



ALFRED NOBEL UNIVERSITY,
DNIPROPETROVSK

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M.M. Vakulych

PAYMENT AND CREDIT RELATIONS IN THE FOREIGN ECONOMIC ACTIVITY OF ENTERPRISE

**Student's
Work Book**



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STUDENT'S WORK BOOK

Edited by the Doctor of science (Economics),
Professor *Svitlana Kuznetsova*

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Reviewer:

V. Momot, Doctor of science (Economics), Professor.

Навчальний посібник «Розрахунково-кредитне регулювання в зарубіжних країнах на підприємствах» спрямовано на фундаментальну підготовку з таких питань: основи грошово-кредитного регулювання в зарубіжних країнах на підприємстві, грошові розрахунки в зарубіжних країнах на підприємстві, грошові потоки в зарубіжних країнах на підприємстві, оборотні активи в зарубіжних країнах на підприємстві, кредитування в зарубіжних країнах на підприємстві, регулювання грошово-кредитних відносин в зарубіжних країнах на підприємстві.

У навчальному посібнику подано 8 практичних занять, кожне з яких містить питання для обговорення, тести, практичні завдання та приклади їх розв'язання, питання для самоконтролю і завдання для самостійного виконання.

Для студентів Міжнародної програми управління, підтвердженої Університетом Уельсу, Великобританія.

Kuznetsova S.A.

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The Study book «Payment and credit relations in the foreign economic activity of enterprise» includes the issues: fundamentals of payment and credit relations of finance in the foreign economic activity of company, cash payments in the foreign economic activity of company, cashless payments in the foreign economic activity of company, cash flows in the foreign economic activity of company, the essence of the current assets in the foreign economic activity of company, structure of current assets in the foreign economic activity of company, regulation of monetary relations in the foreign economic activity of company, payment and credit relations regulation in the foreign economic activity of company.

Personal Study Book includes 8 practical exercises, each of which contains questions for discussion, multiple choice questions, review problems and solution to problems, questions for self-control, tasks for self-control.

For the students of International management program validated by University of Wales, UK.

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M.M. Vakulych, 2014
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PREFACE

Computerization of the modern economy and finance system requires a revision of the traditional approaches to payment and credit relations in the foreign economic activity of enterprise as finance resource in enterprise activity. This is a significant change in the finance needs of company in making management decisions. A fundamental role is played by the overall transition to a knowledge economy, which is characterized by the dominance of information resources, intellectual capital and intangible assets.

Reformatting conception of economic actors that is inherent in Ukrainian and world economy identifies the need to review approaches to construction finance for enterprises to adapt companies to instability, chaos, turbulence financial system and the economic environment in general.

The Study book fully into account current international financial achievements of theory and practice and allows students to adapt to the needs of the existing business environment.

The Study book is built according to the author of a **special training course** «Payment and credit relations in the foreign economic activity of enterprise», which is developed by the Department of International Finance and Banking, Alfred Nobel University, Dnepropetrovsk, using the latest achievements of financial science and international financial experience of leading foreign and domestic companies. **Authors of the course:** *Svitlana Kuznetsova*, Doctor of science (Economics), Professor, *Victoriya Varenik*, PhD, Associate Professor, *Mariya Vakulych*, Lector.

Program course «Payment and credit relations in the foreign economic activity of enterprise» drew up according to educational and vocational training programs Bachelor specialty «International Economics2».

The Study book «Payment and credit relations in the foreign economic activity of enterprise» is aimed at basic training future international economists in the will help students to understand the essential and principles of payments and credit relations in the foreign economic activity of enterprise, the formation of basic knowledge of the theory and practice of payments and credit relations in the foreign economic activity of enterprise, development of financial resources, financial planning organizations financial activities of payments and credit relations in the foreign economic activity of enterprise.

The subject is the economic, organizational and legal aspects of financial entities.

Interdisciplinary connections: The course «Payment and credit relations in the foreign economic activity of enterprise» for the students of this trend is a selective discipline that ensures the formation of skills provided educational qualification characteristics. Discipline is studied based on the basic overall, the special economic and legal training of students after the course the specialty «Finance», «Money and Credit», «Microeconomics», «Business Economics».

The program of the course includes the following content modules:

1. Principles of payment and credit relations in the foreign economic activity of enterprise.

2. Financial activity in the foreign economic of enterprise.

This course **The main tasks** the course «Payment and credit relations in the foreign economic activity of enterprise» are: study the functioning of financial resources in the field of social production, where gross domestic product is created, tangible and intangible benefits, national income – the main source of funding.

As a result of studying the discipline, students must:

know:

– Nature of payment and credit relations in the foreign economic activity of enterprise;

– System and form of cash payments in the foreign economic activity of enterprise;

– The main participants of monetary authorities in the foreign economic activity of enterprise and their responsibilities;

– Formation of receipts in foreign economic activity of enterprise;

– The organization of working capital in foreign economic activity of enterprise;

be able to:

– Assess financial resources in foreign countries on business and the sources of their formation;

– To determine the presence and effectiveness of working capital in foreign countries in enterprises;

– Analyze the statement of cash flows in foreign countries in enterprises;

– Analyze current assets in foreign countries in enterprises;

– Evaluate the creditworthiness of foreign countries in enterprises.

THEMATIC PLAN

OF COURSE «PAYMENT AND CREDIT RELATIONS IN THE FOREIGN ECONOMIC ACTIVITY OF ENTERPRISE»

Semantic module 1. Principles of payment and credit relations in the foreign economic activity of companies

Theme 1. Fundamentals of payment and credit relations in the foreign economic activity of companies

Concept and types of payment and credit relations in the foreign economic activity of companies. Groups of financial relations in the foreign economic activity of company. Concept and types of financial resources of companies. Own and borrowed financial resources of companies.

Theme 2. Cash payments in the foreign economic activity of company

The essence of the cash payments in the foreign economic activity of companies

The essence of cash flow and the application of cash and cashless payments. Scores of companies. Types of cash payments. Adjustment of cash payments in foreign countries at the company.

Cash payments in the foreign economic activity of company

The essence of the form of cash payments. Basic requirements for the organization and holding of cash payments. Compliance cash discipline and accountability for violations.

Cashless payments in the foreign economic activity of company

The essence of non-cash forms of payment. Characteristic forms of payment.

Theme 3. Cash flows in the foreign economic activity of enterprise

The essence of the cash flow in the foreign economic activity of company

The essence of cash flow of enterprise. Types of activity. Classification of cash flows by type of activity.

The structure of the statement of cash flows in the foreign economic activity of company

Structure of cash flow of company. Statement of Cash Flows of company.

Semantic module 2. Financial activity in the foreign economic of company

Theme 4. Current assets in the foreign economic activity of company

The essence of the current assets in the foreign economic activity of company

The essence of the current financial needs. Determination of current assets of companies. Classification of current assets of companies.

Structure of current assets in the foreign economic activity of company

Structure of current assets of companies. Characteristics of current assets of companies.

Assessment of working capital in the foreign economic activity of company

Determining the need for working capital. Sources of working capital. Performance status and use of working capital.

Theme 5. Loans in the foreign economic activity of company

Basic credit in the foreign economic activity of company

The movement of funds of companies and the need to attract loans. Causes of credit relations. Objects of subjects and objects of credit relations. Classification of loans granted to companies.

Types of loans in the foreign economic activity of company

Types of bank loans and their characteristics. The procedure of bank loan. Assessment of credit worthiness of the borrower. Non-bank lending.

Theme 6. Payment and credit relations regulation in the foreign economic activity of company

The essence of monetary relations companies. Functions of monetary subjects. Structure of monetary regulation. The mechanism of company's state regulation. The financial basis of public support.

