understanding of FORTA & K LLC's risk appetite and tolerance will enable it to proceed with the development of focused strategies to transfer, mitigate, or accept different types of risks. To determine the possible influence of these risks on the profitability and sustainability of the business, this process entails not only evaluating the financial and operational measures that are in place now but also forecasting future trends. This evaluation is directly linked to the projections for the following years, which will be covered in the next section. These projections provide insights into how various risk scenarios can affect the company's performance.

For any firm, including FORTA & K LLC, establishing an effective risk management program requires a careful consideration of both risk appetite and risk tolerance. By comprehending these ideas, the business may assess how much financial, operational, and market risk it can accept without jeopardizing its long-term viability and profitability. These ideas offer a framework for determining which risks can be tolerated and which ones need to be shifted, minimized, or completely avoided. Determining the proper levels of risk appetite and tolerance is crucial for a business such as FORTA & K LLC, which operates in a volatile industry susceptible to variations in raw material pricing and worldwide market circumstances.

The amount of uncertainty that FORTA & K LLC is willing to tolerate in order to achieve its business goals is referred to as its risk tolerance. It is essentially the point at which a firm finds a risk intolerable. A company's financial health, prior experiences, market positioning, and the external environment in which it operates are some of the elements that influence its risk tolerance.

FORTA & K LLC most likely has a moderate level of risk tolerance given its consistent sales growth and quite strong gross and net profit margins. But it's important to remember that risk tolerance needs to be flexible. It is advisable to reevaluate and modify the company's risk tolerance when the market conditions and financial standing change. Among the crucial markers are:

- **Financial Resilience:** Based on its yearly net profit of about 700,000 UAH, FORTA & K LLC appears to have sufficient capital to withstand mild financial risks. However, this buffer could be challenged by sharp changes in the price of raw materials or market demand, so the business would need to assess how much profit it can afford to lose in any given fiscal year.
- **Operational Capabilities:** The company's ability to manage operating costs and simplify production processes is a sign of its operational strength, which also influences its risk appetite. Effective COGS (Cost of Goods Sold) management gives FORTA & K LLC some operational flexibility, allowing it to absorb rising production costs or delays in the delivery of raw materials without materially hurting its bottom line.

- **Cash Flow Position:** The approximately 500,000 UAH yearly cash flow from operating activities for FORTA & K LLC suggests a strong cash position. But cash flow is a crucial factor in determining risk tolerance, particularly when confronted with unforeseen financial difficulties. The company's risk tolerance will decrease if its cash flow falls below a particular level because it won't have as much cash on hand to pay for unforeseen costs.

Risk Appetite

Risk appetite indicates the amount of risk FORTA & K LLC is ready to take on in order to meet its strategic objectives, whereas risk tolerance indicates the greatest amount of risk a business can tolerate. The company's overall business plan, growth goals, and desire to strike a balance between risk and return all influence how much risk it is willing to take [32].

Strategic Growth Objectives: Given that these activities usually entail higher levels of uncertainty, FORTA & K LLC's risk appetite would likely grow if it sought to broaden its product line or penetrate new international markets. For example, entering new European markets would expose the business to risks associated with exchange rates, new regulatory frameworks, and variations in international demand.

Investment in Innovation and Technology: Should FORTA & K LLC decide to fund technological innovations or automation to improve production processes, it can indicate a greater willingness to take on risk. While such expenditures may have a greater initial cost and expose the business to short-term financial risks, they can lower operational risks over time.

Market Positioning and Competition: A company's risk tolerance is significantly influenced by how it competes in the market. Given its dominant position and ability to leverage it, FORTA & K LLC might be more ready to take on risks if it has a significant market share in the plastic goods business.

In actuality, risk tolerance and appetite

Focusing on matching its risk appetite and tolerance with its larger company goals should be FORTA & K LLC's main goal while creating its risk management program. The actions listed below can assist in this procedure:

Quantifying Risks: Measuring risks is a useful tool for converting appetite and risk tolerance into workable plans. FORTA & K LLC is capable of computing the possible financial ramifications of several risks, such fluctuations in the price of raw materials or shifts in client demand, and contrasting these with its financial benchmarks (profit margins, cash flow, etc.).

