МІНІСТЕРСТВО ОСВІТИ І НАУКИ
НАЦІОНАЛЬНИЙ АВІАЦІЙНИЙ УНІВЕРСИТЕТ
ФАКУЛЬТЕТ ТРАНСПОРТУ, МЕНЕДЖМЕНТУ І ЛОГІСТИКИ
Кафедра менеджменту зовнішньоекономічної діяльності підприємств

ДОПУСТИТИ ДО ЗАХИСТУ
Завідувач кафедри
_____ *Кириленко О.М.*
“___”_____2020

К В А Л І Ф І К А Ц І Й Н А Р О Б О Т А

(ПОЯСНЮВАЛЬНА ЗАПИСКА)

ВИПУСКНИКА ОСВІТНЬОГО СТУПЕНЯ
“МАГІСТР”

Тема: Управління ризиками при здійсненні зовнішньоекономічної діяльності Державного підприємства "Міжнародний аеропорт "Бориспіль"

Виконав: Аделусі Банколе Адедара

Керівник: к.е.н., доц. Коваленко Юлія Олександрівна

Консультанти з розділів: _____

_____

Нормоконтролери з ЄСКД (ЄСПД): _____ Коваленко Ю.О.

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Київ-2020

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

ALLOW TO THE DEFENSE
Head of the Department
_____ *O. Kyrylenko*
"____"_____2020

Q U A L I F I C A T I O N W O R K
(EXPLANATORY NOTE)

Topic: Risk management in the implementation of foreign economic activity of the State Enterprise "Boryspil International Airport"

Performed by: Adelusi Bankole Adedara

Scientific adviser: Ph.D. in Economics, assoc. prof. Kovalenko Yuliya Oleksandrivna

Consultants for the parts:

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Norm-controller of USCD (USPD): _____ */ Y. O. Kovalenko/*

_____ */S.S. Seryogin/*

Kyiv – 2020

NATIONAL AVIATION UNIVERSITY

Faculty *TML* Department *Management of Foreign Economic Activity of Enterprises*

Educational level *Master*

Specialty: *073 "Management"*

Educational Professional Program: *"Management of Foreign Economic Activity"*

APPROVED

Head of the Department

_____ *O. Kyrylenko*

"____"_____2020

TASK

to perform qualification work by student

Adelusi Bankole Adedara

(surname, name, patronymic)

1. Topic of thesis: Risk management in the implementation of foreign economic activity of the State Enterprise "Boryspil International Airport"

approved by the Rector order of *01/10/2020*, № *1848/cm*

2. Deadline of thesis: *from "05" October 2020 to "31" December 2020*

3. Initial data for thesis: *Financial and management reports of the State Enterprise "Boryspil International Airport"; statute of the State Enterprise "Boryspil International Airport", data of the State Aviation Service, scientific works, Internet resources.*

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

Required: *to determine the main components of risk management system of the enterprise and methods to avoid risks in its foreign economic activity of the enterprise; to classify general characteristics of the state enterprise «Boryspil*

International Airport» and to make analysis of financial and economic indicators of this enterprise; to identify the specifics of risk management in foreign economic activity of this enterprise; to ground directions for improving the ways to avoid risks in the international aviation services sphere and main perspectives of optimizing the risk management system of the state enterprise «Boryspil International Airport» under pandemic conditions.

The list of mandatory graphic material:

SCHEDULE

№	Stages of qualification work	Deadline of stages	Comment
1.	Collection and analysis of necessary information about State Enterprise «Boryspil International Airport» according to the topic of the qualification work	01.10.2020 - 04.10.2020	Done
2.	Study and analysis of theoretical basis of management of risks in foreign economic activity	05.10.2020- 15.10.2020	Done
3.	Design of the references used in the analysis of directions of the enterprise's risk management system	to 25.10.2020	Done
4.	Preparation and execution of analytical and research part of the qualification work	to 29.10.2020	Done
5.	Preparation and presentation of the theoretical part	to 01.11.2020	Done
6.	Developing perspectives of optimizing the risk management system of the SE «Boryspil International Airport» under pandemic conditions	to 05.11.2020	Done
7.	Design of recommendatory part of the	to 25.11.2020	Done

	qualification work		
8.	The final design of the qualification work (contents, introduction, conclusions, appendices, etc.)	to 01.12.2020	Done
9.	Report and presentation preparation	to 05.12.2020	Done
10.	The signing of the necessary documents in the established order, preparing to defend the qualification work and preliminary qualification work defence on graduating department meeting	to 10.12.2020	Done

Student _____(Adelusi Bankole Adedara)

Scientific adviser of qualification work _____(Kovalenko Y.O.)

ABSTRACT

As a result of the qualification work research, practical recommendations on directions for optimizing the risk management system of SE «Boryspil International Airport» under pandemic conditions.

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

In the first part the essence and classification of risks in foreign economic activity, main components of risk management system of the enterprise and the methods to avoid risks in foreign economic activity of the enterprise were studied.

In the second part general characteristics of the SE «Boryspil International Airport» were identified, the analysis of financial and economic indicators of the SE «Boryspil International Airport» were made, the specifics of risk management in foreign economic activity of the SE «Boryspil International Airport» were researched.

The third part presents directions for improving the ways to avoid risks in the international aviation services sphere and main perspectives of optimizing the risk management system of the SE «Boryspil International Airport».

The conclusions indicate the main results of the study and provide specific suggestions for the implementation of the qualification work.

Keywords: risks, risks of foreign economic activity, management of risks, optimizing the risk management system, pandemic conditions.

АНОТАЦІЯ

В результаті дослідження кваліфікаційної роботи надані практичні рекомендації щодо напрямів оптимізації системи управління ризиками ДП «Міжнародний аеропорт «Бориспіль» в умовах пандемії.

Вступ визначає актуальність обраної теми кваліфікаційної роботи, об'єкт, предмет, мету та завдання дослідження.

У першій частині досліджено сутність та класифікацію ризиків у зовнішньоекономічній діяльності, основні складові системи управління ризиками підприємства та методи уникнення ризиків у зовнішньоекономічній діяльності підприємства.

У другій частині надано загальну характеристику ДП «Міжнародний аеропорт Бориспіль», проведено аналіз фінансово-економічних показників ДП «Міжнародний аеропорт «Бориспіль», досліджено особливості управління ризиками у зовнішньоекономічній діяльності ДП «Міжнародний аеропорт «Бориспіль».

У третій частині представлені напрями вдосконалення способів уникнення ризиків у сфері міжнародних авіаційних послуг та основні перспективи оптимізації системи управління ризиками ДП «Міжнародний аеропорт «Бориспіль».

Висновки вказують на основні результати дослідження та дають конкретні пропозиції щодо виконання кваліфікаційної роботи.

Ключові слова: ризики, ризики зовнішньоекономічної діяльності, управління ризиками, оптимізація системи управління ризиками, умови пандемії.

АННОТАЦИЯ

В результате исследования квалификационной работы даны практические рекомендации по направлениям оптимизации системы управления рисками ГП «Международный аэропорт «Борисполь» в условиях пандемии.

Вступление определяет актуальность темы квалификационной работы, объект, предмет, цели и задачи исследования.

В первой части исследована сущность и классификация рисков во внешнеэкономической деятельности, основные составляющие системы управления рисками предприятия и методы избежания рисков во внешнеэкономической деятельности предприятия.

Во второй части дана общая характеристика ГП «Международный аэропорт «Борисполь», проведен анализ финансово-экономических показателей ГП «Международный аэропорт «Борисполь», исследованы особенности управления рисками во внешнеэкономической деятельности ГП «Международный аэропорт «Борисполь».

В третьей части представлены направления усовершенствования способов избежания рисков в сфере международных авиационных услуг основные перспективы оптимизации системы управления рисками ГП «Международный аэропорт «Борисполь».

Выводы указывают на основные результаты исследования и дают конкретные предложения по выполнению квалификационной работы.

Ключевые слова: риски, риски внешнеэкономической деятельности, управление рисками, оптимизация системы управления рисками, условия пандемии.

LIST OF SIGNS, ACRONYMS AND TERMS

GDP – gross domestic product

IA – International Airport

IATA – International Air Transport Association

ICAO – International Civil Aviation Organization

SE – State Enterprise

SOE – state-owned enterprise

UAH – hryvna, Ukrainian currency

UATA – Ukrainian Air Transport Association

Bln. – billions

Fig. – Figure

Mln. – millions

Ths. – thousands

CONTENT ……11

INTRODUCTION

Relevance of qualification work topic. …… Risk management is important in an organisation because without it, a firm cannot possibly define its objectives for the future. ... The whole goal of risk management is to make sure that the company only takes the risks that will help it achieve its primary objectives while keeping all other risks under control.

This problem is researched in the works of such scientists as. …… The goal of this study is to comprehend the impact of risk management on project performance. Further it aims to investigate the degree of diffusion of risk management practice in Brazilian companies. The methodological approach involves a survey of 415 projects at different levels of complexity in different industrial sectors in several states of Brazil. The results demonstrate that adopting risk management practices has a significant positive impact on project success. They also show a positive impact from the presence of a risk manager on project success. The study's principal limitations are the methodological choice of non probability sampling and a questionnaire based on respondent perception. From the practical point of view, paying attention to uncertainties during the project, making use of the risk management techniques and deeply understand the business environment are critical success factors, demanding attention of project managers and risk managers. The results demonstrate the impact of risk management practices on project success. They also show a positive impact from the presence of a risk manager on project success. Furthermore, it demonstrated the importance of soft skill in risk management. The purpose of qualification work is to research the theoretical bases of risk management in foreign economic activity and to substantiate the directions of optimization of ways of risk management.

The tasks of qualification work are to consider the following issues:

- to study the essence and classification of risks in foreign economic activity;
- to determine the main components of risk management system of the enterprise;

- to identify the methods to avoid risks in foreign economic activity of the enterprise;
- to analyze general characteristics of the SE «Boryspil International Airport»;
- to make analysis of financial and economic indicators of the SE «Boryspil International Airport»;
- to research the specifics of risk management in foreign economic activity of the SE «Boryspil International Airport»;
- to present directions for improving the ways to avoid risks in the international aviation services sphere;
- to ground the main perspectives of optimizing the risk management system of the SE «Boryspil International Airport».

The object of research - theoretical, methodological and applied ways of managing risks in foreign economic activity of the SE «Boryspil International Airport». The subject of research - processes of management of risks in international activity.

Methods, which were used in the research process and materials processing - system approach (to study the problems of improving the efficiency of foreign economic activity of the airline); financial and economic analysis (to study the state of foreign economic activity of the enterprise); graphic (for visual presentation of research results).

The factual basis of the work is materials of periodics, Ukrainain state documents, approved information about the SE «Boryspil International Airport», materials of the financial reporting of the compane, the results of research performed on the basis of the obtained data.

The structure of work. In the first part the essence and classification of risks in foreign economic activity, main components of risk management system of the enterprise and the methods to avoid risks in foreign economic activity of the enterprise were studied. In the second part general characteristics of the SE «Boryspil International Airport» were identified, the analysis of financial and economic indicators of the SE «Boryspil International Airport» were made, the specifics of risk

management in foreign economic activity of the SE «Boryspil International Airport» were researched.

The third part presents directions for improving the ways to avoid risks in the international aviation services sphere and main perspectives of optimizing the risk management system of the SE «Boryspil International Airport».

PART 1. THEORETICAL BASES OF RESEARCH OF MANAGEMENT OF RISKS IN FOREIGN ECONOMIC ACTIVITY

1.1. The essence and classification of risks in foreign economic activity

In ideal risk management, a prioritization process is followed whereby the risks with the greatest loss (or impact) and the greatest probability of occurring are handled first. Risks with lower probability of occurrence and lower loss are handled in descending order. In practice the process of assessing overall risk can be difficult, and balancing resources used to mitigate between risks with a high probability of occurrence but lower loss, versus a risk with high loss but lower probability of occurrence can often be mishandled.

Intangible risk management identifies a new type of a risk that has a 100% probability of occurring but is ignored by the organization due to a lack of identification ability. For example, when deficient knowledge is applied to a situation, a knowledge risk materializes. Relationship risk appears when ineffective collaboration occurs. Process-engagement risk may be an issue when ineffective operational procedures are applied. These risks directly reduce the productivity of knowledge workers, decrease cost-effectiveness, profitability, service, quality, reputation, brand value, and earnings quality. Intangible risk management allows risk management to create immediate value from the identification and reduction of risks that reduce productivity.

Opportunity cost represents a unique challenge for risk managers. It can be difficult to determine when to put resources toward risk management and when to use those resources elsewhere. Again, ideal risk management minimizes spending (or manpower or other resources) and also minimizes the negative effects of risks.

Risk is defined as the possibility that an event will occur that adversely affects the achievement of an objective. Uncertainty, therefore, is a key aspect of risk.

Systems like the Committee of Sponsoring Organizations of the Tread way Commission Enterprise Risk Management (COSO ERM), can assist managers in mitigating risk factors. Each company may have different internal control

components, which leads to different outcomes. For example, the framework for ERM components includes Internal Environment, Objective Setting, Event, Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring.

Method to control Risk consist of the following elements, performed, more or less, in the following order:

- ✓ Identify the threats
- ✓ Assess the vulnerability of critical assets to specific threats
- ✓ Determine the risk (i.e. the expected likelihood and consequences of specific
- ✓ Types of attacks on specific assets)
- ✓ Identify ways to reduce those risks
- ✓ Prioritize risk reduction measures

The International Organization for Standardization (ISO) identifies the following principles of risk management (Risk management should):

- Create value – resources expended to mitigate risk should be less than the consequence of inaction
- be an integral part of organizational processes
- be part of decision making process
- explicitly address uncertainty and assumptions
- be a systematic and structured process
- be based on the best available information
- be tailor able

Take human factors into account risk management should be transparent and inclusive, be dynamic, iterative and responsive to change, be capable of continual improvement and enhancement, be continually or periodically re-assessed.

According to the standard ISO 31000 " Risk management – Principles and Guidelines on implementation," the process of risk management consists of several steps as follows:

1. Observing the context

o the social scope of risk management

o the identity and objectives of stakeholders

o the basis upon which risks will be evaluated, constraints.

2. Defining a framework for the activity and an agenda for identification

3. Developing an analysis of risks involved in the process

4. Mitigation or solution of risks using available technological, human and organizational resources

After establishing the context, the next step in the process of managing risk is to identify potential risks. Risks are about events that, when triggered, cause problems or benefits. Hence, risk identification can start with the source of our problems and those of our competitors (benefit), or with the problem consequences.

- ✓ Source analysis – Risk sources may be internal or external to the system that is the target of risk management (use mitigation instead of management since by its own definition risk deals with factors of decision-making that cannot be managed).
- ✓ Examples of risk sources are: stakeholders of a project, employees of a company or the weather over an airport.
- ✓ Problem analysis – Risks are related to identify threats. For example: the threat of losing money, the threat of abuse of confidential information or the threat of human errors, accidents and casualties. The threats may exist with various entities, most important with shareholders, customers and legislative bodies such as the government.

When either source or problem is known, the events that a source may trigger or the events that can lead to a problem can be investigated. For example: stakeholders withdrawing during a project may endanger funding of the project; confidential information may be stolen by employees even within a closed network; lightning striking an aircraft during takeoff may make all people on board immediate casualties.

The chosen method of identifying risks may depend on culture, industry practice and compliance. The identification methods are formed by templates or the development of templates for identifying source, problem or event. Common risk identification methods are:

 Objectives-based risk identification – Organizations and project teams have objectives. Any event that may prevent an objective from being achieved is identified as risk.

 Scenario-based risk identification – In scenario analysis different scenarios are created. The scenarios may be the alternative ways to achieve an objective, or an analysis of the interaction of forces in, for example, a market or battle. Any event that triggers an undesired scenario alternative is identified as risk – see Futures Studies for methodology used by Futurists.

- Taxonomy-based risk identification – The taxonomy in taxonomy-based risk identification is a breakdown of possible risk sources. Based on the taxonomy and knowledge of best practices, a questionnaire is compiled. The answers to the questions reveal risks.
- Common-risk checking – In several industries, lists with known risks are available. Each risk in the list can be checked for application to a particular situation.
- Risk charting – This method combines the above approaches by listing resources at risk, threats to those resources, modifying factors which may increase or decrease the risk and consequences it is wished to avoid. Creating a matrix under these headings enables a variety of approaches. One can begin with resources and consider the threats they are exposed to and the consequences of each. Alternatively one can start with the threats and examine which resources they would affect, or one can begin with the consequences and determine which combination of threats and resources would be involved to bring them about.

Once risks have been identified, they must then be assessed as to their potential severity of impact (generally a negative impact, such as damage or loss) and to the probability of occurrence. These quantities can be either simple to measure, in the case of the value of a lost building, or impossible to know for sure in the case of an unlikely event, the probability of occurrence of which is unknown. Therefore, in the assessment process it is critical to make the best educated decisions in order to properly prioritize the implementation of the risk management plan.