Oriented structure of course (in credits)

№	Theme	Number of hours				
		Daily form of training				
		Total	Lectures	Practical classes	Individual work	Individual lessons
Semantic module 1. Principles of payment and credit relations in the foreign economic activity of company						
1	Fundamentals of payment and credit relations in the foreign economic activity of company	16	2	2	2	10
2	Cash payments in the foreign economic activity of company	22	6	4	2	10
3	Cash flows in the foreign economic activity of company	50	4	2	4	40
Semantic module 2. Financial activity in the foreign economic of company						
4	Current assets in the foreign economic activity of company	24	6	4	4	10
5	Loans in the foreign economic activity of company	50	4	2	4	40
6	Payment and credit relations regulation in the foreign economic activity of company	18	4	2	2	10
	Total	180	26	16	18	120

Chapter 1

FUNDAMENTALS OF PAYMENT AND CREDIT RELATIONS OF FINANCE IN THE FOREIGN ECONOMIC ACTIVITY OF COMPANY

Questions for discussion

1. Types of companies in foreign countries.
2. Purpose and functions of finance of companies.
3. The payment principles in companies.
4. Group's financial relations which belong to the finance companies.
5. Concept and types of financial resources of companies.
6. Own and borrowed financial resources of companies.

Practical tasks

Task 1.1. Fill in the missing space.

1. _____ – liabilities to be repaid during the operating cycle or must be repaid within 12 months from the date of the balance sheet.
2. _____ – total of debt of enterprise to the banks after the loans got from them, that is not current liability.
3. _____ – total of debt, on that an enterprise gave out the bills of exchange on providing of supplying (works, services) with suppliers, contractors and other creditors.
4. _____, _____, _____ total of debt to the suppliers and contractors for material values, executed works and got services (except the debt provided with the bills of exchange).
5. _____ total of the advances, got from other persons in the account of further deliveries of products, implementation of works (services).

Task 1.2. Multiple choice questions

1. Finances of company is:

- a) monetary relations related to income and savings, their distribution, formation and use of appropriate financial resources;
- b) companies and organizations, institutions (banking and budget), extra-budgetary funds and other entities;

c) set of economic relations that are associated to the cash flow, namely their formation, distribution and use in the course of economic activity.

2. Object of finances of company is:

a) monetary relations related to income and savings, their distribution, formation and use of appropriate financial resources;

b) companies and organizations, institutions (banking and budget), extra-budgetary funds and other entities;

c) set of economic relations that are associated to the cash flow, namely their formation, distribution and use in the course of economic activity.

3. Subjects of finances of company are:

a) monetary relations related to income and savings, their distribution, formation and use of appropriate financial resources;

b) companies and organizations, institutions (banking and budget), extra-budgetary funds and other entities;

c) set of economic relations that are associated to the cash flow, namely their formation, distribution and use in the course of economic activity.

4. Equity capital of the company is:

a) monetary resources that are at disposal of company;

b) own sources financing of company, that without determination of term of return is brought in by his founders or left by them on company from a net income;

c) total worth of assets, that is payment of proprietors in the capital of company, fixed in constituent documents.

5. Additional capital of company is created for an account:

a) capital gains from the revaluation of fixed assets;

b) share premium (the excess of sales price over the par shares);

c) free of charge the cash and valuables for production purposes;

d) all answers are correct;

e) no correct answer.

6. Long-term liabilities is:

a) liabilities that will be repaid over the term of which exceeds 12 calendar months, or for a period that exceeds the operating cycle, if more than 12 calendar months;

b) are those liabilities that the company must reasonable expect to pay within the next year;

c) liabilities to be repaid during the operating cycle or must be redeemed within 6 months from the date of the balance sheet.

7. Current liabilities is:

- a) liabilities that will be repaid over the term of which exceeds 12 calendar months, or for a period that exceeds the operating cycle, if more than 12 calendar months;
- b) are those liabilities that the company must reasonable expect to pay within the next year;
- c) liabilities to be repaid during the operating cycle or must be redeemed within 6 months from the date of the balance sheet.

8. Loan capital is divided into:

- a) long-term and short-term;
- b) mid term and short-term;
- c) long-term and medium-term.

9. Advantages of using borrowed capital are:

- a) quite wide possibilities attracting;
- b) providing growth of financial potential of the company, if necessary, a significant expansion of its assets and the increase in economic activity;
- c) lower cost than equity due to the effect providing the «tax shield» (removal expenses from his service with the tax base for income tax);
- d) all answers are correct;
- e) no correct answer.

10. Liabilities maturity of which less than one year are called:

- a) medium term;
- b) short term;
- c) long term;
- d) current.

Task 1.3. Give a description of functions of companies' finances. Submit an answer in the form of table 1.1.

Table 1.1

Characteristics of functions of finances of companies

Functions	Characteristic		
	Content	Display	Direction
Reproduction			

Table 1.1

Functions	Characteristic		
	Content	Display	Direction
Distribution			
Control			

Task 1.4. Examples of financial resources by source formation. Arrange your answer in a table.

Table 1.2

Types of financial resources	Example
External	
Internal	
Own	
Borrowed	

Task 1.5. Define the types of financial resources in nature. Arrange your answer in a table.

Table 1.3

Characteristics of financial resources	Type of financial resources
Formed during founding	
Forming from their own and equated them funds	
Mobilize the financial market	
Arrives in the allocation of cash flows	

Review problems

Task 1.6

Input data

According to the balance sheet of Google Inc calculate growth capital company in 2012 relative to 2011 (column 5) in 2011 relative to 2010 year (column 6). What article are part of equity and borrowed capital of the companies? The results displayed in table 1.4.

Table 1.4

Initial data for the analysis of capital Google Inc (all numbers in thousands)

Period Ending	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Growth rate, %	
				2012 to 2011	2011 to 2010
1	2	3	4	$5 = \frac{2}{3} \cdot 100$	$6 = \frac{3}{4} \cdot 100$
Assets				x	x

Table 1.4

Period Ending	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Growth rate, %	
				2012 to 2011	2011 to 2010
1	2	3	4	5=2/3·100	6=3/4·100
Current Assets				x	x
Cash And Cash Equivalents	14,778,000	9,983,000	13,630,000		
Short Term Investments	33,310,000	34,643,000	21,345,000		
Net Receivables	9,729,000	6,387,000	5,261,000		
Inventory	505,000	35,000	—		
Other Current Assets	2,132,000	1,710,000	1,326,000		
Total Current Assets	60,454,000	52,758,000	41,562,000		
Long Term Investments	1,469,000	790,000	523,000		
Property Plant and Equipment	11,854,000	9,603,000	7,759,000		
Goodwill	10,537,000	7,346,000	6,256,000		
Intangible Assets	7,473,000	1,578,000	1,044,000		
Accumulated Amortization	—	—	—	-	-
Other Assets	2,011,000	499,000	442,000		
Deferred Long Term Asset Charges	—	—	265,000		
Total Assets	93,798,000	72,574,000	57,851,000		
Liabilities				x	x
Current Liabilities					
Accounts Payable	10,893,000	7,148,000	6,137,000		
Short/Current Long Term Debt	2,549,000	1,218,000	3,465,000		
Other Current Liabilities	895,000	547,000	394,000		

Table 1.4

Period Ending	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Growth rate, %	
				2012 to 2011	2011 to 2010
1	2	3	4	5=2/3·100	6=3/4·100
Total Current Liabilities	14,337,000	8,913,000	9,996,000		
Long Term Debt	2,988,000	2,986,000	—		
Other Liabilities	2,786,000	2,199,000	1,579,000		
Deferred Long Term Liability Charges	1,972,000	331,000	35,000		
Minority Interest	—	—	—		
Negative Goodwill	—	—	—		
Total Liabilities	22,083,000	14,429,000	11,610,000		
Stockholders' Equity					
Misc Stocks Options Warrants	—	—	—		
Redeemable Preferred Stock	—	—	—		
Preferred Stock	—	—	—		
Common Stock	22,835,000	20,264,000	18,235,000		
Retained Earnings	48,342,000	37,605,000	27,868,000		
Treasury Stock	—	—	—		
Capital Surplus	—	—	—		
Other Stockholder Equity	538,000	276,000	138,000		
Total Stockholder Equity	71,715,000	58,145,000	46,241,000		
Net Tangible Assets	53,705,000	49,221,000	38,941,000		

Problem solving procedure

$$G. 5 = g. 2 / g. 3 \cdot 100\%. \quad (1.1)$$

Solution to problems

Calculate, for example, the Cash And Cash Equivalents in 2012 relative to 2011:

$$14,778,000 / 9,983,000 \cdot 100\% = 148,03\%.$$

Similarly, counting rates further.