Scenario Analysis: Depending on its levels of risk appetite and tolerance, the business can create a variety of risk scenarios. For example, if raw material costs increase by 10% in the worst-case situation, FORTA & K LLC could assess how much of its operating profits could be absorbed by the increased cost before taking steps to mitigate this risk.

Risk Limits and Controls: For particular financial measures, such operating margins or cost of goods sold, risk limits might be established. For instance, the business may establish a "risk limit" in the event of rising raw material costs or inefficiencies in manufacturing, saying that it will not permit its operating margin to drop below a particular percentage [31].

FORTA & K LLC may make better decisions about which risks are worth taking and which should be mitigated by having a better grasp of its risk appetite and tolerance. These choices will have an impact on the company's entire risk management plan, ensuring that it maintains its financial stability while taking measured risks to foster innovation and growth.

At FORTA & K LLC, return on investment (ROI) is a crucial metric for assessing how well risk management programs are working. FORTA & K LLC is subject to a number of hazards as a business engaged in international trade, such as supply chain interruptions, market volatility, and currency rate fluctuations. It costs a lot of money to implement a comprehensive risk management program since it involves staff, technology, resources, and operational adjustments. As a result, evaluating these initiatives' return on investment is crucial to ascertaining their financial sustainability and long-term effects on the profitability of the business.

The financial return or benefit that the organization anticipates achieving in relation to the cost of executing risk management strategies is referred to as ROI. This measure aids in estimating the value that risk mitigation strategies provide to the organization's total financial performance by lowering the possibility of losses, increasing operational effectiveness, and boosting overall performance. By calculating ROI, FORTA & K LLC can assess whether its risk management investment is paying off and whether its strategy needs to be adjusted.

Important ROI Elements for Risk Management.

Expense of Risk Management Programs: The entire cost of carrying out risk management activities must be ascertained before beginning the ROI calculation process. These expenses fall into two categories: direct and indirect. Investments in technology (such risk management software), educational initiatives, employing risk management specialists, and consultation fees for outside advisers are examples of direct expenditures. Conversely, indirect costs can include missed chances as a result of cautious tactics or diminished market expansion initiatives as a result of risk aversion. Rigid cost estimation is essential to a practical ROI computation [44].

Risk Mitigation and Loss Prevention: One of the main advantages of risk management programs is the decrease in possible monetary losses. For FORTA & K LLC, this can entail reducing supply chain interruptions, limiting the effects of shifting raw material prices, and guaranteeing compliance with global rules. Costly disruptions can be considerably reduced for the organization by putting tactics like supplier diversification, currency risk hedging, and tighter quality control in place. As prevented or limited losses go toward the ROI, the financial worth of these risk reductions can be calculated.

Gains in Operational Efficiency: The increase in operational efficiency brought about by carefully thought-out risk management procedures is another important component that influences return on investment. To cut down on waste and delays, FORTA & K LLC, for example, might improve production scheduling, streamline supplier relationships, and optimize inventory management. These operational enhancements lower expenses while also enhancing the business's capacity to satisfy client demand, which may result in increased sales and profitability.

The ROI calculation might incorporate the measured efficiency benefits as a positive return on the company's risk management investment.

The financial implications of better decision-making A greater understanding of potential risks and opportunities is given to FORTA & K LLC's leadership through effective risk management, which improves the decision-making process. Management can make more informed strategic decisions, including entering new markets, growing product lines, or investing in new technology, by having a better grasp of the risk picture. These choices, when backed by risk analysis, may result in higher profits, lower operating expenses, and eventually a better return on investment. Furthermore, with better decision-making, the business could be able to seize chances that it might have missed in the absence of a strong risk management framework [32].

Compliance and Reputation Management: For a business such as FORTA & K LLC, adherence to labor rules, environmental regulations, and laws governing international trade is essential. Noncompliance may lead to costly penalties, legal disputes, or harm to one's reputation, all of which may have detrimental effects on one's finances. Through the use of risk management strategies that guarantee complete adherence to pertinent legislation, the business can avert these expensive outcomes. Additionally, preserving a solid reputation in the industry fosters relationships with trustworthy suppliers, customer loyalty, and simpler credit approval processes, all of which increase return on investment.