Even a short-term positive improvement can have long-term negative impacts. Take the quot; turn pike & quot; example. A highway is widened to allow more traffic. More traffic capacity leads to greater development in the areas surrounding the improved traffic capacity. Over time, traffic thereby increases to fill available capacity.

Turnpikes thereby need to be expanded in a seemingly endless cycles. There are many other engineering examples where expanded capacity (to do any function) is soon filled by increased demand. Since expansion comes at a cost, the resulting growth could become unsustainable without forecasting and management.

The fundamental difficulty in risk assessment is determining the rate of occurrence since statistical information is not available on all kinds of past incidents and is particularly scanty in the case of catastrophic events, simply because of their infrequency. Furthermore, evaluating the severity of the consequences (impact) is often quite difficult for intangible assets. Asset valuation is another question that needs to be addressed. Thus, best educated opinions and available statistics are the primary sources of information. Nevertheless, risk assessment should produce such information for senior executives of the organization that the primary risks are easy to understand and that the risk management decisions may be prioritized within overall company goals. Thus, there have been several theories and attempts to quantify risks. Numerous different risk formulae exist, but perhaps the most widely accepted formula for risk quantification is: Risk mitigation measures are usually formulated according to one or more of the following major risk options, which are:

1. Design a new business process with adequate built-in risk control and containment measures from the start.

2. Periodically re-assess risks that are accepted in ongoing processes as a normal feature of business operations and modify mitigation measures.

3. Transfer risks to an external agency (e.g. an insurance company)

4. Avoid risks altogether (e.g. by closing down a particular high-risk business area)

Later research has shown that the financial benefits of risk management are less dependent on the formula used but are more dependent on the frequency and how risk assessment is performed.

In business it is imperative to be able to present the findings of risk assessments in financial, market, or schedule terms. Robert Courtney Jr. (IBM, 1970) proposed a formula for presenting risks in financial terms. The Courtney formula was accepted as the official risk analysis method for the US governmental agencies. The formula proposes calculation of ALE (annualized loss expectancy) and compares the expected loss value to the security control implementation costs (cost-benefit analysis).

Once risks have been identified and assessed, all techniques to manage the risk fall into one or more of these four major categories:

- Avoidance (eliminate, withdraw from or not become involved)
- Reduction (optimize – mitigate)
- Sharing (transfer – outsource or insure)
- Retention (accept and budget)

Ideal use of these risk control strategies may not be possible. Some of them may involve trade-offs that are not acceptable to the organization or person making the risk management decisions. Another source, from the US Department of Defense, Defense Acquisition University, calls these categories ACAT, for Avoid, Control, Accept, or Transfer. This use of the ACAT acronym is reminiscent of another Acquisition Category used in US Defense industry procurements, in which Risk Management figures prominently in decision making and planning.

Risk avoidance. This includes not performing an activity that could present risk. Refusing to purchase a property or business to avoid legal liability is one such example.

Avoiding airplane flights for fear of hijacking. Avoidance may seem like the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed. Not entering a business to avoid the risk of loss also avoids the possibility of earning profits. Increasing risk regulation in

hospitals has led to avoidance of treating higher risk conditions, in favor of patients presenting with lower risk.

Risk reduction. Risk reduction or & quot; optimization & quot; involves reducing the severity of the loss or the likelihood of the loss from occurring. For example, sprinklers are designed to put out a fire to reduce the risk of loss by fire. This method may cause a greater loss by water damage and therefore may not be suitable. Halon fire suppression systems may mitigate that risk, but the cost may be prohibitive as a strategy.

Acknowledging that risks can be positive or negative, optimizing risks means finding a balance between negative risk and the benefit of the operation or activity; and between risk reduction and effort applied. By effectively applying Health, Safety and Environment (HSE) management standards, organizations can achieve tolerable levels of residual risk.

Modern software development methodologies reduce risk by developing and delivering software incrementally. Early methodologies suffered from the fact that they only delivered software in the final phase of development; any problems encountered in earlier phases meant costly rework and often jeopardized the whole project. By developing in iterations, software projects can limit effort wasted to a single iteration.

Outsourcing could be an example of risk sharing strategy if the outsourcer can demonstrate higher capability at managing or reducing risks [15] For example, a company may outsource only its software development, the manufacturing of hard goods, or customer support needs to another company, while handling the business management itself. This way, the company can concentrate more on business development without having to worry as much about the manufacturing process, managing the development team, or finding a physical location for a center.

Risk sharing. Briefly defined as & quot; sharing with another party the burden of loss or the benefit of gain, from a risk, and the measures to reduce a risk. & quot;

It is often used in place of risk sharing in the mistaken belief that you can transfer a risk to a third party through insurance or outsourcing.

In practice if the insurance company or contractor go bankrupt or end up in court, the original risk is likely to still revert to the first party. As such, in the terminology of practitioners and scholars alike, the purchase of an insurance contract is often however, technically speaking, the buyer of the contract generally retains legal responsibility for the losses & quot; that insurance may be described more accurately as a post-event compensatory mechanism. For example, a personal injuries insurance policy does not transfer the risk of a car accident to the insurance company. The risk still lies with the policy holder namely the person who has been in the accident. The insurance policy simply provides that if an accident (the event) occurs involving the policy holder then some compensation may be payable to the policy holder that is commensurate with the suffering/damage.

Methods of managing risk fall into multiple categories. Risk retention pools are technically retaining the risk for the group, but spreading it over the whole group involves transfer among individual members of the group. This is different from traditional insurance, in that no premium is exchanged between members of the group up front, but instead losses are assessed to all members of the group.

Risk retention. Risk retention involves accepting the loss, or benefit of gain, from a risk when the incident occurs. True self-insurance falls in this category. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are so large or catastrophic that either they cannot be insured against or the premiums would be infeasible. War is an example since most property and risks are not insured against war, so the loss attributed to war is retained by the insured. Also any amounts of potential loss (risk) over the amount insured is retained risk. This may also be acceptable if the chance of a very large loss is small or if the cost to insure for greater coverage amounts is so great that it would hinder the goals of the organization too much.

Select appropriate controls or countermeasures to mitigate each risk. Risk mitigation needs to be approved by the appropriate level of management. For

instance, a risk concerning the image of the organization should have top management decision behind it whereas IT management would have the authority to decide on computer virus risks.

The risk management plan should propose applicable and effective security controls for managing the risks. For example, an observed high risk of computer viruses could be mitigated by acquiring and implementing antivirus software. A good risk management plan should contain a schedule for control implementation and responsible persons for those actions.

According to ISO/IEC 27001, the stage immediately after completion of the risk assessment phase consists of preparing a Risk Treatment Plan, which should document the decisions about how each of the identified risks should be handled.

Mitigation of risks often means selection of security controls, which should be documented in a Statement of Applicability, which identifies which particular control objectives and controls from the standard have been selected, and why. Implementation follows all of the planned methods for mitigating the effect of the risks. Purchase insurance policies for the risks that it has been decided to transferred to an insurer, avoid all risks that can be avoided without sacrificing the entity's goals, reduce others, and retain the rest.

Initial risk management plans will never be perfect. Practice, experience, and actual loss results will necessitate changes in the plan and contribute information to allow possible different decisions to be made in dealing with the risks being faced. Risk analysis results and management plans should be updated periodically. There are two primary reasons for this:

1. To evaluate whether the previously selected security controls are still applicable and effective

2. To evaluate the possible risk level changes in the business environment.

Foreign economic activity of the enterprise, like any other, is associated with the need to make risky management decisions. Risk in foreign trade can be considered adverse events or a combination of events related to foreign trade, with adverse consequences. The risks of foreign trade include: currency, customs, political,

international marketing, international transportation, international contract, international competitive environment, information, innovation, customs, commercial, country risk (socio-political, macroeconomic and microeconomic), the risk associated with a foreign counterparty and so on. The sources of foreign trade risks include: social factors; environmental conditions; economic, financial and political factors; business management model; insufficient information; ethnic and regional problems; the difference in international legislation; force majeure; uncertainty in the activities of foreign trade entities and the like. Elements of risk management the foreign economic activity are: the subjects of management – employees, departments, and divisions of the enterprise; facilities management – industrial operations, technology, information, resources, processes in macro and external economic environment; management tools – methods and principles of activity of the enterprises in a transnational environment; monitoring of the level of risk.

Risk management in logistics of foreign trade stakeholders is the set of logistics links. All participants in the logistics chain are interested in making a profit and preventing the causes of logistics risk. The risk management system in supply chains must be carefully thought out. It is expedient to calculate the integrated logistics risk, which includes transport and environmental risks; risks of information, material and financial flows management. The measures of risk management in foreign economic activity include the following: organizational, insurance of foreign trade risks, self-insurance, hedging, risk transfer, creation of a special reserve Fund. These measures will help to more effectively manage foreign economic risks in order to prevent 3 and reduce the consequences of risk events and to form an overall risk management strategy of the enterprise. The analysis of recent research and publications. A large number of works are dedicated to the risks enterprises face in their activity. However, for the modern stage of the country’s economy development when the enterprises are beginning to explore new foreign markets channels, the issues of the account of risks of foreign economic activity remain topical and require attention. Statement of the problem.

Over the past decades, more regulations for insurance companies have been created. The Solvency II Directive has been worked on for the past several years and will come into effect in 2020. The question now rises whether regulations concerning risk management are enough to prevent problems from occurring as we saw in the last crisis. There is still no proof that the implementation of Enterprise Risk Management leads to better performance.

Therefore more research is required to examine the relationship between Enterprise Risk Management implementation and performance during a financial crisis. The aim of the research: This study aims to define risks in the foreign economic activity of an enterprise and determine ways of their prevention or avoidance of their influence on an enterprise. Materials and findings of the research: The Risks in foreign economic activity can be considered as possible threatening events connected with foreign economic activity of an enterprise which can lead to negative effects such as loss of profit or making further losses.

We are going to consider the main risks which an enterprise conducting foreign economic activity faces, as well as with possible ways of avoidance of the losses caused by them and the methods of risk management were analyzed, and optimization methods application, decision making and control for its implementation and Risk treatment of the activity of the foreign economy. The underlying premise of enterprise risk management: is that every entity exists to provide value for its stakeholders. All entities face uncertainty and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Enterprise risk management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value. Value is maximized when management sets strategy and objectives to strike an optimal balance between growths and return the goals and related risks, and efficiently and effectively deploys resources in pursuit of the entity's objectives. Enterprise risk management encompasses: aligning risk appetite and strategy – Management considers the entity's risk appetite in evaluating strategic alternatives,

setting related objectives, and developing mechanisms to manage related risks; enhancing risk response decisions – Enterprise risk management provides the rigor to identify and select among alternative risk responses – risk avoidance, reduction, sharing, and acceptance.

1.2. Main components of risk management system of the enterprise

The Main components of risk management system of the enterprise is to enhance the capability to identify potential events and establish responses, reducing surprises and associated with the risk management in the Airport.

• **Identifying and managing multiple and cross-enterprise risks** – Every enterprise faces a myriad of risks affecting different parts of the organization, and enterprise risk Management facilitates effective response to the interrelated impacts, and integrated responses to multiple risks.

• **Seizing opportunities** – By considering a full range of potential events, management is positioned to identify and proactively realize the risk and the opportunities.

• **Improving deployment of capital** – Obtaining robust risk information allows management to effectively assess overall capital needs and enhance capital allocation.

These capabilities inherent in Airport risk management help management achieve the entity's performance and profitability targets and prevent loss of resources. Enterprise risk management helps ensure effective reporting and compliance with laws and regulations, and helps avoid damage to the entity's reputation and associated consequences. In sum, enterprise risk management helps an entity get to where it wants to go and avoid pitfalls and surprises along the way. Firstly - The methods of risk management Foreign economic activity of the enterprise One of the major risks which requires being taken into account is a country risk It consists of political and macroeconomic risks which result from changes in governmental policy such as nationalization, expropriation, military activity, currency

restrictions, as well as level of purchasing potential of a country where a customer is located.

Therefore, when conducting foreign economic activity and concluding the contracts it is necessary to obtain information 5 from the publications issued by consulting firms concerning countries' risks and corresponding indices: political, current economic situation, opportunity to make a profit etc. Data indices should be taken into consideration during the estimation of economic expediency of conducting a foreign economic transaction. Risk estimation can also be performed through the procedures of calculation and analysis or procedures of expert evaluation. And in another kind of risk, currency risks are identified with probability of losses or damage.

For instance, experts of the international Bank identify currency risks as an existing or potential risk for revenues and capital arising from unfavorable fluctuations in foreign exchange rates and prices for bank metals. Nevertheless, currency risk is the best example of dualism, meaning the possibility of getting both negative and positive effects, in the form of positive and negative exchange differences, which requires a dialectical analysis of the etymological nature of the "currency risk" category Dialectical analysis of the etymological essence of the "currency risk" category Currency risk. Glossary of NBU terminology. Homepage, The laws of dialectics Explanation Economic content I law Transformation of Quantitative Into Qualitative Changes qualitative changes in the objective world, are carried out only on the basis of quantitative changes only a big open foreign exchange position and a significant amplitude of currency fluctuations lead to the emergence of currency risks II law Unity and Struggle of Opposites Identity and difference are opposites, which interact, determine each other; is a source and driving force of development dichotomy of the currency risk effects: the likelihood of receiving both losses (loss of income) and profits (benefits) III law Negation of the negation in "new" there is "old", but in a transformed form the latest risk management tools are based on 3 main approaches:

avoidance,

minimization of losses,

maximization of benefits.

The economic nature of currency risk is formed by three interrelated parameters: the volatility of the exchange rate, foreign exchange position, which is defined as the difference in revenues (incoming cash flow) and payments of the entity (outflow) in foreign currency and foreign exchange exposure (the sensitivity of the subject to obtaining costs or income). If we will analyze only one of these three parameters, we can receive distorted management decisions, since currency risk is possible only if there is an open foreign exchange position, while its closed form mitigates the sensitivity to any exchange rate changes. In this case, the unpredictable volatility of the exchange rate can be identified only as an additional catalyst for currency risk while the real reason is an open foreign exchange position or cash flows in a foreign currency.

That is why, the currency position is the main object of currency risk management. According to A. Volitska, "specialists of the banking business conduct currency risk management through the currency position management". Overall, currency risk, as a scientific category, is characterized by a complex dichotomous nature, combining negative and positive results. In this case, currency risk can be identified as a situational set of probability events with subjective-objective nature triggered off open foreign exchange position and unpredictable changes in the exchange rate as a result of information asymmetries, the effect of which is to obtain both negative and positive exchange rate differences. Another kind of risk in foreign economic activity is the realization risk which takes place in the process of selling the goods produced and bought by a company which is expressed in the possibility of profit reduction and lost profit because volume of sales decrease due to falling demand, displacement by competitive goods, introduction of limits on goods, loss of goods quality and increase in turnover costs in comparison with the initially planned costs. Taking this kind of risk into account and its management are conducted in the process of analysis of marketing situation and marketing risks. In carrying out foreign economic activity, the company faces customs clearance procedures, in this regard

there are risks of the following nature: late certification of goods, incorrect calculation of customs duties, incorrect completion of customs declarations, lack of information 7 and non-compliance with customs legislation.

In this case, the most significant factor in these risks is time, as the delay in the receipt of funds on the customs account entails the imposition of penalties for delay; long-term registration, obtaining permits for customs procedures or conclusions on the code of the commodity nomenclature of foreign economic activity entails the imposition of fines for a simple vehicle or container. To manage this group of risks it is necessary to develop and follow the procedure of customs procedures, thorough completion of documents for each foreign trade transaction, forming a standard process. Thus, for an industrial enterprise that directly carries out foreign economic operations and / or has foreign subsidiaries, which accordingly continue the chain of foreign economic activity

1.3. Methods to avoid risks in foreign economic activity of the enterprise

The aviation industry takes airport safety and security very seriously. But this mindset can lead to excessive wait times and significant frustration for travelers. Fortunately, there are many changes in the works, as technology advances aim to make the airport experience smoother and faster. Here are six ways airports are improving their safety measures while becoming easier to use.

1. **Powerful body scanners**

One safety measure going through the trial stage is a very powerful walk-though passenger scanner that can recognize potential hidden threats without passengers needing to stay still or remove items of clothing. The system was recently tested at Cardiff Airport and has the potential to not only improve security but also speed up the entire passenger security process.

The scanner images people's body heat and utilizes computer learning to tell the difference between something that is a threat and something that is not without passengers having to stop or stand still.

2**. Countering drones**

Drones flying around airports (which we're increasingly seeing) not only cause disruptions but also potentially very serious security risks. An incident at Gatwick Airport in late 2018 showed how much chaos can be caused by a single drone flying near an airport. Unsurprisingly then, aviation authorities are looking at various options to deal with the issue.

The many possibilities include enforcing stricter regulation over the drone industry as a whole or even forcing drones to comply with geo-fencing, where internal GPS stops the drone from entering restricted areas.

3. **The introduction of e-passports**

E-passports are one of the major large-scale airport security advances in recent years. E-passports (also known as biometric passports) have been rolled out across the UK, with the first one issued way back in 2010. All new British passports are issued in this format, so it certainly appears to be here to stay.