Table 1.5

Analys of capital Google Inc (all numbers in thousands)

Period Ending	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Growth rate,%	
				2012 to 2011	2011 to 2010
1	2	3	4	5=2/3·100	6=3/4·100
Assets				x	x
Current Assets				x	x
Cash And Cash Equivalents	14,778,000	9,983,000	13,630,000	148,03	73,24
Short Term Investments	33,310,000	34,643,000	21,345,000	96,15	162,30
Net Receivables	9,729,000	6,387,000	5,261,000	152,33	121,40
Inventory	505,000	35,000	—	1442,86	-
Other Current Assets	2,132,000	1,710,000	1,326,000	124,68	128,96
Total Current Assets	60,454,000	52,758,000	41,562,000	114,59	126,94
Long Term Investments	1,469,000	790,000	523,000	185,95	151,05
Property Plant and Equipment	11,854,000	9,603,000	7,759,000	123,44	123,77
Goodwill	10,537,000	7,346,000	6,256,000	143,44	117,42
Intangible Assets	7,473,000	1,578,000	1,044,000	473,57	151,15
Accumulated Amortization	—	—	—	—	—
Other Assets	2,011,000	499,000	442,000	403,00	112,89
Deferred Long Term Asset Charges	—	—	265,000	—	—
Total Assets	93,798,000	72,574,000	57,851,000	129,24	125,45
Liabilities				x	x
Current Liabilities					

Table 1.5

Period Ending	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	<i>Growth rate, %</i>	
				2012 to 2011	2011 to 2010
1	2	3	4	5=2/3·100	6=3/4·100
Accounts Payable	10,893,000	7,148,000	6,137,000	152,40	116,47
Short/Current Long Term Debt	2,549,000	1,218,000	3,465,000	209,27	35,15
Other Current Liabilities	895,000	547,000	394,000	163,62	138,83
Total Current Liabilities	14,337,000	8,913,000	9,996,000	160,85	89,17
Long Term Debt	2,988,000	2,986,000	—	100,10	—
Other Liabilities	2,786,000	2,199,000	1,579,000	126,70	139,27
Deferred Long Term Liability Charges	1,972,000	331,000	35,000	595,77	945,71
Minority Interest	—	—	—	—	—
Negative Goodwill	—	—	—	—	—
Total Liabilities	22,083,000	14,429,000	11,610,000	153,05	124,28
Stockholders' Equity				x	x
Misc Stocks Options Warrants	—	—	—	—	—
Redeemable Preferred Stock	—	—	—	—	—
Preferred Stock	—	—	—	—	—
Common Stock	22,835,000	20,264,000	18,235,000	112,69	111,13
Retained Earnings	48,342,000	37,605,000	27,868,000	128,55	134,40
Treasury Stock	—	—	—	—	—
Capital Surplus	—	—	—	—	v
Other Stockholder Equity	538,000	276,000	138,000	194,93	200
Total Stockholder Equity	71,715,000	58,145,000	46,241,000	123,34	125,74
Net Tangible Assets	53,705,000	49,221,000	38,941,000	109,11	126,40

Answer: The structure of equity capital of the enterprise are: Misc Stocks Options Warrants, Redeemable Preferred Stock, Preferred Stock, Common Stock, Retained Earnings, Treasury Stock, Capital Surplus, Other Stockholder Equity.

The structure of the debt capital of the enterprise are: Long Term Debt, Other Liabilities, Deferred Long Term Liability Charges, Minority Interest, Negative Goodwill.

Questions for self-control

1. What types of companies in foreign countries do you know?
2. What are the purpose and functions of finance of companies?
3. What principles of finance of compan companies do you know?
4. What groups of financial relations do you know?
5. What concept and types of financial resources of companies do you know?
6. What are the own financial resources of companies?
7. What are the borrowed financial resources of companies?

Tasks for self-control

Task 1.7

Input data

According to the balance sheet of Apple Inc calculate growth capital company in 2012 relative to 2011 (column 5) in 2011 relative to 2010 year (column 6). What article are part of equity and borrowed capital of the companies? The results displayed in table 1.6.

Table 1.6

**Initial data for the analysis of capital Apple Inc. (AAPL)
(all numbers in thousands)**

Period Ending	Sep 29, 2012	Sep 24, 2011	Sep 25, 2010	Growth rate,%	
				2012 to 2011	2011 to 2010
1	2	3	4	5	6
Assets				x	x
Current Assets				x	x
Cash And Cash Equivalents	10,746,000	9,815,000	11,261,000		

Table 1.6

Period Ending	Sep 29, 2012	Sep 24, 2011	Sep 25, 2010	Growth rate,%	
				2012 to 2011	2011 to 2010
1	2	3	4	5	6
Short Term Investments	18,383,000	16,137,000	14,359,000		
Net Receivables	21,275,000	13,731,000	11,560,000		
Inventory	791,000	776,000	1,051,000		
Other Current Assets	6,458,000	4,529,000	3,447,000		
Total Current Assets	57,653,000	44,988,000	41,678,000		
Long Term Investments	92,122,000	55,618,000	25,391,000		
Property Plant and Equipment	15,452,000	7,777,000	4,768,000		
Goodwill	1,135,000	896,000	741,000		
Intangible Assets	4,224,000	3,536,000	342,000		
Accumulated Amortization	—	—	—		
Other Assets	5,478,000	3,556,000	2,263,000		
Deferred Long Term Asset Charges	—	—	—		
Total Assets	176,064,000	116,371,000	75,183,000		
Liabilities					
Current Liabilities					
Accounts Payable	32,589,000	23,879,000	17,738,000		
Short/Current Long Term Debt	—	—	—		
Other Current Liabilities	5,953,000	4,091,000	2,984,000		
Total Current Liabilities	38,542,000	27,970,000	20,722,000		
Long Term Debt	—	—	—		
Other Liabilities	16,664,000	10,100,000	5,531,000		
Deferred Long Term Liability Charges	2,648,000	1,686,000	1,139,000		
Minority Interest	—	—	—		
Negative Goodwill	—	—	—		
Total Liabilities	57,854,000	39,756,000	27,392,000		
Stockholders' Equity					
Misc Stocks	—	—	—		
Options Warrants	—	—	—		
Redeemable Preferred Stock	—	—	—		

Table 1.6

Period Ending	Sep 29, 2012	Sep 24, 2011	Sep 25, 2010	Growth rate,%	
				2012 to 2011	2011 to 2010
1	2	3	4	5	6
Preferred Stock	—	—	—		
Common Stock	16,422,000	13,331,000	10,668,000		
Retained Earnings	101,289,000	62,841,000	37,169,000		
Treasury Stock	—	—	—		
Capital Surplus	—	—	—		
Other Stockholder Equity	499,000	443,000	(46,000)		
Total Stockholder Equity	118,210,000	76,615,000	47,791,000		
Net Tangible Assets	112,851,000	72,183,000	46,708,000		

Task 1.8
Input data

According to the balance sheet of Exxon Mobil Corporation calculate growth capital company in 2012 relative to 2011 (column 5) in 2011 relative to 2010 year (column 6). What article are part of equity and borrowed capital of the companies? The results displayed in table 1.7.