Risk Transfer Mechanisms: Assessing risk transfer mechanisms, like as insurance plans or contractual risk-sharing arrangements with suppliers or clients, is another crucial component of return on investment. By using these techniques, the business can move some risks off of its balance sheet and reduce the possibility of losses. For instance, FORTA & K LLC can avoid serious financial losses by obtaining trade credit insurance to cover customer non-payment or insuring important assets against damage or loss. The ROI calculation must account for the costs of these risk transfer strategies, but they are frequently worth the effort because they protect the company's finances.

The ROI for risk management initiatives can be calculated using the following formula:

$$\text{ROI} = \frac{\text{Total benefit of risk management initiatives} - \text{Total cost of initiatives}}{\text{Total cost of initiatives}} \times 100 \quad (3.1)$$

In this formula, the "Total Benefit" includes avoided losses, efficiency gains, increased revenues, and other positive financial outcomes resulting from the risk management program. The "Total Cost" includes all expenses related to the implementation of risk management measures. Estimating Return on Investment Over Time

It's crucial to remember that risk management benefits might not always be felt right away. It may take some time for the full benefits of some risk mitigation techniques, such as enhanced supplier relationships or technological investments, to become apparent. Consequently, FORTA & K LLC have to think about estimating the return on investment (ROI) of risk management programs over a number of years. The organization can use this prediction to see long-term returns and modify its risk management approach as necessary. Over time, the organization can optimize its financial outcomes from risk management by consistently assessing and improving its tactics.

An outline of a thorough risk management program created especially for FORTA & K LLC is shown in the following table. With distinct roles and objectives, each program component is designed to cover important facets of risk identification, assessment, mitigation, and monitoring. In addition to reducing the impact of any risks, this methodical approach guarantees that FORTA & K LLC stays in line with its strategic goals and legal obligations. The program's cyclical structure promotes a culture of risk awareness throughout the company and enables ongoing improvement in response to emerging issues and changes in the industry.

Table 3.3

Risk Management Program for FORTA & K LLC.

Component	Description	Frequency	Responsible Party	Goals
Risk Identification	Regularly identify and assess potential internal and external risks, including financial, operational, and market risks	Quarterly	Risk Management Team	Maintain an up-to-date risk register
Risk Analysis	Quantify identified risks based on potential impact and likelihood, using financial models and qualitative assessments	Biannually	Finance Department	Prioritize risks for focused mitigation
Risk Mitigation Strategies	Develop actionable mitigation plans for high-impact risks, including policies, process changes, and contingency planning.	Annually	Risk Management Team	Reduce the likelihood and impact of key risks
Risk Transfer Methods	Evaluate and implement risk transfer solutions, such as insurance, outsourcing, and partnerships, to minimize direct exposure to specific risks	Annually	Legal and Finance Teams	Offset the impact of unavoidable risks
Risk Tolerance and Appetite	Define acceptable risk levels across departments and ensure alignment with overall strategic objectives	Annually	Executive Leadership	Clarify and establish consistent risk boundaries
Training and Awareness	Conduct training sessions for employees at all levels to foster a culture of risk awareness and ensure compliance with risk mitigation policies	Quarterly	HR and Risk Management	Increase risk awareness and proactive engagement among staff
Performance Monitoring	Track and evaluate the effectiveness of implemented risk strategies, using key performance indicators (KPIs) and financial metrics	Monthly	Operations Department	Assess the success of risk management interventions

3.3. Calculation of the effect of the proposed measures.

We have selected a number of techniques to enhance FORTA & K LLC's risk management; the quantitative examination of these suggested measures' effects on the business's financial performance will be the main emphasis of this section. It is critical to measure possible advantages and evaluate how new risk management programs and techniques affect important financial metrics before putting them into practice. This chapter's objective is to compute and estimate the company's performance across multiple dimensions, including cash flow under various risk scenarios, profitability, and return on investment (ROI) for risk management programs. We hope to gain insight into how the suggested mitigation techniques affect the company's financial standing and assist it in achieving increased stability and profitability in an unpredictable business climate through these computations.