The passports contain a chip that can be scanned by automatic machines at airports around the world. This significantly reduces the amount of work that has to be carried out by airport staff. These passport chips also eliminate the possibility of human error in the process, ensuring that airport security runs not only faster, but safer too.

4. **Facial recognition software**

Facial recognition software is one of the new security features that many of us are already familiar with. For example, e-passport machines scan your face to establish whether it matches the one in the passport that you present.

However, this process is only in its infancy. A related innovation would enable a person to check in, drop off bags, and even board a flight without needing to show a passport. Instead, the technology scans the passport chip and utilizes facial recognition cameras throughout the airport to verify the person's identity. The individual passes through security automatically as their face is recognized by scanners.

5. **Physical security measures**

In the rush to become more technologically advanced, airports must still continue to invest in the proper physical security measures required to keep passengers and staff safe at all times.

"Every project has its own specific requirements that need consideration to achieve the safety and security of the construction personnel and the public," says security and safety contractors. "The industry is required to meet compliance with the strict airport codes of practice."

6. **Terahertz screening**

Terahertz screening is another important technology that has the potential to revolutionize the airport industry. British business Thruvision is at the cutting edge of this technology, which works by sensing heat emissions from an individual's body to visualize hidden objects.

Another significant risk is the risk of choice and due diligence. In order to decrease this risk it is necessary to: firstly, check a partner before entering a contract, secondly, try to foresee the actions that would minimize the given risk in the process of drawing up a contract. Due diligence methods are obtaining information from the Chamber of Commerce, a foreign embassy, application of a method of proper examinations which is carried out through the acquisition of a form containing questions about the counteragent, conducted business, financial condition, goods

turnover and capital source. It is possible to minimize risks by means of additional clauses in a foreign economic contract at the time of contract conclusion connected with settlements of a dispute by arbitration; introduction of a system of punitive penalties for every taken liability and a system of forfeit; transfer of title upon payment in full; use of modern form of payment, factoring etc. Based on the considered types of risks of an industrial enterprise engaged in foreign economic activity, it is necessary to correctly identify risks, in this regard, you can present a map of risks in comparison with the stages of operational and commercial process the Airport.

Thus, the implementation of foreign economic activity of the enterprise and access to foreign markets are accompanied by a number of risks, the assessment of which and consideration in the implementation of foreign economic transactions should be carried out through the organization of analysis and management of these risks. The approach to the implementation of such a system may be the introduction of the company ranking and risk assessment for use in determining the effectiveness of operations and expected results of the enterprise, as well as the possible change in the objectives of foreign economic activity of the industrial enterprise

At this stage, a wide net is cast to understand the universe of risks making up the enterprise's risk profile. While each risk captured may be important to management at the function and business unit level, the list requires prioritization to focus senior management and board attention on key risks. This prioritization is accomplished by performing the risk assessment. Develop assessment criteria. The first activity within the risk assessment process is to develop a common set of assessment criteria to be deployed across business units, corporate functions, and large capital projects. Risks and opportunities are typically assessed in terms of impact and likelihood. Many enterprises recognize the utility of evaluating risk along additional dimensions such as vulnerability and speed of onset. Assess risks. Assessing risks consists of assigning values to each risk and opportunity using the defined criteria.

This may be accomplished in two stages where an initial screening of the risks is performed using qualitative techniques followed by a 11 more quantitative analysis of

the most important risks. Assess risk interactions. Risks do not exist in isolation. Enterprises have come to recognize the importance of managing risk interactions. Even seemingly insignificant risks on their own have the potential, as they interact with other events and conditions, to cause great damage or create significant opportunity. Therefore, enterprises are gravitating toward an integrated or holistic view of risks using techniques such as risk interaction matrices, bow-tie diagrams, and aggregated probability distributions. Prioritize risks. Risk prioritization is the process of determining risk management priorities by comparing the level of risk against predetermined target risk levels and tolerance thresholds.

Risk is viewed not just in terms of financial impact and probability, but also subjective criteria such as health and safety impact, reputational impact, vulnerability, and speed of onset. Respond to risks. The results of the risk assessment process then serve as the primary input to risk responses whereby response options are examined (accept, reduce, share, or avoid), cost-benefit analyses performed, a response strategy formulated, and risk response plans developed. Risk category is an expert risk assessment, which for each of the types of risks is carried out on the following scale, ie the criterion method is assigned a risk category: high, medium, low.

Total risk is an assessment of the risk assigned to the operation as a whole on the following scale: very high, high, medium, low. Assignment of categories is carried out by the responsible manager on operation by an expert way, or with use of a quantitative or qualitative estimation, taking into account existence of experience or negative experience in foreign economic operations. The rules for calculating the total risk of the transaction are given

well as assessing the impact of foreign economic activity on the results of the enterprise will consider one of the fundamental issues in foreign economic activity: effective control and coordination of operations of enterprises engaged in foreign economic activity. For a company engaged in foreign economic activity through access to international markets through ownership of subsidiaries, there is a problem of assessing the performance of individual enterprises and comparing them with the results of the parent company and the impact of these results on shareholder value.

Developing an effective management and control system for 13 companies operating in foreign markets, companies face problems of asymmetric information and differences in the goals of the parent company and its subsidiaries; the problem is complicated by the influence of external factors, one of which, as already noted in the paper, is the currency risk, which is expressed in exchange rate fluctuations; differences in exchange rates of the parent company and its subsidiary. Thus, the system of management and control of the international company must take into account local factors of different territories, which include exchange rate fluctuations, other risk benefits and organizational strategies. For example, corporate goals focus on high return on sales or return on investment, while the goal of individual subsidiaries operating in new product markets may be to increase sales. Also, the differences relate to the order of formation of the price of the product, capital investments and compensation schemes for staff; at the same time, the parent company monitors costs to 14 confirm that the subsidiary adheres to corporate policy and the analysis of budget execution is seed by comparing actual data from operational or accounting with the data planned in the process of budget formation.

factors can be realized, is the budget and system of the administrative account of the enterprise. The system should be based on the procedure and performance evaluation indicators. The stages of development of such a system of evaluation of an international company taking into account currency risk factors are: determining the basis for evaluating efficiency with the choice of the main evaluation indicator, identifying dependencies and building a map of factors, developing a budgeting and accounting system based on the selected indicator.

The implementation of the first stage in determining the main indicators of evaluation is usually due to the inconsistency of the targets used by the parent company and its subsidiaries, as they have some independence, other risk benefits and organizational strategies. For example, corporate goals focus on high return on sales or return on investment, while the goal of individual subsidiaries operating in new product markets may be to increase sales. Also, the differences relate to the order of formation of the price of the product, capital investments and compensation

schemes for staff; at the same time, the parent company monitors costs to 14 confirm that the subsidiary adheres to corporate policy and the analysis of budget execution is seed by comparing actual data from operational or accounting with the data planned in the process of budget formation.

Further, the obtained deviations of the plan from the fact are compared, based on the influence of such factors as price and volume, endogenous or exogenous factors of management of a foreign subsidiary, which affect the results of activities. Thus, the goals of the company and its divisions may be different, which should be taken into account in the goal-setting procedure and in the formation of an analytical set of strategic management of foreign economic activity of an industrial enterprise. A separate factor that arises in the implementation of foreign economic activity by enterprises is the exchange rate used to convert the national currency of the budget of a foreign subsidiary into the main currency of the parent company. One approach to solving this problem is to use the same exchange rate in the budget and in the process of tracking actual performance. This approach allows an international subsidiary of an international company to exchange information using an internal forward rate that best reflects expectations in exchange rate changes.

Such an exchange rate will allow managers to evaluate fairly, as it eliminates sudden fluctuations in exchange rates and thus the management of a foreign subsidiary is de facto protected from unforeseen exchange rate fluctuations; while the parent company acts as a banker who acquires a budget denominated at a fixed forward rate; however, the head of the foreign subsidiary in any case remains responsible for errors in forecasting exchange rates. Another option for developing budgets for an international company is to use multiple scenarios that consider possible changes in exchange rates and make appropriate adjustments to costs and operating cash flows; but this method also has shortcomings in the assessment of activity in fact with a significant discrepancy between the underlying scenarios and the actual results.

CONCLUSIONS TO PART 1

The limitation is one of the most frequently used risk management tools is to develop standards that establish upper and lower limits of the use of borrowed funds, the loan to the buyer and the use of highly liquid assets. Coating loss out of current income is characterized by insignificant financial losses, the company offset the lost funds due to current profits. Covering the risk from the reserve Fund of the company is that the company forms due to the working capital reserve Fund which will be allocated part of the funds to cover the financial losses associated with the occurrence of various risks. Self-insurance provides for the establishment by the company of its own reserve funds, but cover mostly homogeneous risks. 15 Risk insurance involves the transfer of liability for risks from the company of the policyholder to the insurance company for a fee – the premium. The insurance company creates its own Fund at the expense of insurance payments. Diversification, in this case, is understood as a consistent, planned activity of the company aimed at increasing the specificity of its functioning, implementation of new ways of doing business and attracting other financial assets for further investment, by an allocation of investments. Localization of risks is used when there is a possibility to determine accurately the nature of risk and its causes. This method can be attributed to the creation of venture capital enterprises; the creation of separate units for implementation of risky projects; a joint venture with other companies. Risk hedging is a set of measures aimed at reducing certain financial risks and obtaining certain guarantees for the success of future transactions. Basically hedging is used to minimize costs when fluctuating market rates using options, futures, forwards and swaps. Therefore, we can conclude that any kind of activity is associated with a very large amount of risk affecting the performance of the same activity, and when entering the international markets, all these risks are increased many times over. Choosing and using a risk management method requires serious consideration of the current economic situation and the existence of certain conditions.

The need for businesses to enter new markets is very high today, and risk is an integral part of foreign economic activity. Therefore, enterprise managers must

anticipate potential risks and be able to manage them effectively. Thus, an enterprise conducting foreign economic activity inevitably faces the risks which can prevent it from making a stable profit. Well-timed prevention of risks and application of measures aimed at minimization of their consequences or avoidance of their negative influence will favour sustainable foreign economic activity and development of an enterprise.

PART 2. THE FORMATION MECHANISM OF RISK MANAGEMENT OF THE SE «BORYSPIL INTERNATIONAL AIRPORT»

2.1. **General characteristics of the SE «Boryspil International airport»**

Boryspil International Airport is a state commercial enterprise of civil aviation, founded on a state ownership and is subordinated to the Ministry of Infrastructure of Ukraine. Due to the active policy of air carriers' attraction, over 60 national and foreign airlines operate flights to the Airport on more than 120 routes worldwide. Boryspil Airport is the only airport of Ukraine, successfully competing with the large European hub airports. According to the Airports Council International (ACI EUROPE), in 2018 Boryspil was ranked first among the large European airports (top spot in the European Airports group, handling from 10 to 25 million passengers).

The Airport is a full member of the core international and national associations, such as Airports Council International Europe (Airports Council International; ACI EUROPE); Ukrainian Air Transport Association (UATA), Ukrainian Chamber of Commerce and Industry, Ukrainian Association for Quality, Transport Enterprise Employers Organization, Association of Taxpayers of Ukraine and is guided by the standards and practices of the International Air Transport Association (IATA), International Civil Aviation Organization (ICAO).

Boryspil is the largest and the busiest airport in Ukraine, providing most of air passenger traffic and much of cargo transportation. Demand for the Airport services is maintained by the beneficial location at the intersection of numerous international transport routes (connecting Asia with Europe and America), proximity to the capital, availability of the modern infrastructure and introduction of the hub development strategy.

The Airport infrastructure includes two runways (4 km and 3.5 km long), allowing accommodation of all aircraft types, without limitations under weather and visibility conditions, as well as 2 full time operating terminals (D and F). Boryspil is the only airport in Ukraine, from which scheduled transcontinental flights are operated. Boryspil Airport is constantly striving for improvement. The Airport

develops infrastructure, attracts new airlines and enhances the quality of service. In 2019, the Cabinet of Ministers of Ukraine approved the Concept of Boryspil International Airport Development for the period till 2045, the main priorities of which is infrastructure development and introduction of contemporary services.

With the development of jet aviation in the late 1950s, the requirements for quality of infrastructure increased. The leadership of the Ukrainian Soviet Socialist Republic and Civil Aviation Authorities were faced the issue of constructing an airport, capable of handling the aircraft with weight over 100 tonnes. In order to comply with safety standards and overcome restrictions for city airports, it was decided to build a new airport near the Air Force Complex next to the town of Boryspil. The availability of a highway there as well as a hard surface type runway and the possibility of a temporary base in common with the military was a great benefit.

On June 30, 1959, order No. 265 «On Establishment of a New Airport» was signed by the Head of the Civil Aviation Authority. And on July 7, 1959 the first flight was accepted. During the first year of its activity, which was initially carried out in field conditions (six tents) and later in temporary premises, Boryspil Airport took third place in terms of passenger traffic among Ukrainian airports (after Simferopol Airport and Zhuliany Airport). Since 1960, Boryspil Airport started handling of international flights to Budapest, Vienna and Sofia.

In 1961 Kyivproject Institute developed the design of the Airport terminal. Construction of the new terminal in Boryspil continued for three years. Earthworks were carried out simultaneously all over the whole perimeter of the terminal. The ground part was built in two stages: at first, the left and right wings were built, then the construction of the central part with the dome began. The terminal construction project covered an area of 20,300 m2. The length of the terminal reached 230 meters, the width – 50 meters, the volume – 107 500 m3 and the capacity – 1600 PHP. The main component of the terminal was the space under the dome. It consisted of concrete slabs each measuring 8.1 × 2.6 m weighing up to 5 tons. To raise the plates,

the crane had to be installed on an earth embankment 7 meters high. The ceiling of the dome was covered with 1100 special acoustic panels (weight of each – 80 kg).

On May 20, 1965, Terminal B was unveiled and put into operation. The Airport runway was equipped for the automated landing of aircraft at Cat I. At that time, the capacity standards for international flights amounted to 200 passengers and for domestic flights – 1,400 passengers. Boryspil Airport was the second largest airport of the country after Domodedovo Moscow Airport and one of the largest in Europe.

Every year the number of passengers was rapidly increasing. This necessitated the construction of the second runway. In 1971, the second runway 18R / 36L 3.5 km long was launched. In addition, the following facilities were built: radio-electric workshops, a laboratory building of the ATB, a rescue station, a complex of secondary radar and radio navigation equipment and many other facilities.

In 1982, the construction of the automated air traffic control system in Ukraine, named “Strila”, began. It covered the entire territory of Ukraine and sufficiently facilitated the work of air traffic controllers and crews. By 1990, Boryspil Airport had the best KPI among the Ukrainian airports. The crisis after the collapse of the USSR affected the Airport business. Thanks to the inverstors, it became possible to avoid the company close down. In September 1990, the Cabinet of Ministers of Ukraine issued a regulation On the Reconstruction of Boryspil Airpor that was of historic importance.

Pursuant to the Regulation, 60% of costs would be obtained from the investing companies. It provided a new impetus for the enterprise development: on 11 March 1993, Boryspil Airport became a State International Airport. 1 April 1993 was the date of the second legal establishment of Boryspil Airport. In accordance with the order of the Minister of Transport of Ukraine, Boryspil State International Airport was founded onsite Boryspil Aviation Enterprise as a legal entity, as well as Regional Central Offices of Ukrainian Airlines and Kyivcenteraero enterprise. It was also the year of a large-scale Terminal B reconstruction.

In 1995 Terminal C was opened for VIP passengers handling. In 1998, the President of ICAO (International Civil Aviation Organization) Dr. Assad Kotaite

officially confirmed the status of the Airport training center as ICAO Aviation Security Training Centre.

In 2001, Runway No.1 was reconstructed. Funds were provided by the European Bank for Reconstruction and Development. It was the first EBRD credit for Ukraine. The previous runway was designed to carry liners with weight up to 47 ton, whilst after the mentioned reconstruction it was able to service any types of aircraft. Runway No.1 complies with ICAO requirements of III A category.

On September 2010 Terminal F was opened, the passenger throughput capacity of which amounted to 900 arriving and 900 departing passengers. This terminal was built as a temporary terminal with further modification to the cargo terminal, as at that time Terminal B was the only to handle regular flights, which was overloaded. Meanwhile, Terminal D was under construction, the terms of construction of which were constantly shifting. In October 2013, as a result of a large downfall in the air transportation volumes, the management of the Airport decided to conserve Terminal F and transfer all international flights to Terminal B.

Terminal D was officially commissioned on 28 May 2012, and international flights were eventually transferred there. At the same time, domestic flights were still operated from Terminal B. Thus, Terminal D was operating with the minimum load for a long time. The reason was the necessity of reconstruction of the terminal to separate the flow into domestic and international flights. At the beginning of December 2014, Terminal B was conserved and flights of all air carriers (both domestic and international) were transferred to be handled at Terminal D. On 30 November 2018, Boryspil Airport was linked to Kyiv city via railway, enabling passengers to reach the city, avoiding road traffic jams.