Table 1.7

Initial data for the analysis of capital Exxon Mobil Corporation (XOM)
(All numbers in thousands)

Period Ending	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Growth rate,%	
				2012 to 2011	2011 to 2010
1	2	3	4	5	6
Assets					x
Current Assets					x
Cash And Cash Equivalents	6,590,000	9,923,000	13,261,000		
Short Term Investments	—	—	—		
Net Receivables	34,291,000	34,987,000	36,635,000		
Inventory	16,231,000	14,542,000	16,575,000		
Other Current Assets	5,482,000	5,008,000	5,667,000		

Table 1.7

Period Ending	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Growth rate,%	
				2012 to 2011	2011 to 2010
1	2	3	4	5	6
Total Current Assets	62,594,000	64,460,000	72,138,000		
Long Term Investments	35,641,000	34,718,000	35,105,000		
Property Plant and Equipment	233,728,000	226,949,000	220,330,000		
Goodwill	—	—	—		
Intangible Assets	—	—	—		
Accumulated Amortization	—	—	—		
Other Assets	7,676,000	7,668,000	7,618,000		
Deferred Long Term Asset Charges	—	—	—		
Total Assets	339,639,000	333,795,000	335,191,000		
Liabilities					
Current Liabilities					
Accounts Payable	64,147,000	60,486,000	66,565,000		
Short/Current Long Term Debt	5,937,000	3,653,000	3,496,000		
Other Current Liabilities	—	—	—		
Total Current Liabilities	70,084,000	64,139,000	70,061,000		
Long Term Debt	11,223,000	7,928,000	8,928,000		
Other Liabilities	46,543,000	52,498,000	46,205,000		
Deferred Long Term Liability Charges	38,712,000	37,570,000	37,642,000		

Table 1.7

Period Ending	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Growth rate,%	
				2012 to 2011	2011 to 2010
1	2	3	4	5	6
Minority Interest	6,076,000	5,797,000	5,642,000		
Negative Goodwill	—	—	—		
Total Liabilities	172,638,000	167,932,000	168,478,000		
Stockholders' Equity					
Misc Stocks	—	—	—		
Options	—	—	—		
Warrants	—	—	—		
Redeemable Preferred Stock	—	—	—		
Preferred Stock	—	—	—		
Common Stock	9,665,000	9,653,000	9,645,000		
Retained Earnings	372,666,000	365,727,000	358,369,000		
Treasury Stock	(202,563,000)	(197,333,000)	(192,188,000)		
Capital Surplus	—	—	—		
Other Stockholder Equity	(12,767,000)	(12,184,000)	(9,113,000)		
Total Stockholder Equity	167,001,000	165,863,000	166,713,000		
Net Tangible Assets	167,001,000	165,863,000	166,713,000		

Chapter 2

CASH PAYMENTS IN THE FOREIGN ECONOMIC ACTIVITY OF COMPANY

Questions for discussion

1. The essence of cash flow and the application of cash and cashless payments. Scores of companies.
2. Types of cash payments.
3. Adjustment of cash payments in foreign countries at the company.
4. The essence of the form of cash payments.
5. Basic requirements for the organization and holding of cash payments.
6. Compliance cash discipline and accountability for violations.

Practical tasks

Task 2.1. Multiple choice questions.

1. Accounts that companies are opened and their separated subdivisions under the deposit agreement entered into between the account holder and bank institution specified in the contract period is called:

- a) budget;
- b) current;
- c) credit;
- d) the deposit;
- e) no correct answer.

2. Payments for commodity transactions related to:

- a) sales of goods, works and services;
- b) financial transactions: the credit system, the budgets of different levels, payment of financial penalties;
- c) insurance.

3. Payments for nonmarket operations related to:

- a) sales of goods, works and services;
- b) financial transactions: the credit system, the budgets of different levels, payment of financial penalties;

c) insurance.

4. Bill that is intended for preliminary enrollment of foreign currency (money, admitted to clearing account and not be sold in the foreign exchange market of Ukraine allocated for other purposes):

- a) current;
- b) the deposit;
- c) credit;
- d) distribution.

5. Cash is:

- a) national currency of Ukraine – banknotes and coins, including circulation commemorative coins that are valid means of payment;
- b) amount actually received in cash from the sale of goods (works, services) and non-operating income;
- c) funds received by companies (entrepreneurs) for benefits related to salary and not paid in due time to individuals;

6. Cash earnings is:

- a) national currency of Ukraine – banknotes and coins, including circulation commemorative coins that are valid means of payment;
- b) amount actually received in cash from the sale of goods (works, services) and non-operating income;
- c) funds received by companies (entrepreneurs) for benefits related to salary and not paid in due time to individuals;

7. Journal of registration incoming and outgoing cash documents is:

- a) document the established form , used for the primary account cash on hand;
- b) primary document (income or spending cash order) used for registration of proceeds (issue) of cash from the till.
- c) document that is used for registration of revenue and expenditure cash orders and other cash instruments.

8. Cash Book is:

- a) document the established form , used for the primary account cash on hand;
- b) primary document (income or spending cash order) used for registration of proceeds (issue) of cash from the till;
- c) document that is used for registration of revenue and expenditure cash orders and other cash instruments.

9. Cash order is:

- a) document the established form, used for the primary account cash on hand;
- b) primary document (income or spending cash order) used for registration of proceeds (issue) of cash from the till.
- c) document that is used for registration of revenue and expenditure cash orders and other cash instruments.

10. The book of income and expenditure registration is:

- a) document the established form, used in accordance with the legislation of Ukraine to reflect the cash flow;
- b) book, which is used to account for cash and paid documents;
- c) book which is laced and duly registered with the State Tax Service of Ukraine book containing daily reports that compiled on the basis the relevant settlement documents on the movement of cash, goods (services).

Review problems

Task 2.2

Initial data

On the current account Bay Inc as of January 1 of the current year cash balance amounted to 25 thousand UAH. Bay Inc should make such payments and transfer funds: to pay salaries – 13 ths UAH transfer tax on personal income from wages – 3,5 ths UAH transfer payments to the pension fund – 4,2 ths UAH and 1,5 ths UAH transfer VAT – 20 ths UAH, down payments for income tax – 7,8 ths UAH.

It is necessary to determine in what amounts to be issued vouchers for the transfer of funds.

Problem solving procedure.

$$\begin{aligned} \text{Share of the balance cash in the total amount of payments} &= \\ &= (\text{Cash balance on the current account of the company} / \\ &\quad \text{Total amount of payments}) \cdot 100. \end{aligned} \quad (2.1)$$

Solution to problems

- 1) Total amount of payments.
 $13 + 3,5 + 4,2 + 1,5 + 20 + 7,8 = 50$ (ths UAH);
- 2) The share of the balance cash in the total amount of payments:
 $25 / 50 \cdot 100\% = 50\%$.