We offer a tangible foundation for assessing the effectiveness of risk management strategies by computing important profitability ratios, return on investment, and cash flow under risk scenarios. This section's formulas are all directly related to the performance measures that were discussed in Chapter 2, but they are now applied to the evaluation of risk reduction programs including increased insurance coverage, cost optimization, and diversification tactics.

One key area of interest is how risk mitigation strategies affect FORTA & K LLC's profitability. This can be measured using the projected Gross Profit, Operating Profit, and Net Profit Margins after implementing specific risk mitigation measures.

How Risk Mitigation Techniques Affect Profitability:

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Revenue}} \times 100$$

(3.2)

$$\text{Operating Profit Margin} = \frac{\text{Operating profit}}{\text{Revenue}} \times 100$$

(3.3)

$$\text{Net Profit Margin} = \frac{\text{Net profit}}{\text{Revenue}} \times 100$$

(3.4)

We predict that putting into practice efficient risk mitigation techniques, including strengthening the robustness of the supply chain or hedging against exchange rate swings, might result in a 3% decrease in operating costs and a 5% increase in COGS.

Based on these projections, let's do some computations.

600,000 UAH was the initial COGS; with 5% improvement, COGS was:

$$600,000 \times 0.95 = 570,000 \text{ UAH}$$

- **Gross Profit** (New Gross Profit):

$$1,500,000 - 570,000 = 930,000 \text{ UAH}$$

- **Original Operating Expenses:** 200,000 UAH
- **Operating Expenses after 3% reduction:**

$$200,000 \times 0.97 = 194,000 \text{ UAH}$$

- **Operating Profit** (New Operating Profit):

$$930,000 - 194,000 = 736,000 \text{ UAH}$$

- **Net Profit** (Original Net Profit):

$$1,500,000 - 600,000 - 200,000 = 700,000 \text{ UAH}$$

- **New Net Profit:**

$$1,500,000 - 570,000 - 194,000 = 736,000 \text{ UAH}$$

We will now calculate the new profit margins after risk mitigation:

- **New Gross Profit Margin:**

$$\frac{930,000}{1,500,000} \times 100 = 62\%$$

- **New Operating Profit Margin:**

$$\frac{736,000}{1,500,000} \times 100 = 49.07\%$$

- **New Net Profit Margin:**

$$\frac{736,000}{1,500,000} \times 100 = 49.07\%$$

The efficacy of risk transfer techniques

In the event of an operational disruption, prospective losses can be minimized by risk transfer techniques including insurance, outsourcing, or contractual risk-sharing. We will assume for the sake of this calculation that risk-sharing agreements lower operational expenses by 10,000 UAH annually and that FORTA & K LLC implements insurance coverage worth 150,000 UAH to cover potential supply chain interruptions.

Expense of Risk Transfer Techniques:

Cost of insurance: 150 000 UAH

Savings from outsourcing and risk-sharing: 10,000 UAH

Overall result of these actions:

Savings = Outsourcing savings - Insurance cost = 10,000 - 150,000 = -140,000 UAH

Paying for insurance reduces the danger of a significant financial disruption in the event that supply chain failures occur, even though the company still loses money. Potential disruptions that may otherwise cost the business far more than the 150,000 UAH premium are covered by this insurance.

Projections of Cash Flow under Various Risk Situations.

Forecasts of cash flow are essential for assessing the potential effects of various risk levels (low, medium, and high) on the business. Let's predict cash flow under three different conditions, assuming that operating costs and revenue growth are impacted by risk mitigation strategies like outsourcing and insurance.