At the end of March 2019, as a result of a high Terminal D load during the peak hours, Terminal F was reopened. This infrastructural object enabled expansion of ability to attract new air carriers, operating within different business models. In particular, it was more suitable for implementation of the low-cost technology of on-foot boarding. As a result, the Airport provided more flexible flights servicing, implemented technologies of regular, low-cost and charter carriers.

Boryspil International Airport passenger flow has been demonstrating stable growth as a result of the reforms, optimization of internal processes and implementation of the hub development strategy, since 2015.

By the results of 2016, total passenger traffic amounted to 8.65 million passengers, with the transfer passengers share amounting to 2.31 million. In 2017, the Airport passenger traffic amounted to 10.6 million and according to the results of 2018 – 12.6 million passengers. Generally, since 2014 and as of 2019, the passenger traffic had increased by 84%. Whilst, the transfer passengers share amounts to approximately 30% of the total passenger flow.

The Airport dynamic development was highly praised on the international level. Thus, in May 2018 Boryspil Airport topped the ACI Europe rating among the large European airports with passenger traffic from 10 to 25 million passengers. In autumn 2018, Boryspil was recognized by the expert Flightstats rating. The Airport hit top 20 most punctual European airports. In 2019, Boryspil International Airport was ranked third in the Best Eastern European Airports 2019 rating, conducted by the British Skytrax consulting company, as a few years in a row. Boryspil Airport team is determined for further consolidation of position of the leading aviation hub of the Eastern Europe.

According to the Decree of the Cabinet of Ministers of Ukraine No. 287-r of March 14, 2020, Ukraine temporarily closes the international scheduled passenger service from March 17, 00:00, Kyiv time until April 3, 2020. Due to the enactment of decrees of the President of Ukraine and Regulations of State Bodies on restriction of travel and mobility in order to prevent the spread of acute respiratory illness caused by coronavirus (COVID-19), Boryspil International Airport State Enterprise informs on the implementation of the following actions:

- ✓ During the day of March 17, 44 scheduled flights for arrival and 26 scheduled flights for departure are to be operated at terminal D and terminal F of Boryspil International Airport.
- ✓ In order to optimize business activities and reduce the cost of infrastructure maintenance, charter, sanitary, evacuation and other technical flights of

international air traffic will be transferred from terminal D to terminal F at 00:01 Kyiv time on March 18. The relevant notification is also addressed to all counterparties and tenants located onsite terminal D of Boryspil International Airport in order to taking the decision on limitation of their functional or economic activity.

- ✓ Administration of Boryspil International Airport SE has made a decision to provide the airport with the minimum necessary number of employees.
- ✓ Regular and emergency structural units of the airport will be involved in the amount which is necessary to maintain an adequate level of security provision in case of emergency.
- ✓ In order to reduce the maintenance expenditures of the airport, measures are being taken to ensure uninterrupted shutdown of facilities and particular systems of the enterprise, while simultaneously increasing fire and technogenic safety at the facilities of Boryspil International Airport, which temporarily suspend their work.

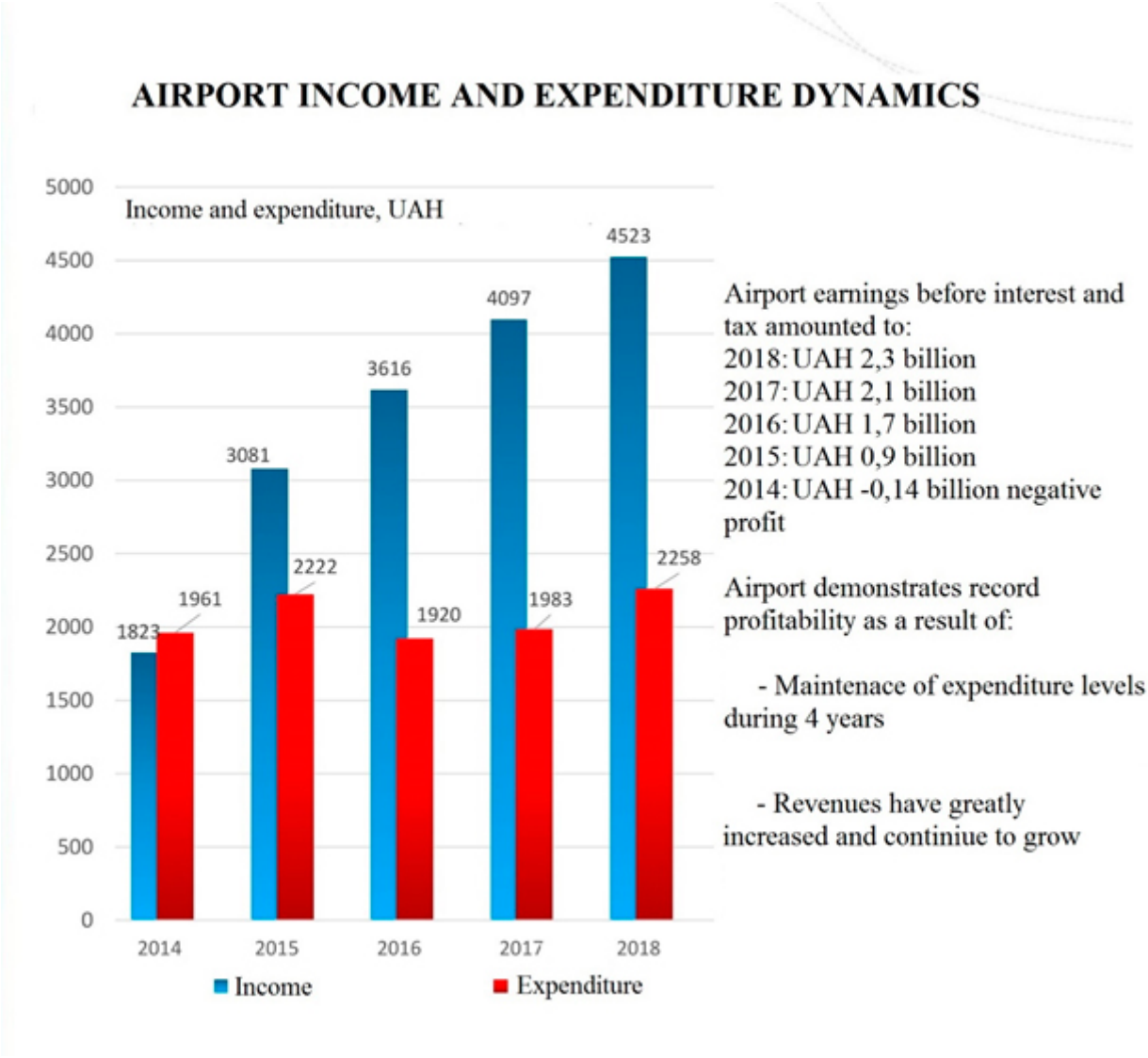
Unfortunately, the limitation of economic activity of the airport due to the termination of the regular passenger air service will result in a significant decrease in the company's revenues. At the time of restrictive measures, a part of the airport falls asleep. But we sincerely hope that in the near future the world will be able to overcome the COVID-19 pandemic and the planes will fill the skies over Ukraine and over Boryspil again.

2.2. **Analysis of financial and economic indicators of the PE «International airport «Boryspil»»**

Airport Income and Expenditures Dynamics

Analyzing the State Eterprise income and expenditure for the previous 5 years, we can see that in 2014 the Airport was a loss-making enterprise. However, eventually

via reforming the expenditure items and working upon the income increase the Airport demonstrates its profitability. Thus, in 2018, the Airport earnings before interest and taxes amounted to UAH 2,3 billion, which is by 8,7% more than in 2017.



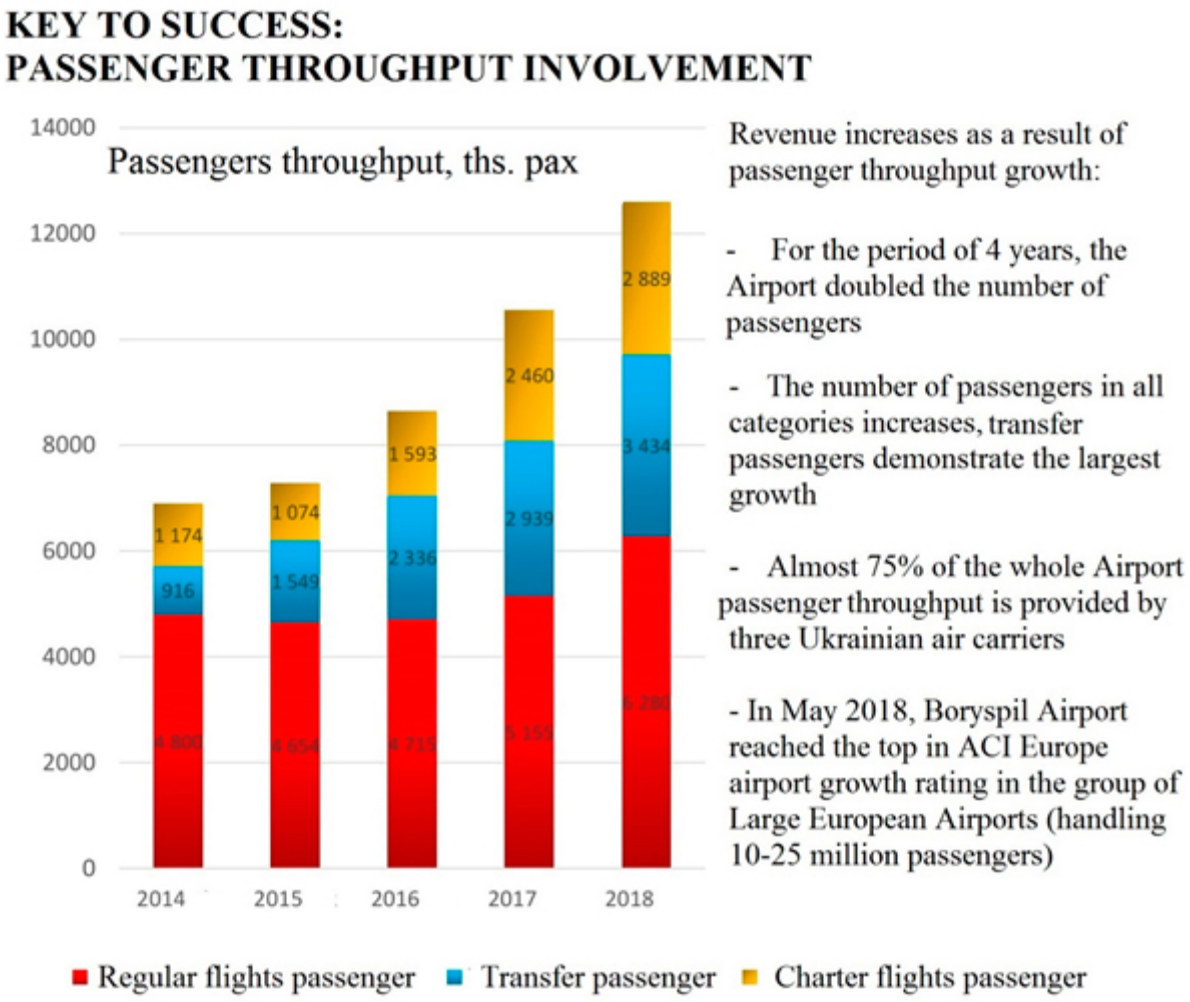
Key to success: passenger throughput involvement

In accordance with the financial plan for 2018, the Airport predicted 12,5 million passenger flow. By the results of the year, it amounted to 12,603,000 passengers. Such a minor difference between the predicted and actual index proofs the stable and the forecasted growth dynamics, enabling the infrastructural development, income and expenditure levels planning.

Gradual annual growth of all passenger categories, and transfer in particular, is a sign of the hub development strategy success. Therefore, the number of the transfer passengers in 2018 increased by 16,8% comparing with 2017.

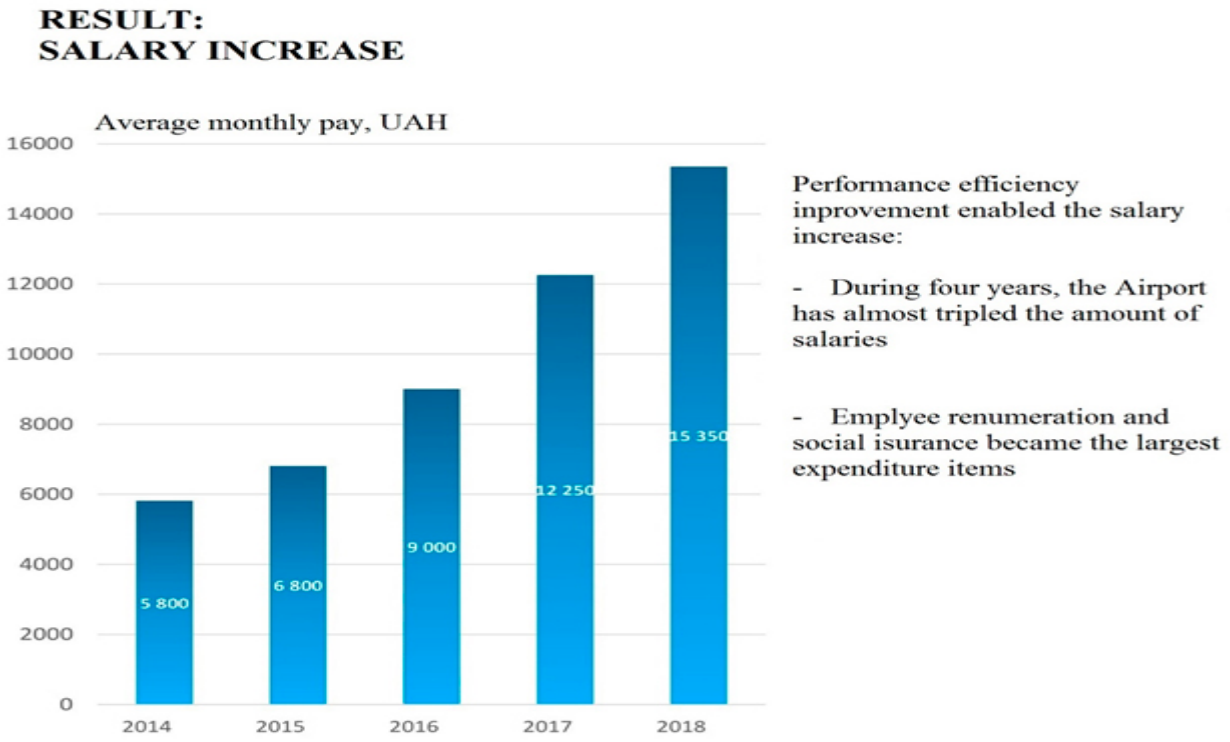
Constant work upon expansion of cooperation with the air carriers led to the possibility to launch or renew our partnership with 10 airlines in 2018, which is the record in air partners involvement. It became possible as the result of the updated air carrier stimulation program. Thus, it resulted in 62 new flights per week and 25 new destinations.

Among the largest air carriers operating flights at Boryspil Airport it is worth to note Ukrainian International Airlines, Wind Rose, Azur Air, Lufthansa, Turkish Airlines, YANAIR, Bravo Airways, Air France, LOT and El Al. In addition, Ryanair airline which joined in 2018 is also growing in intensity.



Salary Increase Dynamics.

Profitability increase and the enterprise management social focus enabled the pay increase. Currently remuneration and social security is the largest expenditures item.



2.3 **The specifics of risk management in foreign economic activity of the PE «International airport «Boryspil»»**

Procedures for risk analysis and control during implementation foreign economic activity

	Ways to control and reduce risk	Policy / Procedures
Risk of default	Awareness of the supplier and contract performance guarantees	Operating methods, consideration of transactions by the company's credit committee
Quality risk	Knowledge of the manufacturer's market	Operating methods
Price risk	Hedges (swaps and futures) and natural hedges	Trade policy

	through a basket of buyers and sellers	
Flight Risk	Vessel chartering - "approved" vessels and a generally accepted charter agreement	Vetting control procedure
Currency risk	Currency hedging	Analysis and forecasting of exchange rates
Payment risk	Letters of credit, insurance, approved credit line	The process of approving the buyer, consideration by the credit committee

Risk has hit aviation heavily. All operators have reduced their flight programs and many even completely suspended their flight operations without knowing when the situation will improve again.

Now that a loosening of the restrictions is in sight, operators start planning the steps for their return to service. However, companies that reenter the market will look different than they did before. And the environment they return to will not be the same as it was before the crisis. The economic and legal parameters that govern our industry will have changed, cultural and social behaviour patterns will have changed, and consumers' decision-making considerations perhaps will have changed as well.

These changes will require operators to provide their services under new conditions. Changes in flying schedules, cockpit staffing and currency, aircraft maintenance, availability of ground services and communication will have to be managed, to name only a few.

Airport althorities protect organization from dangerous and expensive surprises and it will support your transformation into the post-risk era:

- Formal borispol airport gets control of the changes and risks induced by the changes.
- Systematic Airport makes sure that you have done everything needed and possible to navigate through the changes safely.
- Airport althorities eliminates your worries about the legal compliance of your change management processes and results.
- Airport can make your company come out of the corona crisis as a stronger organisation well prepared to stay ahead of the competition.