3) The amount of money which must be written out a check for the payment of wages:

$$13\,000 \cdot (50 / 100) = 6,5 \text{ (ths UAH);}$$

4) The amount of money which must be written out a check for the payment of income tax for individuals:

$$3,5 \cdot (50 / 100) = 1,75 \text{ (ths UAH);}$$

5) The amount of money which must be written out a check for the payment of premiums to the Pension fund:

$$4,2 \cdot (50 / 100) = 2,1 \text{ (ths UAH);}$$

$$1,5 \cdot (50 / 100) = 0,75 \text{ (ths UAH);}$$

6) The amount of money which must be written out a check for the payment of value added tax:

$$20 \cdot (50 / 100) = 10 \text{ (ths UAH);}$$

7) The amount of money which must be issued a check for payment of advance payments to income tax:

$$7,8 \cdot (50 / 100) = 3,9 \text{ (ths UAH).}$$

Answer: the amount of money which must be written out a check for the payment of wages is 6,5 ths UAH; for the payment of income tax for individuals – 1 ths UAH; for the payment of premiums to the Pension fund – 2,1 ths UAH; 0,75 ths UAH; for the payment of value added tax – 10 ths UAH; for payment of advance payments to income tax – 3,9 ths UAH.

Task 2.3

Initial data

Balance on current account in the bank – 400 thous. Bookkeeping LLC «Dream» wages 200 ths UAH. Additional sum: Pension Fund – 37,5%. Deductions from wages: a tax on personal income – 20%, the pension fund – 2,5%.

How much you can write a check for cash from the cash of bank?

How much should to effect a short-term loan to pay wages (for 18 days at 36% per annum)?

Problem solving procedure.

$$\text{Amount of money for registration of short-term loan} = (\text{Total amount of extra charges taxes} \cdot \text{Number of days, short-term loan} \cdot \text{Interest rate on short-term loan}) / 100 \cdot \text{Number of days in the year}, \quad (2.2)$$

Solution to problems

1) Determine the amount of extra charges taxes in respect of payments to the pension fund:

$$0,375 \cdot 200\,000 = 75 \text{ (ths UAH);}$$

- 2) Determine the amount of tax on personal income:
 $0,2 \cdot 200\ 000 = 40$ (ths UAH);
- 3) Determine the amount of extra charges taxes in respect of payments to the pension fund:
 $0,025 \cdot 200\ 000 = 5$ (ths UAH);
- 4) The total amount of extra charges taxes:
 $75 + 40 + 5 = 120$ (ths UAH);
- 5) Determine the amount of short-term loan:
 $120\ 000 \cdot 18 \cdot 36 / 100 \cdot 360 = 1\ 500$ (UAH);
 $120\ 000 + 1\ 500 = 121\ 500$ (UAH).

Answer: To obtain cash from the cash to the bank it is necessary to write a check in the amount of 400 thousand UAH, short-term loan for salary amount required for 121 500 UAH.

Task 2.4

Initial data

Bill of exchange to the amount of 30 thousand UAH. with a due date on May, 1 of current year taken to the account a commercial bank on February, 1 of current year, discount rate of bank – 60% annual.

It is necessary to define the sum of discount and sum that will be given out by a bank to the proprietor of bill of exchange.

Problem solving procedure

Amount of discount that remains in the bank = (Total of bill · Discount rate of the Bank · Number of days of using the bill) / (360 · 100%), (2.3)

Solution to problems

- 1) The amount of the discount, which remains the Bank:
 $(30\ 000 \cdot 60\% \cdot 90) / (360 \cdot 100\%) = 4\ 500$ (UAH);
- 2) Totals that will be given out by a bank to the proprietor of bill:
 $30\ 000 - 4\ 500 = 25\ 500$ (UAH).

Answer: the amount of discount on the bill is 4500 UAH, sums that will be given out by a bank to the proprietor of bill – 25 500 UAH.

Task 2.5

Initial data

Calculate above-limit cash balances on cash box, raw data are shown in table 2.1.

Table 2.1

Calculation above-limit cash balances on cash box, UAH

Date	Balance of cash at the beginning of the day	Cash receipts to the cash box	Cash with drawal at from the cash box	Balance of cash end of the day	Including expenditure information in the days payments related to wages	Limit cash box	Above-limit balances for each day
04.10.2011	10	250	80		–	100	
05.10.2011	180	100	140		–	100	
06.10.2011	140	–	–		–	100	
07.10.2011	140	–	–		–	100	
08.10.2011	140	210	340		–	100	
09.10.2011	10	570	90		300	100	
10.10.2011	490	320	350		300	100	
11.10.2011	460	190	390		–	100	
Total							

Problem solving procedure.

Balance of cash end of the day = Balance of cash at the beginning of the day + Cash receipts to the cash box – Cash withdrawal at from the cash box. (2.4)

Above-limit balances for each day = Balance of cash end of the day – Cash expenditure for information in the days payments related to wages – limit cash box. (2.5)

Solution to problems

The procedure of calculation are given in table 2.2.

Table 2.2

Calculation above-limit cash balances on cash box, UAH

Date	Balance of cash at the beginning of the day	Cash receipts to the cash box	Cash with drawal at from the cash box	Balance of cash end of the day	Including expenditure information in the days payments related to wages	Limit cash box	Above-limit balances for each day
04.10.2011	10	250	80	180	–	100	80
05.10.2011	180	100	140	140	–	100	40
06.10.2011	140	–	–	140	–	100	40
07.10.2011	140	–	–	140	–	100	40
08.10.2011	140	210	340	10	–	100	–
09.10.2011	10	570	90	490	300	100	90
10.10.2011	490	320	350	460	300	100	60
11.10.2011	460	190	390	260	–	100	160
Total							510

Questions for self-control

1. What is the essence of monetary turnover? With which areas of activity of company is it associated?
2. Name the form of cash flow in the company.
3. What are the signs of classification cashless payments companies do you know?
4. Describe the organization of monetary circulation.
5. Uncover the essence of cash payments and describe their scope.

Tasks for self-control

Task 2.6. Completethe scheme.

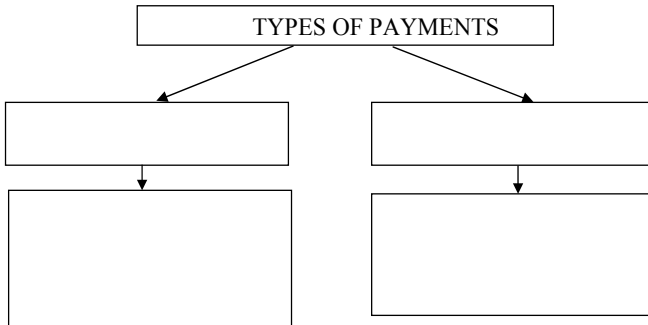


Fig. 2.1. Characteristics of bank accounts that open companies

ABC Inc. 1234 North Main Street Austin, Texas 78711 (512) 123-4567 <small>(Please provide the correct phone number in case we have questions)</small>	Check Instructions	1201 <table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: center;">DATE</td></tr> <tr><td style="text-align: center;">10/01/12</td></tr> </table>	DATE	10/01/12
DATE				
10/01/12				
PAY TO THE ORDER OF TEXAS COMPTROLLER OF PUBLIC ACCOUNTS		\$ 215.10 <small>(Same as written amount)</small>		
TWO HUNDRED FIFTEEN DOLLARS AND 10/100 <small>(Same as numeric amount)</small>		DOLLARS <h1 style="margin: 0;">SAMPLE CHECK</h1>		
Texas Taxpayer Number (11 digits) or Federal Employer Identification Number (9 digits) FOR Tax Type and Filing Period <small>(Omission of this information may slow payment processing)</small>		SIGNATURE (Be sure to sign)		

How To Write A Check for Your OPT Application

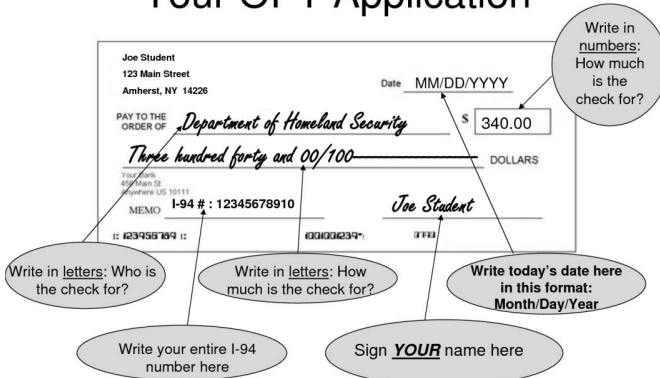


Fig. 2.2. Analyze check of company

Task 2.7. On the current account Bay Inc as of January 1 of the current year cash balance amounted to 50 ths UAH. Bay Inc should make such payments and transfer funds: to pay salaries – 26 ths UAH transfer tax on personal income from wages – 6,5 ths UAH transfer payments to the pension fund – 12.4 ths UAH, transfer VAT – 40 ths UAH, down payments for income tax – 7.8 ths UAH.

