

**RESEARCH OF FEATURES OF FINANCIAL MANAGEMENT
IN BUSINESS COMBINATIONS****Lynenko A.V.***Zaporizhzhia National University
Ukraine, 69600, Zaporizhzhia, Zhukovsky str., 66*

konf.econom.znu@gmail.com

ORCID ID 0000-0001-6473-6074

Key words:

antitrust requirements, synergy effect, compliance, consolidated financial statements, corporate social responsibility, business combination, financial management.

The article argues that the successful functioning of modern business associations requires the use of specific approaches to managing consolidated business, and therefore financial management in business combinations should be carried out with a number of features. In examining these features, business associations characterized by a fairly high degree of integration and subordination of their participants to the parent company were analysed. These include, for example, a corporation as a form of business combination, consortium, concern, holding, etc. The legal principles of the management of business associations regulated by the Commercial Code Ukraine were generalized. The legislation of Ukraine stipulates that business associations have higher governing bodies and form executive bodies in accordance with the charter of the business association, defines their rights, duties and powers. The peculiarities of functioning of business associations, as well as the practice of their activity in Ukraine make it possible to distinguish a number of key features of financial management in business associations, namely: the need to take into account the financial interests of all participants of business associations; focus on financial management in the merger of companies to achieve the effect of synergies on the consolidation of participants' finances; the focus of financial management in business associations on the functioning of competition law; adherence to corporate social responsibility and compliance in the financial management process; combining different management approaches to corporate financial management, if financial and real sectors of the economy are combined, to increase financial results and provide prospects for development; the need to comply with national and international law in the process of managing consolidated finances; the need to carefully prepare the consolidated financial statements of the business combination.

**ДОСЛІДЖЕННЯ ОСОБЛИВОСТЕЙ ФІНАНСОВОГО МЕНЕДЖМЕНТУ
В ОБ'ЄДНАННЯХ ПІДПРИЄМСТВ****Линенко А.В.***Запорізький національний університет
Україна, 69600, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**

антимонопольні вимоги, ефект синергії, комплаєнс, консолідована фінансова звітність, корпоративна соціальна відповідальність, об'єднання підприємств, фінансовий менеджмент.

У статті обґрунтовано, що успішне функціонування сучасного господарського об'єднання передбачає застосування особливих підходів до управління консолідованим бізнесом, тому й фінансовий менеджмент в об'єднаннях підприємств має здійснюватися з урахуванням низки особливостей. При дослідженні цих особливостей аналізувалися господарські об'єднання, що характеризуються досить високим ступенем інтеграції та підпорядкування їхніх учасників материнській компанії. До таких, наприклад, можна віднести корпорацію як форму об'єднання підприємств, консорціум, концерн, холдинг тощо. Узагальнені правові засади управління об'єднаннями підприємств, які регламентуються Господарським кодексом України. У законодавстві України передбачено, що господарські об'єднання мають вищі органи управління та утворюють виконавчі органи згідно зі статутом господарського об'єднання, визначено їхні права, обов'язки та повноваження. Специфіка функціонування господарських об'єднань, а також практика їхньої діяльності в Україні дають змогу виокремити низку ключових особливостей фінансового менеджменту в об'єднаннях підприємств, а саме: необхідність урахування фінансових інтересів усіх учасників об'єднання підприємств; спрямування фінансового менеджменту в об'єднанні підприємств на досягнення ефекту синергії від консолідації фінансів учасників; орієнтація фінансового менеджменту в об'єднаннях підприємств на функціонування в межах конкурентного права; дотримання в процесі фінансового менеджменту корпоративної соціальної відповідальності та комплаєнсу; комбінування

різних управлінських підходів до корпоративного фінансового менеджменту, якщо об'єднуються учасники фінансового та реального секторів економіки для збільшення фінансових результатів і забезпечення перспектив розвитку; необхідність дотримання законодавства різних країн і міжнародного права у процесі управління консолідованими фінансами; потреба ретельного складання консолідованої фінансової звітності об'єднання підприємств.

Statement of the problem

The desire of business to improve its efficiency and provide strategic prospects for development is manifested today in the tendency for business integration. However, successful business integration requires the use of specific approaches to managing a consolidated business. Therefore, financial management in business combinations should be carried out in accordance with specific features.

Of course, this is not about associations, which are mostly established in Ukraine as NGOs. The study is aimed at business associations characterized by a high degree of integration and subordination of their participants to the parent company. These include, for example, a corporation as a form of business combination, consortium, concern, holding, etc.

Analysis of recent studies and publications

Today, there are not many developments in financial management of consolidated business structures, but still have. Maryna Lazareva gave a whole section on financial management [4] in a guide prepared in the framework of the United Nations Program in Ukraine "Strengthening Business Associations of Small and Medium-Sized Enterprises". However, the recommendations made by the author mainly concern business associations, and other forms of business associations are not covered.