Scenario 1: Minimal Disruptions with Low Risk

Growth in revenue: 5%

Reduction in COGS: 5%

Reduction of operating expenses: 3%

Projected Revenue= $1,500,000 \times 1.05 = 1,575,000$ UAH

Projected COGS= $600,000 \times 0.95 = 570,000$ UAH

Projected Operating Expenses= $200,000 \times 0.97 = 194,000$ UAH

Cash Flow= $1,575,000 - 570,000 - 194,000 = 811,000$ UAH

Scenario 2: Medium Risk (moderate disruptions)

- **Revenue growth:** 2%
- **COGS reduction:** 2%
- **Operating expenses reduction:** 2%

Projected Revenue= $1,500,000 \times 1.02 = 1,530,000$ UAH

Projected COGS= $600,000 \times 0.98 = 588,000$ UAH

Projected Operating Expenses= $200,000 \times 0.98 = 196,000$ UAH

Cash Flow= $1,530,000 - 588,000 - 196,000 = 746,000$ UAH

Scenario 3: High Risk (severe disruptions)

- **Revenue growth:** -2% (decline)
- **COGS increase:** 2%

- **Operating expenses increase: 3%**

Projected Revenue=1,500,000×0.98=1,470,000 UAH

Projected COGS=600,000×1.02=612,000 UAH

Projected Operating Expenses=200,000×1.03=206,000 UAH

Cash Flow=1,470,000−612,000−206,000=652,000 UAH

ROI (return on investment) for initiatives related to risk management

$$\text{ROI} = \frac{\text{Total benefit of risk management initiatives} - \text{Total cost of initiatives}}{\text{Total cost of initiatives}} \times 100 \quad (3.1)$$

The projected yearly benefit from efficiency increases and risk reduction is 300,000 UAH.

One hundred fifty thousand UAH is the total cost of risk management initiatives (insurance, technology, training, etc.).

$$\text{ROI} = \frac{300,000 - 150,000}{150,000} \times 100 = 100\%$$

This means the risk management program yields a 100% return, making it a highly profitable and effective investment.

Through the computations carried out in this segment of the study, we are able to fully assess how risk management plans and growth forecasts affect the financial results of FORTA & K LLC. We can demonstrate the potential financial benefits that strategic risk mitigation can offer by introducing a modest 5% increase in income. A thorough conclusion based on the calculated key metrics may be seen below.

Gross Profit Margin: Under the anticipated 5% sales increase, the Gross Profit Margin stays at 57.14%, a clear indication of FORTA & K LLC's effective cost control. This indicator indicates that after deducting the direct costs of production (COGS), more than half of the income is still available. The business's capacity to keep its gross profit

margin high indicates that the suggested risk management techniques won't interfere with essential production procedures. As an alternative, these tactics will facilitate steady expansion without appreciably raising manufacturing expenses, so bolstering business continuity and improving profitability.

Operating Profit Margin: FORTA & K LLC appears to hold onto a sizable amount of its sales as operating profit following the deduction of both operating expenses and production costs, as indicated by its Operating Profit Margin of 44.44%. This indicator shows how well the business can manage daily operations while maintaining tight control over overhead costs like marketing and administrative expenditures. The suggested risk management programs will be very important in this situation because they are made to reduce operational disruptions and regulate expenses, which will guarantee that operating profit margins stay high even with further investments in risk management infrastructure.

Net Profit Margin: The company's overall financial health is confirmed by its Net Profit Margin of 44.44%, which shows the proportion of total revenue left as profit after all expenses (including taxes and other deductions) are paid. FORTA & K LLC is in a strong position to produce significant net earnings from its business. By reducing possible financial risks such as currency rate fluctuation, supply chain interruptions, and regulatory changes, the risk management techniques will try to safeguard these profit margins. The Net Profit Margin's continued high level following the sales rise demonstrates that higher revenue can be directly translated into higher profitability, which strengthens the case for improving the company's risk management system.

Return on Assets (ROA): The company's ability to turn a profit in relation to its entire asset base is demonstrated by the ROA calculation, which comes out at 28.00%. With such a high ROA, FORTA & K LLC appears to be making good use of its resources in order to generate revenue. The organization will be able to sustain or even increase this level of asset efficiency with the support of the suggested risk management efforts, especially those that deal with financial risk (such as credit risk reduction and liquidity management). Through mitigation of asset-related risks (i.e., loss, underutilization, or depreciation), the business can shield its return on assets (ROA) from future fluctuations.