It is necessary to determine in what amounts to be issued vouchers for the transfer of funds.

Task 2.8. Balance on current account in the bank – 800 ths UAH. Bookkeeping LLC «Dream» wages 400 ths UAH. Additional sum: Pension Fund – 38%. Deductions from wages: a tax on personal income – 15%, the pension fund – 4%.

How much you can write a check for cash from the cash of bank?

How much should to effect a short-term loan to pay wages (for 126 days at 44% per annum)?

Task 2.9. Bill of exchange to the amount of 60 ths UAH with a due date on May, 1 of current year taken to the account a commercial bank on February, 1 of current year, discount rate of bank – 80%% annual.

It is necessary to define the sum of discount and sum that will be given out by a bank to the proprietor of bill of exchange.

Task 2.10. Based on samples of complete cashbook, cash order.

Details			Money In			Money Out					
Date	Description	Ref	Sales	Bank Interest	Bank	Stationery	Office Equip.	Internet	Drawings	Bank Fees	Bank
1-Apr	Balance bif				200,00						R
4-Apr	Folders and penc	1				15,00					15,00 R
15-Apr	Sale: Ms E Inkson	2	54,00		54,00						0,00 R
18-Apr	Sale: Mr R U Redy	3	30,00		30,00						0,00 R
19-Apr	Drawings	4							10,0		10,00 R
21-Apr	Envelopes & stamps	5				20,00					20,00 R
24-Apr	Web host fees	6						40,00			40,00 R
27-Apr	Simply Chairs: Chair	7					125,00				125,00 R
29-Apr	Sale: Mr J Mighty	8	30,00		30,00						0,00 R
30-Apr	Bank Fee	9								2,5	2,50 R
30-Apr	Sale: Ms I Real	10	54,00		54,00						0,00 R
			168,00	0,00	368,00	35,00	125,00	40,00	10,0	2,5	212,50
				all	155,50						

Fig. 2.3. Example of cash receipt books

Cashbook

Name: My Bussiness

Details			Money Out				
Date	Description	Ref	T-Shirts	Caps	Mugs	Bank Int	Total
Jan-01	Balance b/r						
Jan-03	Telephone	1					
Jan-05	Payment from Mr Jay	2		120,00			120,00
Jan-08	Bank Fees	3					

Table

Details			Money Out				
Date	Description	Ref	T-Shirts	Caps	Mugs	Bank Int	Total
Jan-11	Petrol	4					
Jan-15	T-Shirts & Caps	5					
Jan-20	Payment from Bus Co	6	200,00				200,00
Jan-21	Cellphone Topup	7					
Jan-21	Truck Repairs	8					
Jan-21	Payment from Mr Jenes	9			150,00		150,00
Jan-31	Bank Interst received	10				2,00	2,00
Jan-31	Bank Fees	11					

Details		Receipts				Payments					
Date	Particulars	Receipt/Ref number	Sales	Services	Other Receipts	Bank	Cheque/Ref number	Supplies	Wages	Other Payments	Bank
Oct 1	Balance					1480,09					
7	Events Warehouse						R97266	172,00			172
10	Sales	CRS	819,58			819,58					
14	F. Collins	137	87,95			87,95					
14	Wages						000130		1502,90		1502,90
20	Alan Richardson	133		60,0		60					
21	Sales	CRS	854,95			854,95					
26	Recycled Plastics Pty Ltd						000131	328,98			328,98
31	Total Receipts/ Payments		\$1762,48	\$60,0		33272,57		\$500,98	\$1502,9	\$0,0	\$2003,88
Nov 1	Balance					1268,69					

Fig. 2.4. The standard form of cash book

Company Name

Address: _____
 Website: www.websiteaddress.com
 Email Address: abc@example.com
 Phone: 555-555-5555
 Fax: 123-456-456123888

Petty Cash Sheet

Company
Logo Here
Company Logo

Department Name: _____
 Prepared By: _____

Date	Particulars	Cash In (\$)	Cash Out (\$)
Total		000000.00	000000.00

Authorized Signatures _____

Petty Cash Template

Task 2.11. Calculate above-limit cash balances on cash box, raw data are shown in table 2.3.

Table 2.3

Calculation above-limit cash balances on cash box, UAH

Date	Balance of cash at the beginning of the day	Cash receipts to the cash box	Cash withdrawal at from the cash box	Balance of cash end of the day	Including expenditure information in the days payments related to wages	Limit cash box	Above-limit balances for each day
04.10.2011	13	325	104		—	100	
05.10.2011	234	130	140		—	100	
06.10.2011	182		—		—	100	
07.10.2011	182		—		—	100	
08.10.2011	182	273	442		—	100	

Table 2.3

Date	Balance of cash at the beginning of the day	Cash receipts to the cash box	Cash withdrawal at from the cash box	Balance of cash end of the day	Including expenditure information in the days payments related to wages	Limit cash box	Above-limit balances for each day
09.10.2011	13	741	117		390	100	
10.10.2011	637	416	455		390	100	
11.10.2011	598	247	507		-	100	
Total							

Task 2.12. Bruno Corporation sells the goods in the cashless with payment cards and therefore has a payment terminal. Do it need to use of payment transactions when it making such calculations?

Task 2.13. Bruno Corporation leased the building. Is it mandatory for cash payments for lease use of payment transactions?

CHAPTER 3

CASHLESS PAYMENTS IN THE FOREIGN ECONOMIC ACTIVITY OF COMPANY

Questions for discussion

1. The essence of non-cash forms of payment.
2. Characteristic forms of payment.
3. Documents for realization of non-cash settlements.
4. Classification of non-cash settlements on signs: setting of payment. place of realization, method of realization, method of receipt of payment.
5. Description of calculations is after the letters of credit.

Practical tasks

Task 3.1. Multiple choice questions.

1. Advantages of cheque forms of payment include:

- a) relative speed of payment and receipt of funds at the expense of the supplier, which helps to reduce accounts receivable;
- b) guarantees of payment;
- c) strengthening contractual relationships.

2. Bank transfer order is:

- a) document containing the order of the issuer to the bank to transfer a certain amount from his/her account;
- b) written debt obligations, which give the right to claim paying the appropriate amount from the debtor;
- c) written instructions of the bank payer on write-off of its account of a certain amount and a transfer to the account of the recipient;
- d) combined document that contains the provider's request and order the payer;
- e) there is no correct answer.

3. Check in settlement – is:

- a) order the buyer's bank the provider's bank to pay suppliers' bills;
- b) method of payment in which the issuing bank on behalf of the client makes payments;

- c) written commitment of the account holder to the issuing bank to pay the payee of the check amount;
- d) settlement document, which indicate a specific place of payment;
- e) there is no correct answer.

4. Letter of credit is:

- a) calculation document containing the supplier's request and payer's order;
- b) document containing the issuing bank's commitment with the client's instruction to perform the payment in favor of the beneficiary;
- c) written undertaking, which entitles its owner to demand payment of the amount in the corresponding period;
- d) all the answers are correct.