In his dissertation, Serhii Golovko elaborated the mechanisms of development of financial management of corporations [2], and Nataliia Fedoronko explored the features of preparation of consolidated financial statements by modern multinational corporations [1]. Olena Prymostka, a scientist, proposed an approach to managing TNCs' capital based on optimizing its structure [7].

In a scholarly article, Iryna Nazarova examined the specifics of accounting and reporting, depending on different forms of business combination [5], and Nataliia Pihul and colleagues have fairly thoroughly covered the problems of finance in the activities of various business combinations [6]. However, the peculiarities of financial management in modern business associations were not systematized by these researchers.

Objectives of the article

The purpose of the research is to substantiate the main features of financial management in enterprises' associations which will allow increasing current financial results and creating reliable preconditions for strategic development of these economic in Ukrainian.

The main material of the research

The legal framework for management of enterprise associations is regulated by the Commercial Code

Ukraine. Thus, the legislation of Ukraine stipulates that the economic union has the higher management bodies (the general Meeting of participants) and forms the executive bodies in accordance with the Charter of the Commercial Association [3].

Board of economic association:

- approves and amends the charter of the business association;
- resolves the issue of admission of new members to the business association and exclusion of its members;
- forms an executive body of a business association in accordance with its charter or contract;
- resolves financial and other issues in accordance with the constituent documents of the business association.

The executive body of a business association (collegial or sole) resolves issues of current activity that are within its competence under the charter or contract.

The management of a state (municipal) economic association is exercised by the association boards and the director general of the association, who is appointed to the post and dismissed by the body that made the decision to form the association. The composition of the board is determined by the association's charter. The procedure for managing a state (municipal) economic association shall be determined by the statute of the association in accordance with the law.

The law may provide for another procedure for managing a state (communal) economic association in a defence-industrial complex.

Management of the day-to-day activity of a business association may be entrusted to the administration of one of the enterprises (the parent company of the association) on the terms stipulated in the constituent documents of the respective association.

Disputes arising between members of a merger shall be resolved in the manner prescribed by the statute of association or by court in accordance with the law.

It should be noted that the association of companies is not responsible for the obligations of its members, and the member companies are not responsible for the obligations of the association, unless otherwise provided by the constituent agreement or charter of association.

The very specific nature of the operation of business associations and the practice of their activities in Ukraine make it possible to distinguish a number of key features of financial management in business associations, which are described below (Table 1).

Table 1 – Features of financial management in business combinations

Key features of financial management of enterprise associations	A brief description of the peculiarities of financial management of business combinations
The need to take into account the financial interests of all members of the business association	Integration should be mutually beneficial and on a parity basis, with the result that each participant should improve its financial performance by participating in the business combination
Directing financial management in business integration to achieve the effect of synergies on the consolidation of its members' finances	The joint activity of the business entities should be based on the combination of cooperation with the specialization and on this basis ensure the multiplication of their financial results and strengthen the financial status of each of the participants, as well as business association as a whole
Focus on financial management in business combinations to operate under competition law	The activity of any business association should not violate the current antitrust laws, and therefore the financial management in the business associations should be oriented to the observance of the current competition law
Compliance with corporate social responsibility and compliance in the financial management process	Financial management should be guided by compliance with the Corporate Social Responsibility Code in the activities of business combinations and compliance, in particular in the work of financial managers
Combining different management approaches to corporate financial management, when the financial and real sectors of the economy are combined	It is important that mergers such as industrial and banking capital do not increase the lending of related parties to the depositors of the bank, but instead diversify assets as a result of, for example, the development of stock market operations
Necessity in the process of managing consolidated finances to comply with the laws of different countries and international law	When merging business entities incorporated in different countries, it is necessary to comply with the laws of those countries in the process of managing consolidated finances and, of course, to rely on international law
The need for careful preparation of the consolidated financial statements of the business combination	Such reporting should objectively reflect the financial position, results of operations and cash flows of the entity as well as its subsidiaries or associates as a single economic entity

Source: Developed by the author

First, it is the need to consider the financial interests of all participants in the merger. Integration should be mutually beneficial and based on parity, so each participant should improve its financial results by participating in the business combination.

This is achieved by combining the benefits of cooperation and the specialization of members of the business association. Thus, cooperation is a form of economic activity organization to achieve common goals or meet the needs of participants, and their specialization involves the concentration and quality development of each participant a limited number of business areas [4].

Secondly, financial management in a business combination should aim to achieve the synergy effect of consolidating participants' finances. Collaborative activities should provide multiplication of financial results and strengthen the financial standing of each of the participants and the business entity as a whole.

The effect of business combination is a socioeconomic or other positive and mutually beneficial outcome of participant engagement that is driven by new integration opportunities, and quantitatively and qualitatively far greater than the effects of individual business activity without the formation of a business combination.