Airport Outputs Measures

The Risk process provides you, among other things, with the following outputs:

- Log of hazards deriving from planned changes
- Log of assessed and categorised risks to deal with controlling the changes
- Recommendations for actions to mitigate the risks
- Qualification of personnel as masters of change
- Compliance documentation for the Authorities

Risk processes or revising existing processes is a demanding task which must include various key roles in the company. Experience shows that an “outside pair of eyes” is often the only way to objectively understand and effectively redesign existing company risk processes.

Airport with its consultants’ extensive experience in the management of change and turnaround projects in aviation can help you address all your Airport challenges.

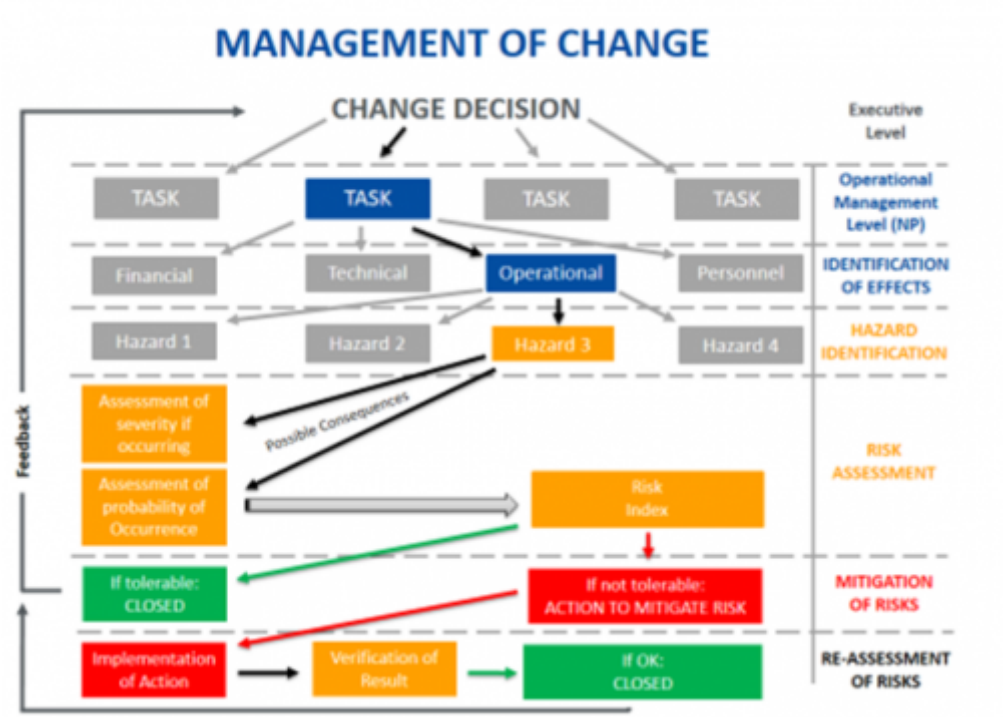
We can assist you with identifying strengths and deficiencies in your existing process framework and in building and documenting a reliable risk process

system. This will give you the confidence you need to concentrate on executing the necessary changes.

What our customers say about Risk in Airport

To support us managing our radical downscaling back in 2017 we successfully implemented a first version of a new MoC tool together with Airport. Also, together with Airport we later developed and implemented a completely new Management System including a revised Airport process and related skills.

Looking back now three years later Jet Time key management staff have developed their view on the MoC requirement from being a “demand” to a “help” performing their duties. It has not been an easy ride and larger and complex changes certainly benefit from getting guidance from experienced specialists. I am happy to recommend Airport for their competences supporting larger change management processes as well as elaborate further as needed.



The results of the Borispil Airport process will guide you on your way out of the Covid 19 induced risk and lockdown, and will help you to balance commercial needs against safety requirements.

Financial ratios are grouped into the following categories:

Liquidity ratios

Leverage ratios

Efficiency ratios

Profitability ratios

Market value ratios

Liquidity Ratios

Liquidity ratios are financial ratios that measure a company's ability to repay both short- and long-term obligations. Common liquidity ratios include the following:

The current ratio measures a company's ability to pay off short-term liabilities with current assets:

Current ratio = Current assets / Current liabilities

The acid-test ratio measures a company's ability to pay off short-term liabilities with quick

Assets:

Acid-test ratio = Current assets – Inventories / Current liabilities

The cash ratio measures a company's ability to pay off short-term liabilities with cash and cash

Equivalents:

Cash ratio = Cash and Cash equivalents / Current Liabilities

The operating cash flow ratio is a measure of the number of times a company can pay off current liabilities with the cash generated in a given period:

Operating cash flow ratio = Operating cash flow / Current liabilities

Leverage Financial Ratios

Leverage ratios measure the amount of capital that comes from debt. In other words, leverage financial ratios are used to evaluate a company's debt levels. Common leverage ratios include the following:

The debt ratio measures the relative amount of a company's assets that are provided from debt:

Debt ratio = Total liabilities / Total assets

The debt to equity ratio calculates the weight of total debt and financial liabilities against

Shareholders' equity:

Debt to equity ratio = Total liabilities / Shareholder's equity

The interest coverage ratio shows how easily a company can pay its interest expenses:

Interest coverage ratio = Operating income / Interest expenses

The debt service coverage ratio reveals how easily a company can pay its debt obligations:

Debt service coverage ratio = Operating income / Total debt service

Efficiency Ratios

Efficiency ratios, also known as activity financial ratios, are used to measure how well a company is utilizing its assets and resources. Common efficiency ratios include:

The asset turnover ratio measures a company's ability to generate sales from assets:

Asset turnover ratio = Net sales / Average total assets

The inventory turnover ratio measures how many times a company's inventory is sold and replaced over a given period:

Inventory turnover ratio = Cost of goods sold / Average inventory

The accounts receivable turnover ratio measures how many times a company can turn receivables into cash over a given period:

Receivables turnover ratio = Net credit sales / Average accounts receivable

The day's sales in inventory ratio measures the average number of days that a company holds on to inventory before selling it to customers:

Days sales in inventory ratio = 365 days / Inventory turnover ratio

Profitability Ratios

Profitability ratios measure a company's ability to generate income relative to revenue, balance sheet assets, operating costs, and equity. Common profitability financial ratios include the following:

The gross margin ratio compares the gross profit of a company to its net sales to show how much profit a company makes after paying its cost of goods sold:

Gross margin ratio = Gross profit / Net sales

The operating margin ratio compares the operating income of a company to its net sales to determine operating efficiency:

Operating margin ratio = Operating income / Net sales

The return on assets ratio measures how efficiently a company is using its assets to generate profit:

Return on assets ratio = Net income / Total assets

The return on equity ratio measures how efficiently a company is using its equity to generate profit:

Return on equity ratio = Net income / Shareholder's equity

Market Value Ratios

Market value ratios are used to evaluate the share price of a company's stock. Common market value ratios include the following:

The book value per share ratio calculates the per-share value of a company based on the equity available to shareholders:

Book value per share ratio = (Shareholder's equity – Preferred equity) / Total common shares outstanding

The dividend yield ratio measures the amount of dividends attributed to shareholders relative to the market value per share:

Dividend yield ratio = Dividend per share / Share price

The earnings per share ratio measures the amount of net income earned for each share outstanding:

Earnings per share ratio = Net earnings / Total shares outstanding

The price-earnings ratio compares a company's share price to its earnings per share:

Price-earnings ratio = Share price / Earnings per share

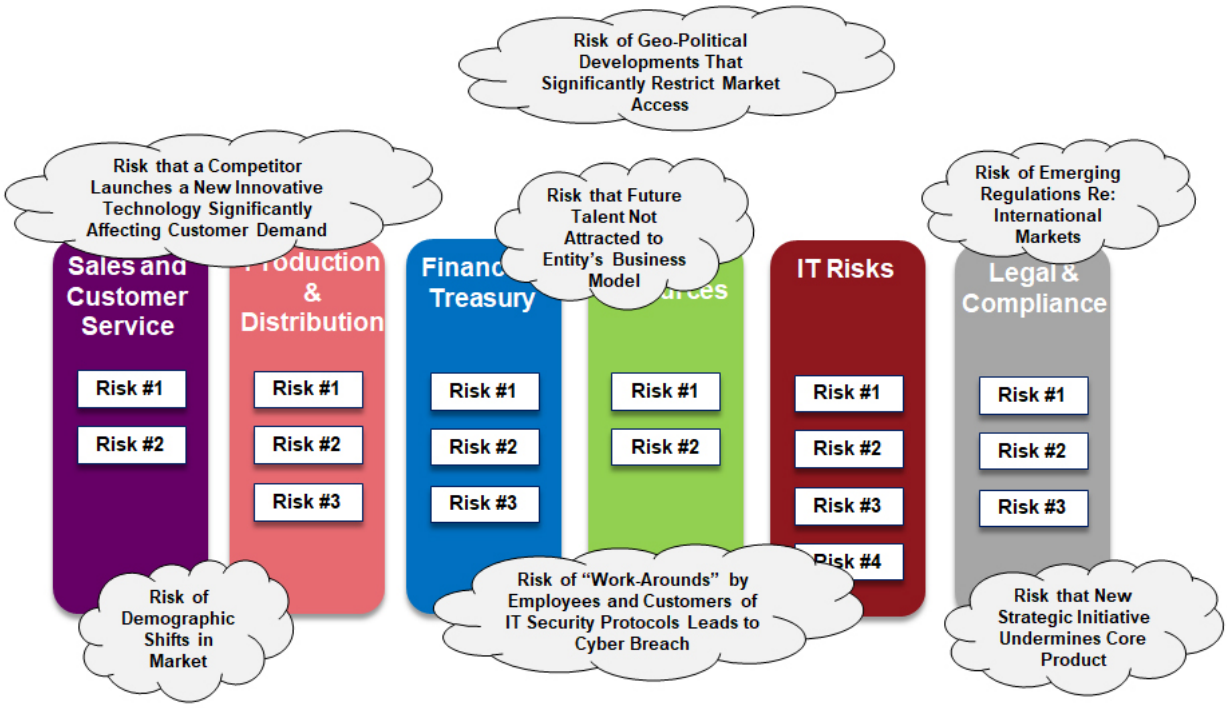
Traditionally, organizations manage risks by placing responsibilities on business unit leaders to manage risks within their areas of responsibility. For

example, the Chief Technology Officer (CTO) is responsible for managing risks related to the organization's information technology (IT) operations, the

Treasurer is responsible for managing risks related to financing and cash flow, the Chief Operating Officer is responsible for managing production and distribution, and the Chief Marketing Officer is responsible for sales and customer relationships, and so on. Each of these functional leaders is charged with managing risks related to their key areas of responsibility. This traditional approach to risk management is often referred to as silo or stove-pipe risk management whereby each silo leader is responsible for managing risks within their silo as shown in Figure 1 below.

Approach to Risk Management in airport

Knowable Risks Overlooked by Risk Management in Airport.



Effective in Risk Management (ERM) Should be a Valued Strategic Tool

Limitations with Traditional Approaches to Risk Management

While assigning functional subject matter experts responsibility for managing risks related to their business unit makes good sense, this traditional approach to risk management has limitations, which may mean there are significant risks on the horizon that may go undetected by management and that might affect the organization. Let's explore a few of those limitations.

Limitation 1.

There may be risks that "fall between the silos" that none of the silo leaders can see. Risks don't follow management's organizational chart and, as a result, they can emerge anywhere in the business. As a result, a risk may be on the horizon that does not capture the attention of any of the silo leaders causing that risk to go unnoticed until it triggers a catastrophic risk event. For example, none of the silo leaders may be paying attention to demographic shifts occurring in the marketplace whereby

population shifts towards large urban areas are happening at a faster pace than anticipated.

Unfortunately, this oversight may drastically impact the strategy of a retail organization that continues to look for real estate locations in outlying suburbs or more rural areas surrounding smaller cities.

Limitation 2.

Some risks affect multiple silos in different ways. So, while a silo leader might recognize a potential risk, he or she may not realize the significance of that risk to other aspects of the business. A risk that seems relatively innocuous for one business unit, might actually have a significant cumulative effect on the organization if it were to occur and impact several business functions simultaneously. For example, the head of compliance may be aware of new proposed regulations that will apply to businesses operating in Brazil. Unfortunately, the head of compliance discounts these potential regulatory changes given the fact that the company currently only does business in North America and Europe. What the head of compliance doesn't understand is that a key element of the strategic plan involves entering into joint venture partnerships with entities doing business in Brazil and Argentina, and the heads of strategic planning and operations are not aware of these proposed compliance regulations.

Limitation 3.

Third, in a traditional approach to risk management, individual silo owners may not understand how an individual response to a particular risk might impact other aspects of a business. In that situation, a silo owner might rationally make a decision to respond in a particular manner to a certain risk affecting his or her silo, but in doing so that response may trigger a significant risk in another part of the business. For example, in response to growing concerns about cyber risks, the IT function may tighten IT security protocols but in doing so, employees and customers find the new

protocols confusing and frustrating, which may lead to costly “work around” or even the loss of business.

Limitation 4.

So often the focus of traditional risk management has an internal lens to identifying and responding to risks. That is, management focuses on risks related to internal operations inside the walls of the organization with minimal focus on risks that might emerge externally from outside the business. For example, an entity may not be monitoring a competitor’s move to develop a new technology that has the potential to significantly disrupt how products are used by consumers.

Limitation #5:

Despite the fact that most business leaders understand the fundamental connection of “risk and return”, Airport workers sometimes struggle to connect their efforts in risk management to strategic planning. For example, the development and execution of the entity’s strategic plan may not give adequate consideration to risks because the leaders of traditional risk management functions within the organization have not been involved in the strategic planning process. New strategies may lead to new risks not considered by traditional silos of risk management.

What’s the impact of these limitations?

There can be a wide array of risks on the horizon Airport that management’s approach to risk management fails to see, as illustrated by Figure 2. Unfortunately, some organizations fail to recognize these limitations in their approach to risk management before it is too late.

Currently Unknown, But Knowable Risks Overlooked by Risk Management

Traditional Approach to Risk Management in Borispol Airport

Limitations with Traditional Approaches to Risk Management

Effective Enterprise Risk Management in Airport (ERM) should be a Valued Strategic Tool

Over the last decade or so, a number of business leaders have recognized these potential risk management shortcomings and have begun to embrace the concept of enterprise risk management as a way to strengthen their organization's risk oversight. They have realized that waiting until the risk event occurs is too late for effectively addressing significant risks and they have proactively embraced ERM as a business process to enhance how they manage risks to the enterprise.

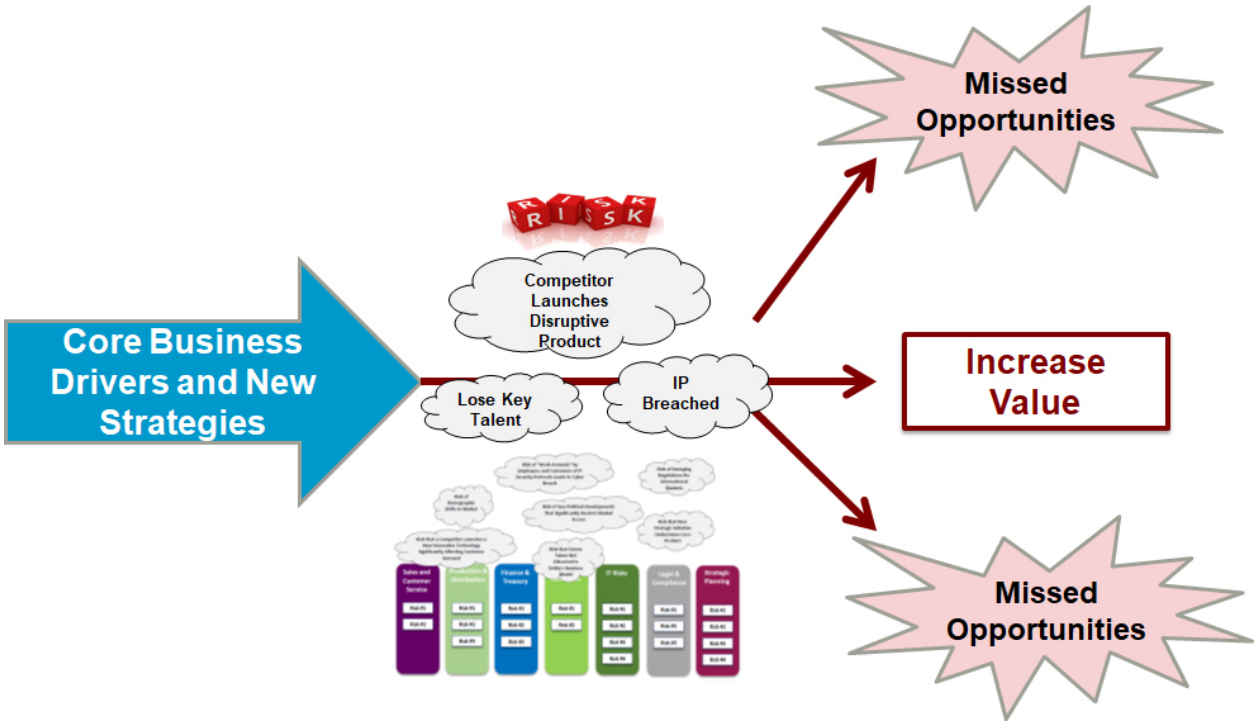
The objective of enterprise risk management is to develop a holistic, portfolio view of the most significant risks to the achievement of the entity's most important objectives. The "e" in ERM signals that ERM seeks to create a top- down, enterprise view of all the significant risks that might impact the strategic objectives of the business. In other words, ERM attempts to create a basket of all types of risks that might have an impact – both positively and negatively – on the viability of the business.