5. If the buyer (payer) in advance shall deposit means for calculating the supplier, then such credit should be considered:

- a) irrevocable;
- b) uncoated;
- c) accepted;
- d) covered;
- e) no answer is correct.

6. Bill of exchange – is:

- a) buyers bank order to the provider's bank to pay supplier bills;
- b) written commitment, promissory note of appropriate form, that gives the right to its holder to require payment of a certain total defined in the bill within a proper time;
- c) method of payment in which the issuing bank on behalf of its client makes payments;
- d) combined document, which contains the requirement of the supplier and the order of the payer;
- e) there is no correct answer.

7. Payments for the commodity-related operations:

- a) products realization;
- b) transactions with the credit system;
- c) works performance;
- d) operations with budget;
- e) provision of services;
- f) financial sanctions payment.

8. How long a received cash (which is intended to wage compensation, pension payment, scholarships, dividends) received by the bank can be stored in the company box office?

- a) day;
- b) week;
- c) three days;
- d) there is no correct answer.

9. Account for preliminary enrollment in foreign currency (funds that were deposited into the distribution account and can not be sold on the interbank currency market of Ukraine are distributed by appointment):

- a) current;
- b) deposit;
- c) credit;
- d) distribution.

10. What is the name of the first payee, in whose favor the bill of exchange is valued:

- a) drawer;
- b) drawee;
- c) payee.

Review Problems

Task 3.2

Input data

LLC «Arena» sold goods on credit with drawing a simple bill of nominal value 3,24 mln. UAH, which was released into circulation on October 2, 2012 in a common interest with the exact number of days to maturity on January 12, 2013.

The interest rate for the loan of 17,5%.

Promissory note holder appealed to the bank for the transaction on the accounting bill after 60 days. The bank offered the discount rate 21,25%.

What is the obtained amount received at accounting?

Determine the amount of funds received by LLC «Arena» and earnings of the bank as a result of this operation.

Problem solving procedure.

$$\text{Future value of promissory note repayment} = \text{Nominal value of the bill} \cdot (1 + \text{amount of days from the moment of a promissory note issuance till its repayment} / 360 \cdot \text{interest rate on the loan}). \quad (3.1)$$

Solution to problems

1) Define the amount of days after a promissory note issuance till its repayment:

Amount of days from the moment of a promissory note issuance till its repayment = $29 + 30 + 31 + 12 = 102$ days;

2) Calculate the future value of promissory note repayment:

Future value of promissory note repayment = $3\,240\,000 \cdot (1 + 101 / 360 \cdot 0,175) = 3\,400\,650$ UAH;

3) Define the urgent cost of the bill at the time of bank's accounting (3.1):

Future value of promissory note repayment₁ = $3\,240\,000 \cdot (1 + 60 / 360 \cdot 0,175) = 3\,334\,500$ UAH;

4) Calculate the amount offered by the bank for the bill:

Future value of promissory note repayment₂ = $3\,400\,650 \cdot (1 - 0,2125 \cdot (102 - 60) / 360) = 3\,316\,342$ UAH;

5) Earnings of the bank on this operation:

Earnings of the bank on this operation = $3\,400\,650 - 3\,316\,342 = 84\,308$ UAH.

Answer: The bank will charge 3 316 342 UAH for the bill and will receive 84 308 UAH at repayment.

Questions for self-control

1. Classification and nature of business accounts in banks.
2. Accounts with special modes.
3. Opening accounts in banking institutions.
4. How are settlements by payment orders accomplished?
5. How are settlements by payable orders accomplished?
6. How are settlements by checks payable in account accomplished?
7. What is the essence of letters of credit issued?
8. What are the benefits of bill of exchange estimation?
9. What is the order of payment cards emission?
10. What is the essence of interbank transfer?

Tasks for self-control

Task 3.3

Fill in the missing space.

Characteristics	The essence of payments
1. Purpose of payment	1.1. 1.2.
2. Venue of cashless settlements	2.1. 2.2.
3. Way of realization	3.1. 3.2.
4. Way of payment receipt	4.1. 4.2.

Fig. 3.1. Classification of non-cash settlement

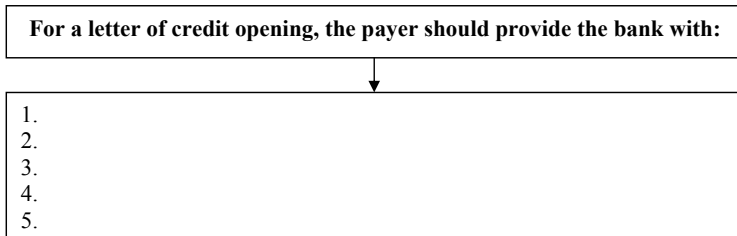


Fig. 3.2. List of documents for letter of credit

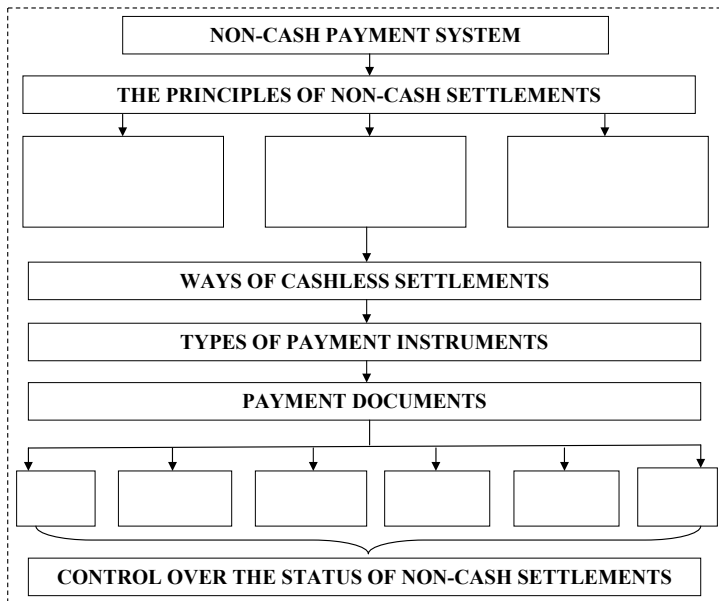


Fig. 3.3. Relationship between structural components of cashless settlement system

Task 3.4. In accordance with the scheme and hands-indications, describe the methodology of payment request-order calculations. Explain the advantages and disadvantages of non-cash settlement method.

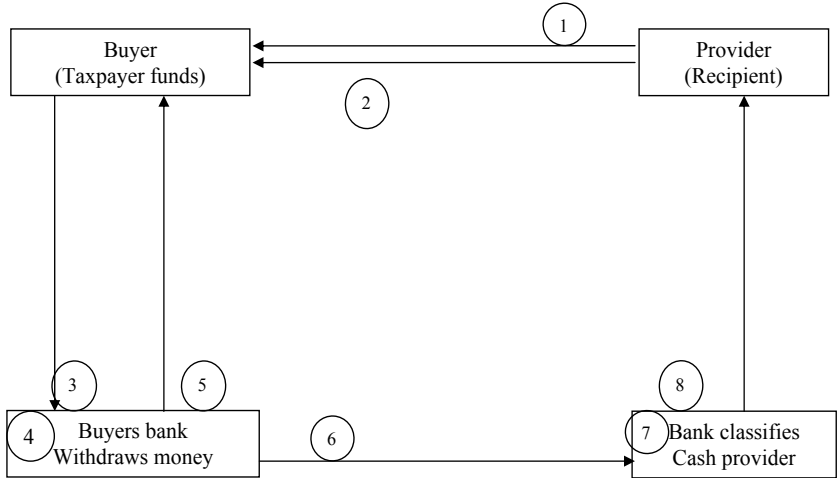


Fig. 3.4. Payment request-order scheme, payment orders

Task 3.5. This figure shows a diagram of calculation payment-orders and checks. Put in the correct order at the arrow-pointer calculation procedures for processing payment orders and checks. Explain the scheme.