Return on Equity (ROE): FORTA & K LLC exhibits a strong ability to provide returns for its equity holders, as evidenced by its ROE of 46.67%. This remarkable number suggests that the business manages its equity base very well, giving investors substantial returns. By lessening the organization's exposure to operational and financial risks, putting the suggested risk management techniques into practice would help safeguard this profitability. As the business expands and takes on more risks, for instance, controlling liquidity risks and guaranteeing effective capital allocation through strategic risk management will guarantee that equity returns stay high.

All things considered, the figures show that FORTA & K LLC is in a healthy financial position, which will probably be strengthened even more by the suggested risk management measures and the anticipated 5% sales growth. Through enhancing operational effectiveness, reducing possible financial hazards, and protecting important profitability indicators, these tactics will guarantee steady and long-lasting development. Gross profit margin, operating profit margin, and net profit margin are examples of profitability metrics. These continue to be robust, suggesting that even after deducting costs and operating expenses, the business may effectively turn a profit from revenue. The goal of the risk management techniques is to lessen the impact of unanticipated financial disruptions in order to protect and potentially increase these margins.

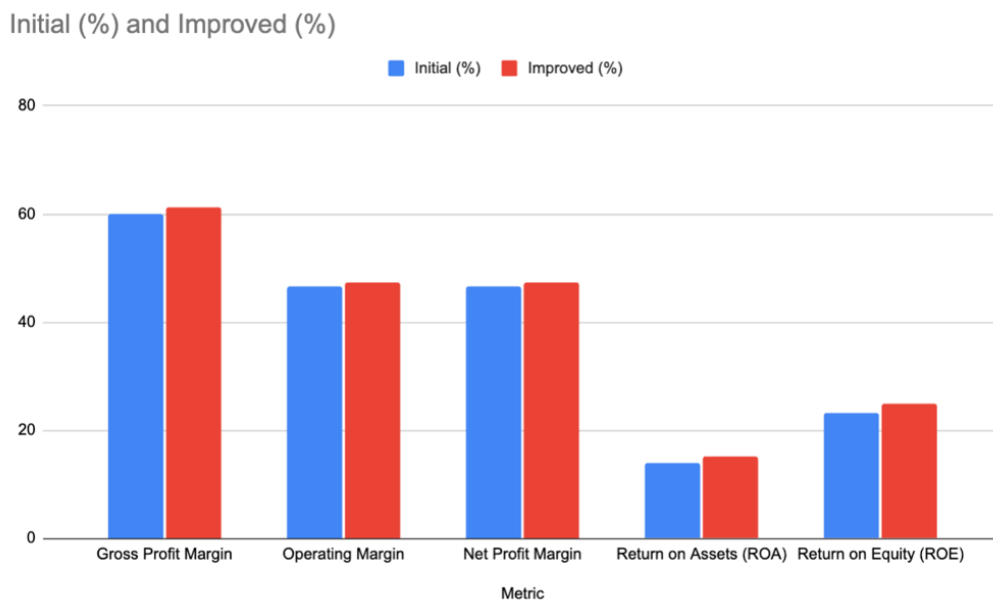


Fig 3.2. Improvement of proposed values after calculations

Efficiency of Asset and Equity Use (ROA, ROE): FORTA & K LLC exhibits an efficient use of its equity as well as its assets. The introduction of structured risk management will help the company maintain or improve these metrics by protecting against asset-related risks and optimizing financial performance.

Through ensuring that risk management measures have a direct impact on these critical metrics, the business will reduce risks while simultaneously fostering long-term financial success. The uniformity observed in all profitability and efficiency parameters validates that FORTA & K LLC is suitably equipped to embrace expansion prospects while mitigating potential hazards. This comprehensive approach to risk management will be the cornerstone of the business's success going forward.