An effective ERM process should be an important strategic tool for leaders of the business. Insights about risks emerging from the ERM process should be an important input to the organization's strategic plan. As management and the board become more knowledgeable about potential risks on the horizon they can use that intelligence to design strategies to nimbly navigate risks that might emerge and derail their strategic success. Proactively thinking about risks should provide competitive advantage by reducing the likelihood that

risks may emerge that might derail important strategic initiatives for the business and that kind of proactive thinking about risks should also increase the odds that the entity is better prepared to minimize the impact of a risk event should it occur.

As illustrated by Figure 3, the ERM process should inform management about risks on the horizon that might impact the success of core business drivers and new strategic initiatives.

ERM Should Inform Strategy of the Business



Elements of an ERM Process in Airport

Because risks constantly emerge and evolve, it is important to understand that

ERM is an ongoing process. Unfortunately, some view ERM as a project that has a beginning and an end. While the initial launch of an ERM process might require aspects of project management, the benefits of ERM are only realized when management thinks of ERM as a process that must be active and alive, with ongoing updates and improvements.

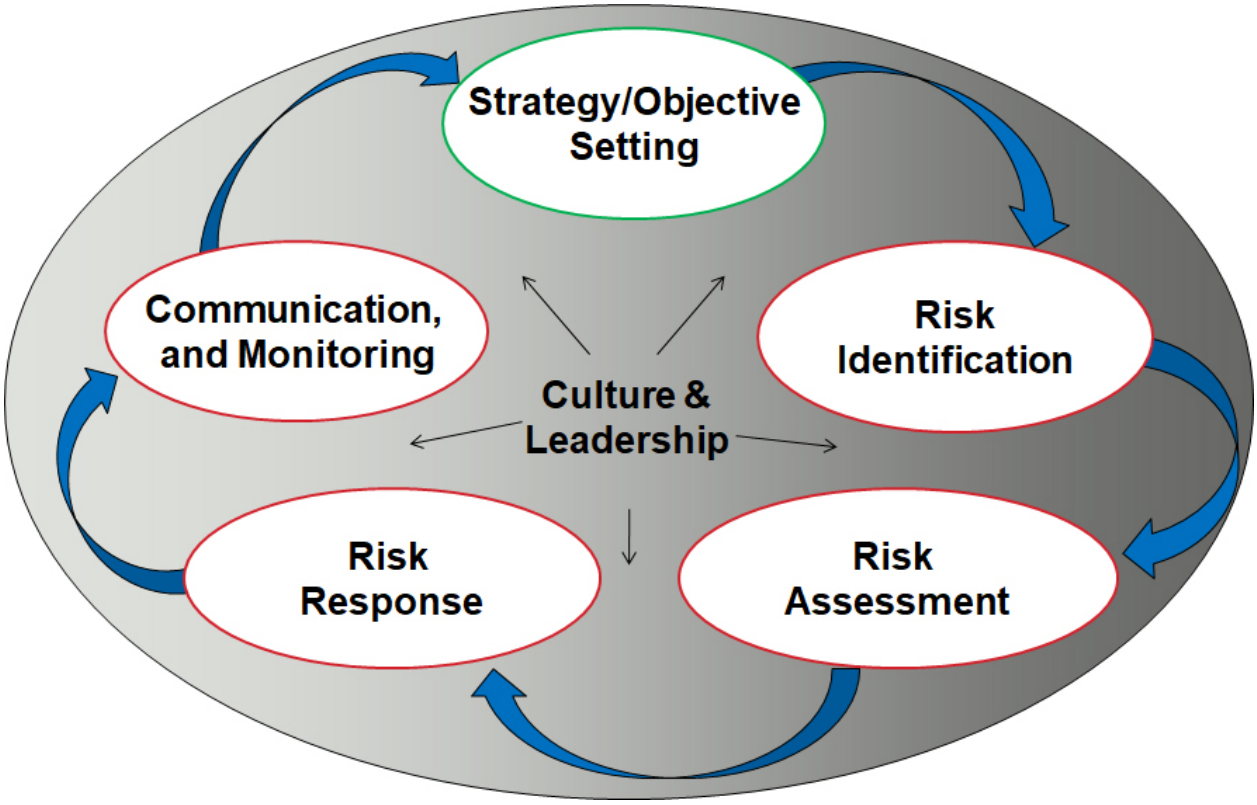
The diagram in Figure 4 illustrates the core elements of an ERM process.

Before looking at the details, it is important to focus on the oval shape to the figure and the arrows that connect the individual components that comprise

ERM. The circular, clockwise flow of the diagram reinforces the ongoing nature of ERM. Once management begins ERM, they are on a constant journey to regularly

identify, assess, respond to, and monitor risks related to the organization's core business model.

Figure 4 – Elements of an ERM Process



ERM Starts with What Drives Value for the Entity in the Airport

Because ERM seeks to provide information about risks affecting the organization's achievement of its core objectives, it is important to apply a strategic lens to the identification, assessment, and management of risks on the horizon. An effective starting point of an ERM process begins with gaining

an understanding of what currently drives value for the business and what's in the strategic plan that represents new value drivers for the business. To ensure that the ERM process is helping management keep an eye on internal

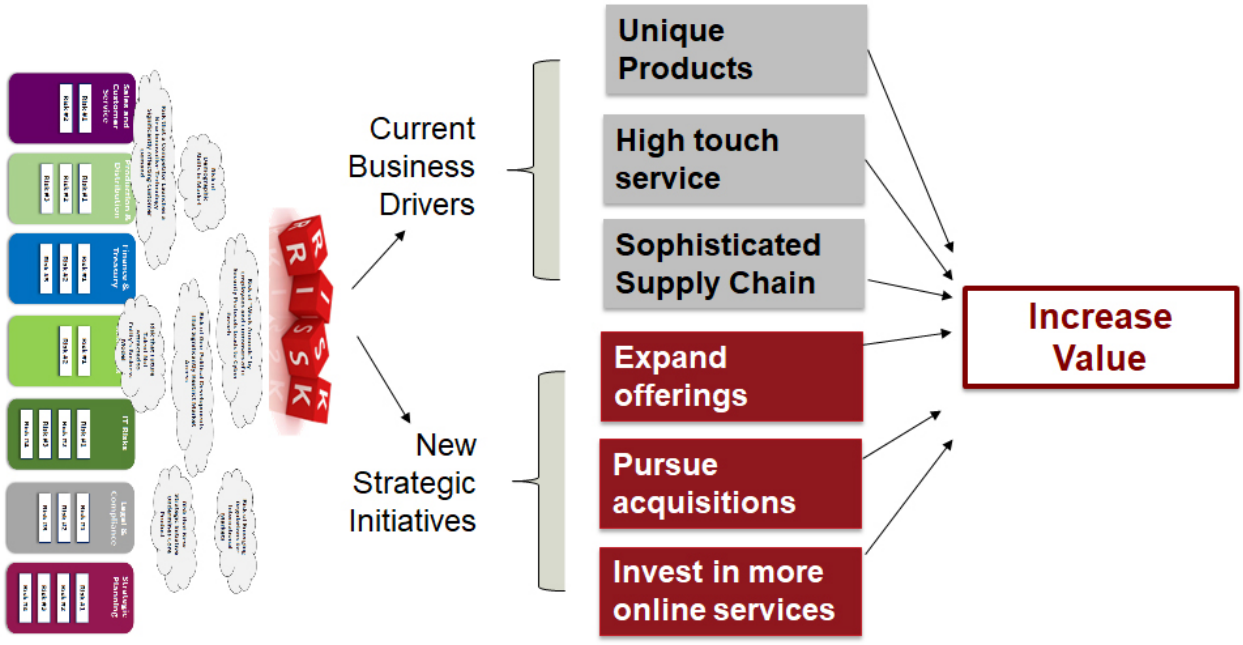
or external events that might trigger risk opportunities or threats to the business, a strategically integrated ERM process begins with a rich understanding of what's most important for the business' short-term and long- term success.

Let's consider a public-traded company. A primary objective for most publically traded companies is to grow shareholder value. In that context,

ERM should begin by considering what currently drives shareholder value for the business (e.g., what are the entity's key products, what gives the entity a competitive advantage, what are the unique operations that allow the entity to deliver products and services, etc.). These core value drivers might be thought of as the entity's current "crown jewels". In addition to thinking about the entity's crown jewels, ERM also begins with an understanding of the organization's plans for growing value through new strategic initiatives outlined in the strategic plan (e.g., launch of a new product, pursuit of the acquisition of a competitor, or expansion of online offerings etc.). You might find our thought paper, Integration of ERM with Strategy, helpful given it contains three case study illustrations of how organizations have successfully integrated their ERM efforts with their value creating initiatives.

With this rich understanding of the current and future drivers of value for the enterprise, management is now in a position to move through the ERM process by next having management focus on identifying risks that might impact the continued success of each of the key value drivers. How might risks emerge that impact a "crown jewel" or how might risks emerge that impede the successful launch of a new strategic initiative? Using this strategic lens as the foundation for identifying risks helps keep management's ERM focus on risks that are most important to the short-term and long-term viability of the enterprise

Figure 5 – Apply Strategic Lens to Identify Risks



The Focus is on All Types of Risks

Sometimes the emphasis on identifying risks to the core value drives and new strategic initiatives causes some to erroneously conclude that ERM is only focused on "strategic risks" and not concerned with operational, compliance, or reporting risks. That's not the case. Rather, when deploying a strategic lens as the point of focus to identify risks, the goal is to think about any kind of risk

– Strategic, operational, compliance, reporting, or whatever kind of risk – that might impact the strategic success of the enterprise. As a result, when ERM is focused on identifying, assessing, managing, and monitoring risks to the viability of the enterprise, the ERM process is positioned to be an important strategic tool where risk management and strategy leadership are integrated.

It also helps remove management's "silo-blinders" from the risk management process by encouraging management to individually and collectively think of any and all types of risks that might impact the entity's strategic success.

Output of an ERM Process in Airport

The goal of an ERM process is to generate an understanding of the top risks that management collectively believes are the current most critical risks to the strategic success of the airport. Most organizations prioritize what management believes to be the top 10 (or so) risks to the enterprise (see our thought paper, Survey of Risk Assessment Practices, that highlights a number of different approaches organizations take to prioritize their most important risks on the horizon). Generally, the presentation of the top 10 risks to the board focuses on key risk themes, with more granular details monitored by management. For example, a key risk theme for a business might be the attraction and retention of key employees. That risk issue may be discussed by the board of directors at a high level, while management focuses on the unique challenges of attracting and retaining talent in specific areas of the organization (e.g., IT, sales, operations, etc.).

With knowledge of the most significant risks on the horizon for the entity, management then seeks to evaluate whether the current manner in which the entity is managing those risks is sufficient and effective. In some cases, management may determine that they and the board are willing to accept a risk while for other risks they seek to respond in ways to reduce or avoid the potential risk exposure. When thinking about responses to risks, it is important to think about both responses to prevent a risk from occurring and responses to minimize the impact should the risk event occur. An effective tool for helping frame thinking about responses to a risk is known as a “Bow-Tie

Analysis”, which is illustrated by Figure 6. The left side of the “knot” (which is the risk event) helps management think about actions management might take to lower the probability of a risk occurring. The right side of the “knot” helps management think about actions that could be taken to lower the impact of a risk event should it not be prevented (take a look at our article, The Bow-

Tie Analysis: A Multipurpose ERM Tool).

Figure 6 – Bow-Tie Tool for Developing Responses to Risks

Monitoring and Communicating Top Risks with Key

Risk Indicators (KRIs)

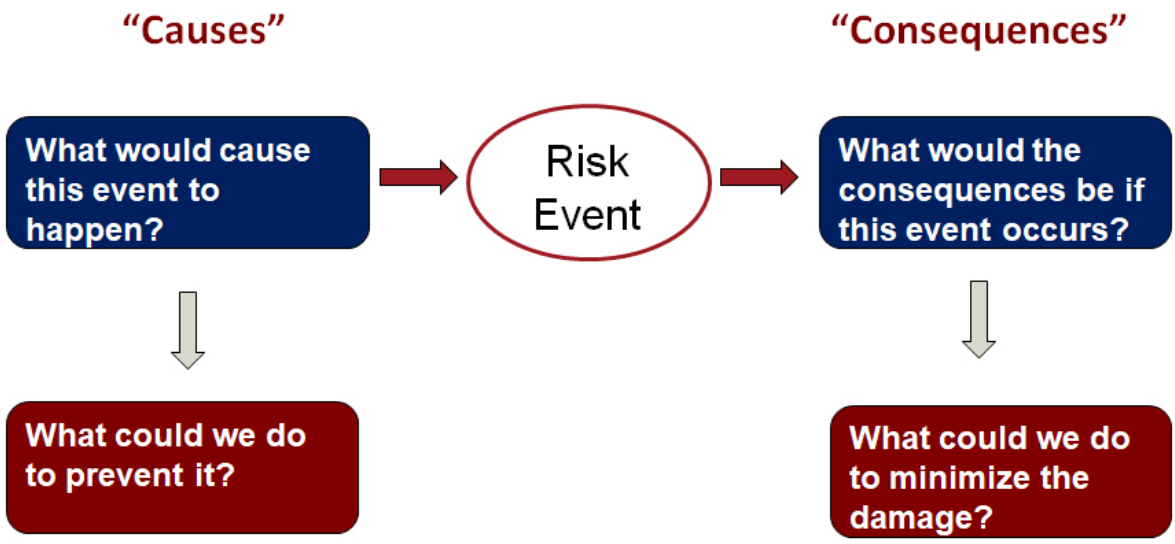
While the core output of an ERM process is the prioritization of an entity's most important risks and how the entity is managing those risks, an ERM

Process also emphasizes the importance of keeping a close eye on those risks through the use of key risk indicators (KRIs). Organizations are increasingly enhancing their management dashboard systems through the inclusion of key risk indicators (KRIs) linked to each of the entity's top risks identified through an ERM process. These KRI metrics help management and the board keep an eye on risk trends over time. Check out our thought paper, Developing Key Risk Indicators to Strengthen Enterprise Risk

Management, issued in partnership with COSO for techniques to develop

Effective KRIs.

Figure 6 – Bow-Tie Tool for Developing Responses to Risks



Monitoring and Communicating Top Risks with Key Risk Indicators (KRIs)

Borispol Leadership of ERM

Given the goal of ERM is to create a top-down, enterprise view of risks to the entity, responsibility for setting the tone and leadership for ERM resides with executive management and the board of directors. They are the ones who have the enterprise view of the organization and they are viewed as being ultimately responsible for understanding, managing, and monitoring the most significant risks affecting the enterprise.

Top management is responsible for designing and implementing the enterprise risk management process for the organization. They are the ones to determine what process should be in place and how it should function, and they are the ones tasked with keeping the process active and alive. The board of director's role is to provide risk oversight by

(1) understanding and approving management's ERM process and

(2) overseeing the risks identified by the ERM process to ensure management's risk-taking actions are within the stakeholders' appetite for risk taking. (Check out our thought

paper, Strengthening Enterprise Risk Management for Strategic Advantage, issued in partnership with COSO, that focuses on areas where the board of directors and management can work together to improve the board's risk oversight responsibilities and ultimately enhance the entity's strategic value).