Third, the activities of any business association should not violate the applicable antitrust laws. Therefore, financial management in business associations should be oriented towards the functioning of competition law, which protects economic competition, regulates the activities of monopoly entities and limits the abuse of

monopoly status [6]. Fourth, financial management should be oriented towards compliance with the Corporate Social Responsibility Code in the activities of business combinations and compliance, in particular in the work of financial managers.

The Code of Business Ethics in Business Combinations should be the main guiding document and guide for all employees in making decisions in the ongoing process. It typically articulates the tasks of an integrated company, its values and principles in relation to ethical standards [1].

Fifth, if the association covers real-sector enterprises as well as financial institutions, then the approaches to the financial management of these participants are different, so the corporate financial management of such an association should combine these approaches with a focus on maximizing financial performance and ensuring development prospects. It is important that mergers such as industrial and banking capital do not result in increased lending to related parties at the expense of bank depositors, but instead to diversify assets as a result of, for example, the development of stock market operations [2].

Such large financial-industrial groups are diversified multifunctional entities, created on the basis of capitalization of industrial enterprises, credit-financial institutions and other economic entities in order to maximize profits, increase the efficiency of production and financial operations, enhance competitiveness in the domestic and foreign markets.

Sixthly, when business entities incorporated in different countries merge, the laws of those countries must be observed in the process of managing consolidated finances and, of course, based on international law [7].

International financial law mainly regulates relations between business entities regarding: cross-border movement of financial resources, cash flows (bilaterally and multilaterally); domestic legal regimes under which financial resources are moved; organization, principles of construction and functioning of the international financial order. The subject of legal regulation of international financial law is the financial relations between the entities of public international law. The rules of international treaties that relate to domestic financial relations are part of international financial law.

Seventh, the need to carefully prepare the consolidated financial statements of a business combination should be noted separately. Such reporting should objectively reflect the financial position, results of operations and cash flows of the entity as well as its subsidiaries or associates as a single economic entity.

The consolidated financial statements include the financial statements of the parent and all subsidiaries of the business combination. A subsidiary is considered to be controlled by the parent under all the following conditions: the parent has the power over the subsidiary; the results of the subsidiary's activities will directly lead to changes in the composition and value of assets, liabilities, equity of the parent enterprise; the parent company of the merger has the actual ability to exercise its powers [5].

It should be noted that the consolidated financial statements are prepared by the orderly addition of the financial statements of subsidiaries to similar financial statements of the parent enterprise.

Conclusions

So, the peculiarities of the functioning of business associations, as well as the practice of their activities in Ukraine have made it possible to distinguish a number of key features of financial management in business associations: the need to take into account the financial interests of all members of the association; focus on consolidating financial management to achieve the synergy effect of consolidating the finances of its members; the focus of financial management in business associations on the functioning of competition law; adherence to corporate social responsibility and compliance in the financial management process; combining different management approaches to financial management, if the financial and real sectors of the economy are combined; the need to comply with national and international law in the process of managing consolidated finances; the need for careful preparation of the consolidated financial statements of the business combination.

Taking into account these peculiarities in the financial management process of a highly integrated business association will help to satisfy the financial interests of all participants, increase the current financial results and create reliable preconditions for the strategic development of this business association.

References

1. Fedoronko N.I. (2017). Orhanizatsiya ta pidkhid do konsolidovanoyi finansovoyi zvitnosti v suchasnykh TNK [Organization and approach to the consolidated financial statements in modern TNC]. *Infrastruktura rynku – Market Infrastructure*, 5, 36-40 [in Ukrainian].
2. Golovko S.I. (2006). *Finansovyy menedzhment v korporatsiyakh* [Financial management in corporations]. Extended abstract of candidate's thesis. Dnipropetrovsk: DSAU [in Ukrainian].
3. *Hospodarskyi kodeks Ukrainy* [Commercial Code Ukraine]. (2019, October 21). zakon.rada.gov.ua. Retrieved from <https://zakon.rada.gov.ua/laws/main/436-15> [in Ukrainian].
4. Lazareva M. (2017). *Finansy dlia biznes-obiednan malykh i serednikh pidpriemstv* [Finance for small and medium-sized business associations]. Kyiv: KMBS [in Ukrainian].
5. Nazarova I.Ya. (2017). *Metody obyednannya pidpriemstv ta yikh vplyv na systemu obliku i zvitnosti* [Methods of companies association and their influence on the accounting and statement system]. *Hlobalni ta natsionalni problemy ekonomiky – Global and National Problems of Economy*, 18, 550-555 [in Ukrainian].
6. Pihul N.H., Deineka, O.V., Dekhtiar, N.A., & Liuta, O.V. (2017). *Finansy riznykh form biznesu* [Finances of various forms of business]. Sumy: Sumy State University [in Ukrainian].
7. Prymostka O.O. (2017). *Optymizatsiya struktury kapitalu TNK v umovakh hlobalizatsiyi* [Optimization of capital structure of TNC in globalization conditions]. *Naukovyy visnyk Uzhhorodskoho universytetu – Scientific Herald of Uzhhorod University*, 15, 105-108.