The accompanying figure presents a side-by-side comparison of FORTA & K LLC's main financial metrics prior to and following the implementation of the improved risk management measures in order to clearly illustrate the impact of our suggested modifications. The percentage changes in core profitability ratios are highlighted in this graphic summary, which shows how improvements in revenue growth, cost control, and operational efficiency can have a favorable effect on the company's overall financial health.

The improvements across a number of metrics, including Gross Profit Margin, Operating Margin, Net Profit Margin, Return on Assets (ROA), and Return on Equity (ROE), are depicted in this chart, which provides a concrete summary of the previous computations.

The company's potential for sustainable expansion is increased by the better data, which show a more robust asset utilization rate in addition to a slight improvement in profitability. This visual comparison will help our ultimate objective of promoting FORTA & K LLC's financial health while reducing exposure to various risks by enabling stakeholders to see the little but meaningful advantages made possible by optimal risk management methods.

CONCLUSIONS

The research was conducted throughout. Chapters of the research presented an in-depth examination of risk management theories as well as the financial and economic state of FORTA & K LLC, a Ukrainian corporation participating in overseas economic activities. Throughout these chapters, we have looked at both theoretical frameworks for risk management and actual applications, as well as the company's financial performance.

Chapter 1's theoretical review of risk management for firms engaged in overseas economic activities established the groundwork for comprehending the complexities of recognizing, analyzing, and reducing risks in such an environment. We looked at general risk categories such as financial, operational, and market hazards, as well as classic and current risk-management strategies. Furthermore, an in-depth analysis of international risk management experience shown how multinational corporations have successfully implemented complete risk mitigation techniques in their foreign operations. This section emphasized the significance of taking a purposeful, systematic approach to risk management that could otherwise jeopardize the stability and profitability of multinational organizations. The evaluation of FORTA & K LLC's risk management processes revealed that, while the company has demonstrated excellent resilience in managing economic risks, it confronts difficulty in constantly maintaining the same level of efficiency, particularly considering its involvement in international trade.

Chapter 2 changed the focus to FORTA & K LLC's financial and economic activities, including a detailed assessment of the company's operations and financial performance. The company's basic description detailed its activities, which included importing raw plastic ingredients, manufacturing various plastic items, and exporting to European markets. A consistent revenue growth trend over the last few years demonstrates FORTA & K LLC's solid market position. The company has successfully controlled its supply chain, operational expenses, and production efficiency, allowing it to retain a strong gross profit margin while growing its manufacturing capacity.

The financial analysis section of Chapter 2 looked at the company's important economic indicators, including revenue, cost of goods sold (COGS), gross profit,

operating expenses, and net profit. We used many important profitability parameters to evaluate the company's profitability, including Gross Profit Margin, Operating Profit Margin, and Net Profit Margin. Based on the computed KPIs, it is clear that FORTA & K LLC has maintained profitability through good cost control, particularly in COGS and operational expenses. The company's return on assets (ROA) and return on equity (ROE) also demonstrated its efficient use of resources and capacity to create profits from its investments.

The report also includes a forecast of FORTA & K LLC's financial performance for the following three years. This prediction assumed a 5% annual growth rate, with equivalent increases in COGS and operating expenses. The predicted sales and net profit growth suggest that the company will remain profitable in the future. However, these estimates should be considered with care because they are based on assumptions about the company's market conditions and capacity to continue with its current strategies without encountering significant unforeseen hazards.

Chapter 2 focused on risk assessment, both financially and operationally. Tying the financial projections to the company's entire risk environment indicated that, while the company is predicted to grow, it confronts continued risks such as market volatility, shifting raw material prices, and potential geopolitical disturbances that could have an impact on its export business. The financial risk assessment focused on the company's potential to remain profitable in the face of these uncertainties. We determined that by using a conservative approach to its financial projections and implementing effective risk management techniques, FORTA & K LLC can reduce many of the potential hazards that may develop.

Finally, the research presented in these chapters emphasizes the significance of a good risk management framework for enterprises operating in foreign economic contexts. FORTA & K LLC has exhibited strong financial performance over the years, and with a strategic focus on risk reduction and ongoing operational efficiency, the company is well-positioned to face future difficulties and capitalize on global market growth prospects.

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