PART 3. OPTIMIZATION OF THE PE «INTERNATIONAL AIRPORT «BORYSPIL»» RISK MANAGEMENT SYSTEM

3.1. Directions for improving the ways to avoid risks in the international aviation services sphere

Despite the fact that the complete avoidance of accidents is highly desirable, achieving 100% security level is practically impossible. In spite of all efforts to prevent deviations and errors they will still take place as any artificially created system, particularly one related to human activity, cannot be considered safe and risk-free. Adopted before approach to flight safety requires detailed regulation of all aspects of the aviation personnel activities and monitoring of compliance with increasingly complex regulatory requirements. This approach has allowed aligning the dynamics of accidents in the world till the end of the 1980s. However, incidents had continued and still continue to take place despite the created "modern" system of rules and regulations (Decree of the Government of the Russian Federation No. 303 "On the Approval of the State Program of the Russian Federation "Development of the Aviation Industry in 2013-2025"). As has been previously mentioned, the safety problems appeared along with the first flight on the aircraft. From that very moment, different accident prevention theories have emerged. It should be noted that despite the fact that the complete avoidance of accidents is highly desirable, achieving 100% security level is practically impossible. In spite of all efforts to prevent deviations and errors they will still take place as any artificially created system, particularly one related to human activity, cannot be considered safe and risk-free (Ksenofontova 2013). Adopted before approach to flight safety requires detailed regulation of all aspects of the aviation personnel activities and monitoring of compliance with increasingly complex regulatory requirements. This approach has allowed aligning the dynamics of accidents in the world till the end of the 1980s. However, incidents had continued and still continue to take place despite the created "modern" system of rules and regulations. The entire flight safety system has been oriented to the

exclusion of the similar reasons adverse events repetition. And the world aviation community's efforts were aimed at ensuring compliance with minimum standards rather than at the definition and legal consolidation of best operation practices or the most preferred (desired) standards (Smurov, et.al. 2016). Statistics show that with the frequency of fatal accidents equal to ten to the minus six power (one fatal accident per million flights) the usage of this approach for further enhancing the level of safety is very problematic. Safety has always been a fundamental component in the activities of civil aviation. This is clearly reflected in Article 44 of the Chicago Convention, which explicitly defines the ICAO responsibility "for ensuring the safe and orderly development of international civil aviation throughout the world". Throughout its operations, ICAO aims to develop adequate flight safety measures (Air Traffic Control", n. d.). ICAO conducts constant work aimed at ensuring the flight safety and improving the flight safety indicators all over the world due to the implementation of the following types of coordinated activities:

- Monitoring of the main trends and indicators in the field of flight safety.
- Analysis of flight safety.
- Initiatives to develop policies and standards.
- Implementing programs to address issues related to flights safety

Flight safety risk assessment and reduction Risk management covers the assessment and reduction of risk factors for the safety-related consequences of hazards that threaten the production capabilities of the airline to the lowest practicable level (LPL). Effective risk management should be aimed at the maximum benefit from taking/tolerating risk (reduction of time and costs) at the same time reducing the risk itself. Risk reduction consists of measures to address this potential threat or reduce the likelihood and severity of the risk. Risk analysis should focus on the identification and elimination and/or reduction to an acceptable level of risk threatening the organization operations through a balanced distribution of resources and real control

of risks and their extent reduction (Zubkov and Minaev 1987). The analysis of threats should be carried out during the air carrier's periodic analysis of the security status of flights and immediately upon the detection of any new threat.

Risk management includes five key elements:

• identification of safety concerns;

• analysis of the risk factors likelihood;

• analysis of the risk factors severity;

• assessment and the admissibility of risk factors;

• control and the ability to reduce the risk factors (Gubenko and Ksenofontova 2015). Being associated with the effects of hazards, the process of taking the flight safety risk factors under the organizational control starts with the estimation of probability. The probability of the flight safety risk factors is defined as the possibility of an unsafe event or condition occurrence. In assessing the likelihood of an unsafe event or condition occurrence, it is important to relate to the past years data contained in the "library of safety information" of the airline shown in Table 1 in order to make informed decisions.

TABLE 1. Probability of the unsafe event or condition occurrence

Risk Probability of occurrence		
Quantitative definition	Meaning	Category
Often	May occur many times (has occurred frequently)	5
Periodic	May occur from time to time (occurred occasionally)	4
Rare	It is unlikely, but may occur (occurred rarely)	3

Unlikely	Very low probability of occurrence (cases of occurrence are unknown)	2
Next to impossible	It is almost impossible to imagine a situation in which the event can occur	1

Risk severity means the worst possible consequences of dangerous situations and hazardous events. The severity of the risk factors for the flights safety is defined as the possible consequences of an unsafe event or condition, while the worst foreseeable situation (Table 2) is taken for the benchmark.

TABLE 2. Risk factors severity (consequences of an unsafe event or condition)

The risk Severity of the accident		
Definition	Meaning	Degree
Catastrophic	Hull loss Multiple human losses	A
Dangerous	A significant reduction of the "reserve factor", the physical pain or the workload level that does not guarantee clear and full implementation of the organization objectives. Serious injury of a large number of people. Serious airplane damage.	B
Significant	A significant reduction of "reserve factor", reduction of the organization's ability to overcome adverse operating conditions as a result of increased workload or because of conditions that reduce their effectiveness. Serious incident. Injuries of individuals.	C
Insignificant	Interference. Operational constraints. Use of emergency procedures. The possibility of the incident.	D

Minor	Minor consequences	E

For general risk assessment of flight safety combining and introducing tables of probability and severity of flight safety risk factors into the risk assessment matrix should be done (Table 3).

TABLE 3. Risk factors assessment matrix

Risk probability	Risk severity				
	Catastrophic A	Dangerous B	Significant C	Insignificant D	Minor E
Often (5)	A5	B5	C5	D5	E5
Periodic (4)	A4	B4	C4	D4	E4
Rare (3)	A3	B3	C3	D3	E3
Unlikely (2)	A2	B2	C2	D2	E2
Next to impossible (1)	A1	B1	C1	D1	E1

Types of aviation events (catastrophic situation, emergency situation, severe situation, worsening of flight conditions) (Zubkov and Minaev 1987). presented in accordance with the gradation of their impact on flight safety, respective to types of special situations are presented in Table 4.

TABLE 4. The extent of aviation event impact on safety

Overall risk assessment	Matching the special event	Impact on safety
5A, 5B, 4A	KS (CS) – catastrophic situation	Flight safety threat
5C, 4B, 3A	AS (ES) – emergency situation	Strong impact
5D,5E, 4C, 3B,2A	SS (SS) – severe situation	Medium impact
4D,4E, 3C, 3D,2B, 2C	UUP (WFC) – worsening of flight conditions	Low impact
3E, 2D, 2E, 1A, 1B, 1C, 1D, 1E	Prospective events	Do not affect safety, but capable of influencing the event impacting the flight safety

Events severity categories are inextricably linked with aspects of the activities, which affect aviation events. These include aspects such as: "people", "failures, violations, deviations" and "property" (Table 5).

TABLE 5. Impact of aviation events on operational aspects of the enterprise

Overall risk assessment	Aspect being impacted		
	People	Failures, violations, deviations	Property
5A, 5B, 4A	Numerous	Catastrophic situation	Major damage

	deaths		or destruction
5C, 4B, 3A	Single fatal event	Emergency situation	Extensive damage
5D,5E, 4C, 3B,2A	Significant injury	Severe situation	Significant damage
4D,4E, 3C, 3D,2B, 2C	Minor injury	Worsening of flight conditions	Minor damage
3E, 2D, 2E, 1A, 1B, 1C, 1D, 1E	Light injury	Not affecting flight safety	Light damage

After detecting the flight safety problem, the safety concerns influencing such and their potential effects are being revealed while the safety concerns related to the effects are being assessed in terms of probability and severity in order to determine the level of risk to flight safety (Airline and Airport Discussion Forum", 2015). An analysis of accidents and incidents within a certain period of time should be carried out on the cause-and-effect relationships. In this case, the cause of the event (incident, accident, etc.) is considered as a dangerous situation and the negative impact on the company in the financial or material losses is assessed (Doc ICAO 9422-AN/923). It is necessary to use the risk factors control/reduction strategy at the last stage of the process of taking hazard events or conditions consequences related risk factors under organizational control (Connectivity and Growth. Directions of Travel for Airport Investments)

There are three general strategies to control/reduce risk factors of flight safety (Figure 1): • Avoidance of risk. The operation or activity ceases, because the risk factors of flight safety are greater than the benefits of continuing the operation or activity.

• Reduction of risk. The frequency of operation or activity is reduced or actions to reduce the scale of the effects of risk factors are taken.

• Isolation of the exposure. Measures are being taken in order to isolate the impact of the effects of a hazard or to create redundancy to protect against them (Maragakis, et. al. 2009). In assessing the specific options to reduce risk it should be taken in consideration that not all of them have the same potential for reducing flight safety risks. It is necessary to evaluate the effectiveness of each particular option before making a decision. To make the best decision, you must consider the full range of possible control measures and compromises to reconcile the various measures (Air Traffic Control", n. d.). Each option to reduce the risk should be analyzed taking into account aspects such as:

• efficiency;

• technical measures;

• controlled measures;

• staffing measures;

• cost/benefit;

• practicality;

• acceptability of each party;

• durability;

• residual risk factor for flights safety;

• new challenges.

For safety management, it is necessary to evaluate flight safety risk factors related to the safety concerns consequences by assigning a specific risk to each safety concern. Each safety concern may generate one or many consequences, and each consequence can be assessed as a single or multiple flight safety risk factors (Figure 2) (Doiron 2014). The first step in the process of reduction/control of flight safety risk factors is

to identify dangers /consequences and flight safety risk factors assessment (Aviation Science and Technology Development Foresight till 2030 and Further, 2009).

After identifying the hazards and consequences and flight safety risk factors assessment, it is necessary to evaluate the effectiveness and efficiency of existing means of protection of aviation system (equipment, training, regulations) regarding the considered safety concerns and their consequences

. Typically, industrial activity analysis shows that removing all existing hazards is impossible and is not economically profitable. In this case, the rule of priority areas selection comes into force: Technical measures

Control measures

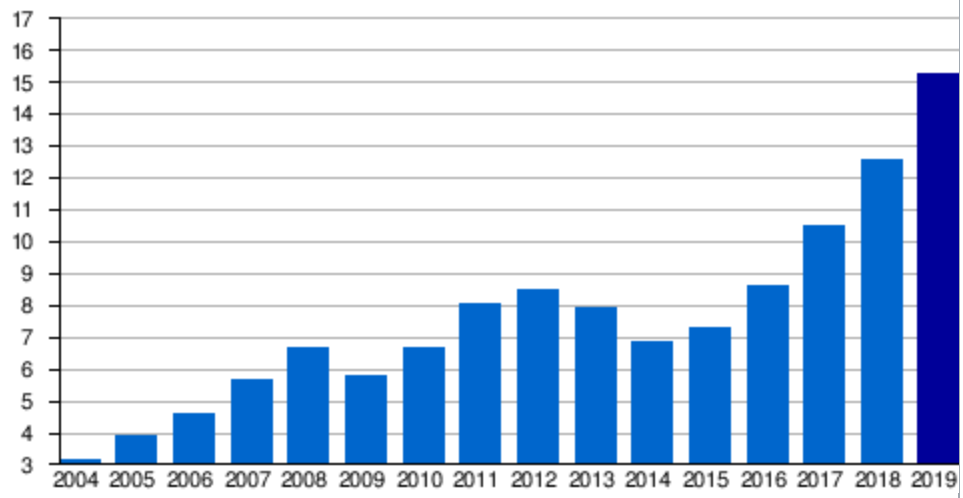
Staffing solutions

Financial solutions

Organizational and production solutions (Howell 2015).

3.2. **Main perspectives of optimizing the risk management system of the PE «International airport «Boryspil»» under pandemic conditions**

The risk management field has received a lot of attention over the last decade as a result of the Airport change in the way business is running and the occurrence of several events with impact in the global economy such as the 2008 collapse of the credit market and the housing market meltdown in the USA, the 2010 Gulf of Mexico oil spill or the 2011 incident on the Japanese nuclear power plant of Fukushima-Daiichi. As a result, risk management the Airport has become a main topic as it plays an increasingly important role in the strategy of an organization. The purpose of this paper is to present different perspectives on how risk management has been addressed by organizations, the different types of risk and to propose a classification for risk approaches.

Year	Passengers	Change on previous year	Boryspil International Airport Passenger Totals 2004–2019 (millions)
2004	3,168,000	▲35.0%	
2005	3,930,000	▲24.1%	
2006	4,618,000	▲17.6%	
2007	5,671,300	▲22.7%	
2008	6,700,000	▲17.4%	
2009	5,793,000	▼13.0%	
2010	6,692,382	▲15.5%	

2011	8,029,400	▲ 20.0%
2012	8,478,000	▲ 5.0%
2013	7,930,000	▼ 6.5%
2014	6,890,443	▼ 13.1%
2015	7,277,135	▲ 5.6%
2016	8,650,000	▲ 18.9%
2017	10,554,757	▲ 22.1%
2018	12,603,300	▲ 19.4%
2019	15,260,300	▲ 21.1%

Terminal B

Interior of Terminal D

Several other approaches to risk in Airport management can be found in literature such as, Procurement Risk
Management or Quality Risk Management. From the analysis of the different risk in Airport management perspectives, two majorly different approaches to risk can be distinguished. On one hand we have a
Functional approach that translates a "silo" way of managing risk.
Financial risk,
Insurance risk
And information technology risk management, for example, are functional approaches. On the opposite side we have a process oriented

approach to risk management, were the cross functional view of the management of the organization risk is

Present. Supply chain risk management, business process risk management, enterprise risk management are

Some of these approaches.

2. Risk perspectives

Functional Perspective Process Oriented Perspective

Financial risk

Insurance risk

Information technology risk

Supply chain risk

Business process risk

Enterprise risk

The risk factors mentioned previously, highlight the fact that there are many sources of risk to the company.

The focus of an integrated approach to risk, considering all the interactions between the different types of risk,

Allows the company to not underestimate its risk exposure. This was a frequent situation when the approach to risk, was mainly a financial issue.

Another aspect should be present when identifying the different risks, which is the endogenous or exogenous nature of risk. Exogenous risks are the risks that simultaneously are not affected by our actions, and over which event occurrence we have no control. Endogenous risks are the risks that are dependent on our actions

(Aubert, Patry, & Rivard, 2005). This dual nature of risk has a great influence on the different strategies used by

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Table 2. Risk perspectives

Functional Perspective	Process Oriented Perspective
Financial risk	
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Information technology risk	
Supply chain risk	
Business process risk	
Enterprise risk	

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Airport to manage risks.

Risk has hit aviation heavily. All operators have reduced their flight programs and many even completely suspended their flight operations without knowing when the situation will improve again.

Now that a loosening of the restrictions is in sight, operators start planning the steps for their return to service. However, companies that reenter the market will look different than they did before. And the environment they return to will not be the same as it was before the crisis. The economic and legal parameters that govern our industry will have changed, cultural and social behaviour patterns will have changed, and consumers' decision-making considerations perhaps will have changed as well.

These changes will require operators to provide their services in Airport under new conditions. Changes in flying schedules, cockpit staffing and currency, aircraft maintenance, availability of ground services and communication will have to be managed, to name only a few.

3.3. Effectiveness evaluation of the proposed measures

Dynamics of financial and economic indicators of borispol Airport for 2017-2019

Indicators	2017	2018	2019	Absolute deviation	Growth rate, %

				2018/ 2017	2019/ 2018	2018/ 2017	2019/ 2018
Production volume, thousand UAH	2190735	2697064	3504592	506329,0	807528,0	123	129
Mining of ore, tons	4152	4213	4314	60	101	101	102
Cost of commodity products, thousand UAH	1786285	2335430	2385973	549145	50543	130	102
Sales revenue, thousand UAH	2523894	2919919	4241613	396025	1321694	115	145
Cost of sales, thousand UAH	1979947	2147814	3279645	167867	1131831	108	152
Gross profit, thousand UAH	543947	772105	961968	228158	189863	141	124
Profit from sales, thousand UAH	528052	756264	761533	228212	5269	143	100
Profit	353221	551327	511468	198106	-39859	156	92

available to the enterprise, thousand UAH							
Profitability of production, %	31	35	32	4,06	-3,44	112	90
Number of employees, person	6414	6757	6983	343	226	105	

The profit at the disposal of the Airport in 2018 increased by 56.1% and amounted to +551327 thousand UAH, and in 2019 decreased by 7.2% to 511 468 thousand UAH. This was due to increased production, ore production and sales revenue.

The profitability of production increased from 31.38% in 2017 to 35.44% in 2018, but in 2019 decreased to 32%. From 2017 to 2019, the number of employees is steadily increasing, and hence the cost of pay.

The analysis of financial stability of any business entity is the most important characteristic of its activity and financial and economic well-being, characterizes the result of its current, investment and financial development, contains the necessary information for the investor, and also reflects the ability of the enterprise to answer for its debts and obligations and increase its economic potential in the interests of shareholders. The financial condition of the enterprise is evaluated first of all by its financial stability and solvency. The financial stability of the company is nothing but a securely guaranteed solvency, independence from the contingencies of market conditions and behavior of partners.

Solvency - the ability of an enterprise to pay on its debts and obligations in a given period of time. At the same time, on the basis of the analysis its potentials and tendencies for debt coverage are determined. Otherwise, such an enterprise may be declared bankrupt. If solvency is an external manifestation of the financial condition of an enterprise, then financial stability is its internal side, reflecting the balance of cash and commodity flows, income and expenses, funds and sources of their formation. An entity's financial sustainability is the ability of an entity to function and develop, to balance its assets and liabilities in a changing internal and external environment, which will guarantee its continued solvency and investment attractiveness within the tolerable level of risk. Sustainable financial condition is achieved with sufficient equity, good quality assets, and sufficient profitability, taking into account operational and financial risk, sufficient liquidity, stable income and broad borrowing opportunities. The financial condition of the enterprise, its stability and stability depend on the results of its production, commercial and financial activities.

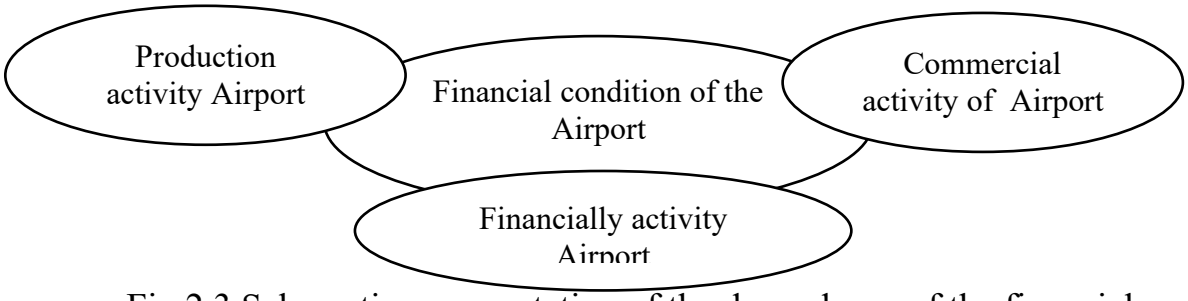

Fig.2.3 Schematic representation of the dependence of the financial condition of the Airport on the performance elaborated by author

Therefore, a stable financial position is not a happy accident, but the result of competent, skillful management of the whole set of factors that determine the results of economic activity of the enterprise. Traditional methods of assessing solvency and financial soundness consist in the calculation of coefficients that are determined on the basis of the balance sheet structure of each individual enterprise. The calculated coefficients are then compared with their normative value, which is the final act of the assessment. To measure the solvency, the following coefficients are calculated:

• Absolute liquidity ratio;

• Ratio of urgent liquidity;

• Current ratio.

Absolute liquidity is the ratio of the most liquid assets to short-term liabilities. The absolute liquidity ratio is calculated on the basis of data 2 and 4 sections of the balance sheet according to the formula:

$$Abs\ l = (C + FI_{short\text{-}term}) / O_{short\text{-}term}, \quad (2.1)$$

Where:

C - Cash;

$FI_{short\text{-}term}$ - short-term financial investments;

$O_{short\text{-}term}$ - short-term obligations.

The factor characterizes the solvency of the enterprise at the reporting date. Short-term liabilities include: debt on short-term loans and borrowings, accounts payable, debt to participants (founders) on the payment of income, other long-term liabilities. To summarize the liquidity of current assets, the ratio of current liquidity is calculated by the formula:

$$Cur\ l = CA / O_{short\text{-}term} \quad (2.2)$$

Where:

CA - current assets.

The ratio shows the solvency of the enterprise for the period equal to the duration of one turnover of current assets (funds). The lower boundary of the coefficient indicates that the enterprise has sufficient funds to cover its short-term liabilities, but there is no money available to carry out current economic activities. If the current ratio is less than the norm, then the solvency recovery ratio is calculated. If the ratio of current liquidity is higher than the norm, then the solvency ratio is calculated by the formula:

$$Solv.\ rat. = (Liq.\ rat._{urgent} + U) / T^{*}(RP\ rate - LP\ rate)/2 \quad (2.3)$$

Where :

Liq. rat. - urgent liquidity ratio

RP rate - the rate of recovery of payment;

LP rate - the rate of loss of payment;

U - Period of solvency recovery (6 months) or loss of solvency (3 months);

T - The length of the reporting period;

2 - Normative value.

The working capital security ratio shows the level of working capital security, ie financial stability. The low value of this indicator reflects the shortage of cash and short-term financial investments at the end of 2019 to pay off the accounts payable. Thus, the absolute liquidity of the company in the studied period slightly increased and in 2018 it took a value 2.5 times lower than the acceptable level. This means that an enterprise cannot be characterized as solvent, it cannot fulfill its most urgent obligations on its own.

The term liquidity ratio is calculated on a narrow range of current assets and shows the extent to which short-term debt can be covered only by cash, short-term financial investments and accounts receivable. The value of this indicator from 0,7-0,8 to 1,5 is considered normal. The value of this coefficient for 2018 decreased by 14% and amounted to 0.37%. The decrease in this indicator is associated with a change in accounts receivable and an increase in short-term liabilities. But during 2019, the ratio of urgent liquidity exceeded the normative value and amounted to 0.93% due to the increase in receivables.

The current liquidity ratio gives an overall estimate of the solvency of the enterprise, measuring the extent to which the current assets of the plant cover its short-term debt. To provide a minimum guarantee to investors, working capital should at least double the size of short-term liabilities. Normal is the value of this indicator, which is in the range from 1 to 2. In our case, the value of the current ratio in 2017 is below the normal level - 0.94%, and in 2018-2019 is at the lower limit of the normal level, varies from 1.13% - in 2018 to 1.35% - in 2019, an increase of 19.5%. To predict the change in the solvency of the company set the coefficient of recovery of solvency.

It will not be able to restore solvency in the next six months, as the rate of recovery ratio is more than one, and for the analyzed company for the analyzed three years it is

lower than the norm of the corresponding indicator. The calculated indicators of liquidity indicate a poor willingness of the company to meet the simultaneous requirements of creditors. However, given the very low likelihood that all creditors of an enterprise will simultaneously present their debt requirements to it, the solvency of the enterprise can be considered to be reasonably stable and stable. The indicators characterize the independence (autonomy) of the enterprise for each element of assets and property as a whole. They make it possible to measure whether a firm is financially sustainable enough to continue operating smoothly.

The calculated data indicate a rather high value of the coefficient of financial independence. According to the results of the work of in 2018, this ratio increased by 11.8%, and in 2019 increased by 12.3% and amounted to 0.64%. On this basis it can be concluded that a large part of the property of the enterprise is formed at the expense of its own sources.

Dynamics of liquidity and financial stability indicators of borispol airportin 2017 – 2019

Indicators	Norm	2017	2018	2019
Absolute liquidity ratio	Not lower 0,20	0,01	0,04	0,04
Urgent liquidity ratio	from 0,7-0,8 till 1,5	0,43	0,37	0,93
Current ratio	1,00-2,00	0,94	1,13	1,35
Solvency recovery ratio	>1	0,45	0,45	0,73
Financial independence ratio	0,60-0,70	0,51	0,57	0,64
Ratio of borrowed capital	0,30-0,40	0,49	0,43	0,36
Financial dependency ratio	<1	0,96	0,75	0,56
Assets ratio of current assets to own funds	0,60-0,80	-0,07	0,02	0,19
Stock ratio of own funds	0,60-0,80	-0,14	0,03	0,73

Ratio of the Risk shows the share of debt capital in the capital structure of the Airport. The debt ratio in 2017 was 0.49%, in 2016 0.43%, and in 2019 - 0.36% at the rate of 0.3-0.4, which indicates that there is a certain trend, a gradual decrease in the share of debt sources in the total amount of sources, financing the enterprise.

This means that the undertaking's liabilities can be covered by its own funds. The Airport does not depend on external sources, as the coefficient of financial dependence satisfies the limit value (less than 1) and amounted to 0.96% in 2017; in 2018 - 0.75%; in 2019 - 0.56%. This indicates that the company is not dependent on borrowing sources. In 2017, the working capital security ratio was minus 0.07%; in 2016 - 0.02%; in 2017 - 0,19%. Thus, at the beginning of the study period, the value of the coefficient was well below the optimum and the company was considered insolvent. However, in 2018, it increased to an acceptable value, which indicates an improvement in the financial position of the company. Several indicators are used to characterize sources of formation of inventories and costs that reflect different types of sources, as shown in tab.

According to it you can determine the type of financial situation of the Airport for the periods 2017-2019 has a crisis financial condition, formally it can be classified as “bankrupt”. In 2019, the situation is improving and the financial situation of the company goes from crisis to unstable.

Determining the type of financial situation in borispol airport for 2017 -2019 in thousand UAH

Indicator	2017	2018	2019
Equity	991180	1489754	1850680
Deferred income	0	0	79
Provisions for future payments	0	0	0
Non-current assets	1052817	1468172	1609221
Inventories and expenses	490533	779505	4083502
Long-term liabilities	0	112500	98417

Short-term loans and loans	460383	622765	125076
Excess (lack) of own and circulating assets	-552170	-757929	-155814
Excess (disadvantage) of own and long-term sources of formation of inventories and expenses	-552170	-645423	-68397
Excess (disadvantage) of the total value of sources of formation of inventories and expenses	-91787	-22658	56679
Type of financial situation	(0;0;0)	(0;0;0)	(0;0;1)

Turnover shows the rate at which assets are converted into cash. The increase in speed indicates the efficiency of the enterprise. Below is an information base for the analysis of the financial position of The borispol airport.

According to the dynamics of technical and economic indicators:

• ore sales increased by UAH 396,025 thousand compared to 2017; and at 1321694 thousand UAH compared to 2018. Increase of deliveries of products to the domestic market allowed to increase revenues by UAH 1238819 thousand in 2018 and 892 323 thousand UAH in 2019.

• The cost of services rendered increased in 2018 by 8.5% compared to 2017, ie by 167 867 thousand UAH, as a result of this, the increase in gross profit in 2019 was 141.9% or 228 158 thousand UAH;

• Airport service revenue in 2018 increased by only 43.2% or by UAH 22812 thousand compared to the previous year. Such increase of profit is caused by increase of administrative expenses which in 2018 in comparison with 2017 increased by 174 210 thousand UAH.

But we can note a positive change. Commercial expenses in 2018 decreased by 65.6%, ie by UAH 49936 thousand and amounted to UAH 26225 thousand, but in 2019 increased and amounted to UAH 9455 thousand.

The analysis of the given data shows that changes in the profit structure are positive: the share of gross profit, profit from sales increased. However, the share of

net income decreased. Next, the analysis of gross profit begins with the study of its dynamics, both in total amount and in the size of its constituent elements.

To assess the level and dynamics of gross profit.

Profit Data of Airport for 2017-2019 in thousand UAH

Indicators	2017	2018	2019	Deviation (+/-)	
				2018/2017	2019/2018
Gross profit	543947	772105	961968	+228158	+189863
Commercial expenses	76161	26225	35680	-49936	+9455
Management costs	0	174210	205107	+174210	+30897
Profit from sales	528052	756264	761533	+228212	+5269
interest to receive	58	56	37	-2	-19
Interest payable	0	82198	35418	+82198	-46780
Income from participation in other organizations	1058	0	570	-1058	+570
operating income	330128	270405	232534	-59723	-37871
Operating expenses	411058	299526	371452	-111532	+71926
non-operating income	31024	15327	25104	-15697	+9777
non-operating costs	40983	35066	27452	-5917	-7614
Profit before tax	438279	625262	585456	+186983	-39806

As can be seen from tab. 2.10, the company achieved high economic results in 2018 compared to 2017, as evidenced by an increase in the total amount of profit by 228 158 thousand UAH. This increase in profit was the result of an increase in such profit indicators as a decrease in commercial expenses by UAH 49939 thousand, operating expenses by UAH 111532 thousand, non-operating expenses by UAH 5917 thousand, except for administrative expenses, which increased by UAH 174210 thousand, and interest received, which decreased by UAH 2 thousand, operating

income, which decreased by UAH 59723 thousand and non-operating income, which decreased by UAH 15697 thousand, which reduced the profit accordingly.

By 2019, Services expenses significantly increased and amounted to UAH 9455 thousand. Compared to 2018, operating expenses also increased and amounted to UAH 71926 thousand, non-operating expenses - UAH 9777 thousand.

The fall in profit in 2018 could be a reduction in various losses: interest payable, other operating and non-operating expenses, as well as a reduction in business and management expenses by:

(-49936 + 174210 + 82198-111532-5917) = + $ 89023K

For a deeper analysis, we examine the composition of each element of gross margin and the factors that influenced it. All the variety of factors can be divided into two groups: external and internal. External factors include:

- natural conditions;
- socio-economic conditions;
- level of development of foreign economic relations;
- Prices for production resources, etc.

Internal factors by their degree of subordination are divided into factors of the first and second order. The first-order factors include changes: sales revenue, interest to receive (payment), other operating income (expenses), other non-operating income (expenses). The factors of the second order are changes: volume of sold products, structure of sold products, cost of production, prices of products. In addition, internal factors include factors related to violation of economic discipline: incorrect pricing, violations of working conditions and product quality, leading to fines and economic sanctions, etc.

The relationship of first and second order factors to gross profit is straightforward, except for changes in cost, which decrease leads to higher profits. The first-order factors are components of gross profit, and the calculation of their impact is shown in table 8. The second-order factors directly affect the profit from the sale and, accordingly, the total amount of profit.

The most important component of gross profit is sales revenue related to factors of production and sales. It is necessary to analyze the total change in sales revenue. As can be seen from Table 1.11, the increase in sales revenue in 2018 by 228 212 thousand UAH, or 3.2%, due to the increase in sales of products by 115.7% (396 025 thousand UAH). However, in almost the same proportions increased costs. Therefore, a further reduction in costs in 2018 is a reserve for the growth of sales revenue at this enterprise. The total amount of the reserve is determined by tab.

167867-49936 + 174210 = +292141 (thousand UAH)

So, in 2019, the total amount of the reserve was:

1131831 + 9455 + 30897 = +1172183 (UAH thousand)

Estimation of profit from sales in for 2017-2019 in thousand UAH

Indicators	2017	2018	2019	Deviation (+/-)		Growth rate, %	
				2018/2017	2019/2018	2018/2017	2019/2018
Revenue (net) from sales of products	2523894	2919919	4241613	+396025	+1321694	115,7	145,3
Cost of sales	4979947	2147814	3279645	+167867	+1131831	108,5	152,7
Commercial expenses	76161	26225	35680	-49936	+9455	34,4	136,1
Management costs	0	174210	295107	+174210	+30897	_	117,7
Profit from sales	528052	756264	761533	+228212	+5269	143,2	100,7

Irreversible changes in all areas of the environment affect specific businesses and in order to develop, the manager must make and implement economic decisions.

Management decisions are preceded by analysis and evaluation of the airport and financial and economic activities of the enterprise, which allow to identify the main interconnections and interdependencies at the Airport.

GENERAL CONCLUSION

Risk hedging is a set of measures aimed at reducing certain Strategic risks and obtaining certain guarantees for the success of future activities. Basically hedging is used to minimize costs when fluctuating services rates using options, futures, forwards and swaps. Therefore, we can conclude that any kind of activity is associated with a very large amount of risk affecting the performance of the same activity, and when entering the international enterprises, all these risks are increased many times over. Choosing and using a risk management method requires serious consideration of the current economic situation and the existence of certain conditions. The need for businesses to enter new markets is very high today, and risk is an integral part of foreign economic activity. Therefore, enterprise managers must anticipate potential risks and be able to manage them effectively. Thus, an enterprise conducting foreign economic activity inevitably faces the risks which can prevent it from making a stable profit. Well-timed prevention of risks and application of measures aimed at minimization of their consequences or avoidance of their negative influence will favour sustainable foreign economic activity and development of an enterprise.

Together these suggest that organizations may need to take a serious look at whether the risk management approach being used is capable of proactively versus reactively managing the risks affecting their overall strategic success. Enterprise risk management (ERM) is becoming a widely embraced business paradigm for accomplishing more effective risk oversight.

The limitation is one of the most frequently used risk management tools is to develop standards that establish upper and lower limits of the use of borrowed funds, the loan to the buyer and the use of highly liquid assets. Coating loss out of current income is characterized by insignificant financial losses, the company offset the lost funds due to current profits. Covering the risk from the reserve Fund of the company is that the company forms due to the working capital reserve Fund which will be allocated part

of the funds to cover the financial losses associated with the occurrence of various risks. Self-insurance provides for the establishment by the company of its own reserve funds, but cover mostly homogeneous risks. 15 Risk insurance involves the transfer of liability for risks from the company of the policyholder to the insurance company for a fee – the premium. The insurance company creates its own Fund at the expense of insurance payments. Diversification, in this case, is understood as a consistent, planned activity of the company aimed at increasing the specificity of its functioning, implementation of new ways of doing business and attracting other financial assets for further investment, by an allocation of investments. Localization of risks is used when there is a possibility to determine accurately the nature of risk and its causes. This method can be attributed to the creation of venture capital enterprises; the creation of separate units for implementation of risky projects; a joint venture with other companies. Risk hedging is a set of measures aimed at reducing certain financial risks and obtaining certain guarantees for the success of future transactions. Basically hedging is used to minimize costs when fluctuating market rates using options, futures, forwards and swaps. Therefore, we can conclude that any kind of activity is associated with a very large amount of risk affecting the performance of the same activity, and when entering the international markets, all these risks are increased many times over. Choosing and using a risk management method requires serious consideration of the current economic situation and the existence of certain conditions. The need for businesses to enter new markets is very high today, and risk is an integral part of foreign economic activity. Therefore, enterprise managers must anticipate potential risks and be able to manage them effectively. Thus, an enterprise conducting foreign economic activity inevitably faces the risks which can prevent it from making a stable profit. Well-timed prevention of risks and application of measures aimed at minimization of their consequences or avoidance of their negative influence will favour sustainable foreign economic activity and development of an enterprise.

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