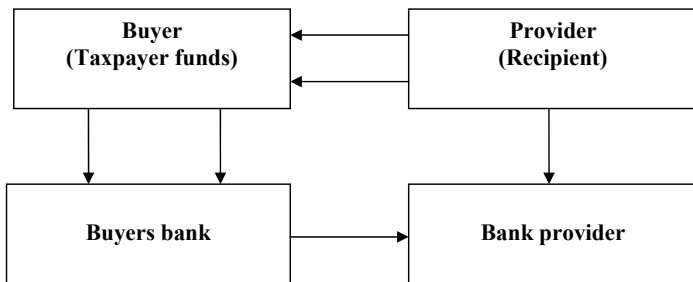


Fig. 3.5. Payment orders calculation

- 1 – supplier ships the products (performs works, services);
- 2 – provider exposes invoice for goods, works and services;

- 3 – buyer submits payment order to his or her bank;
- 4 – bank customer withdraws from his account;
- 5 – buyers bank informs the buyer – the account holder of the debit;
- 6 – buyer's bank sends an electronic communication sent or money order for the appropriate amount to the bank supplier;
- 7 – your bank (beneficiary) should credit the funds to the supplier's account;
- 8 – supplier's bank notifies a supplier of money transfer to current account in a form of statement from current account

Task 3.6. Determine the sequence of calculation with the promissory note and the mechanism of settlements with the use of a bill of exchange and explain your own point of view.

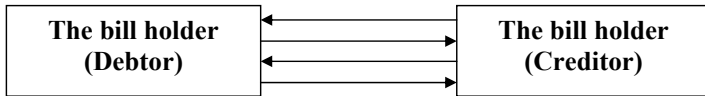


Fig. 3.6. Promissory note calculation

- 1 – supplier should deliver the goods to the buyer, performs works, renders services);
- 2 – issuer (the buyer) passes the bill of exchange;
- 3 – holder (remitted) presents a bill of exchange for acceptance;
- 4 – issuer repays the bill and passes it to the payee.

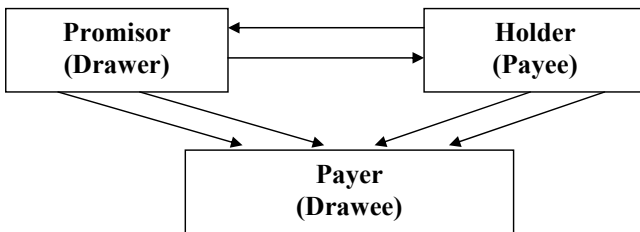


Fig. 3.7. Mechanism of payments with the use of a bill of exchange

- 1 – incurring of debt (drawee shipped goods to drawer);
- 2 – drawer gets products from the payee;
- 3 – drawer writes and transmits the bill of exchange to the recipient of funds and simultaneously sends a message to the payer;
- 4 – in due term of payment payee shows a bill for payment;
- 5 – taxpayer repays its obligations.

Task 3.7. Fill the table «Participants of bill circulation» (Table 3.1).

Table 3.1

Participants of bill circulation

Person	Promissory note	Bill of exchange			
		Involving three people	With participation of two people		With the participation of four people
			1	2	
Paying the bill	Promisor	Drawee			
Issues bill		Drawer			
Gets a bill	Promisee	Payee			
Gets a bill					

Task 3.8. This table shows the types of operations with bills. Fill gaps in the table (Table 3.2).

Table 3.2

Types of operations with bills

Type of transaction	The essence of the operation
Guarantee operations	
Availing bills	
Bill acceptance	
Bill endorsement	
Credit operations	
Loans secured by promissory notes	
Global Markets	
Bill discounting	
Thrift operations	
Bill domiciliation	
Collection of bills	

Task 3.9. According to the reduced performance, identify the sequence of letter of credit payment method realization at the company.

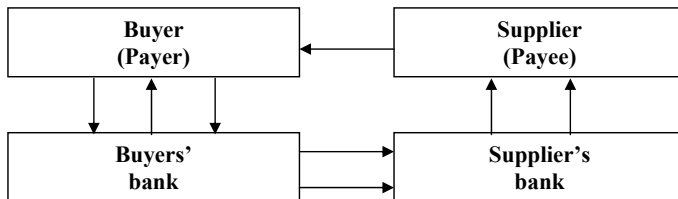


Fig. 3.8. Letter of credit

- 1 – buyer (applicant) instructs the bank to open a letter of credit;
- 2 – buyer’s bank (applicant) opens a letter of credit or guarantee payment for him/her (depends on of letter of credit type);
- 3 – buyer’s bank notifies the buyer (applicant) about the opening a letter of credit;
- 4 – buyer’s bank notify the supplier’s bank (the beneficiary) about the opening a letter of credit for a specific amount;
- 5 – supplier’s bank notifies the supplier (the beneficiary) about the opening a letter of credit;
- 6 – shipment of goods;
- 7 – bank informs the buyer about the condition of letter of credit, that is, gives the order for letter of credit disclosure;
- 8 – buyer’s bank transfer an amount of funds from the letter of credit;
- 9 – supplier’s bank pays funds to the supplier’s account;
- 10 – supplier’s bank should notify its client about it.

Task 3.10. Fill the table, revealing the advantages and disadvantages of using letters of credit and settlement through the collection for the exporter and importer Table 3.3–3.4).

Table 3.3

Advantages and disadvantages of using letters of credit

Advantages	Disadvantages
For the exporter	
1.	1.
2.	
3.	
4.	2.
5.	
6.	
For the importer	
1.	1.
2.	2.
3.	

Table 3.4

Advantages and disadvantages of the calculations using the encashment

Advantages	Disadvantages
For the exporter	
1.	1.
2.	2.

Table 3.4

Advantages	Disadvantages
3.	3.
For the importer	
1.	1.
2.	2.

Task 3.11. Fill in the gaps.

1. _____ – the totality of the payments in monetary form, associated with the purchase and sale of goods or using a different kind of financial commitment.

2. _____ – transferring a certain amount of funds from the payer's account to the accounts of recipients of funds, as well as the transfer of the banks on behalf of companies and individuals funds deposited their cash in the bank account to the payee.

3. _____ – settlement document containing the requirement the recovered (or the recipient's direct debit) in the bank that serves the payer to spend without the consent of the payer funds transfer the amount due from the payer to the payee.

4. _____ – settlement document containing the written instruction of the account holder of the bank – the issuer, which opened his account for payment of the payee stated in this document amounts of money.

5. _____ – compliance with business entities established rules of settlement operations.

Task 3.12. Key terms and concepts.

Type of payment instrument	Type of payment document definition
1. Payment order	A. The agreement containing a commitment to bank-issuer, this bank of behalf of the client is obliged to execute the payment on behalf of a beneficiary or to another (from) bank to make this payment.
2. Payment request – order	B. Payment document containing the written power of attorney holder of account issuer bank, which opened its account of the recipient of funds specified in this document, the amount of funds.
3. Payment request	C. Payment document containing the written instructions of the payer bank, the debiting from your account a specified total of money and transferring it to the account of the recipient.

Type of payment instrument	Type of payment document definition
4. Check insettlement	D. An unconditional obligation, promissory note of a standard form that entitles its holder to demand payment of the amount specified in this document from the person who issued the document, at the appropriate time and in an appropriate place.
5. Letter of credit	E. Payment document containing the requirement to levy bank serving the payer to spend without the consent of the payer transfer a certain amount of funds from the payer to payee.
6. Promissory note	F. Combined payment document, which consists of two parts. The upper part is the requirement of the company provider to the company – the buyer pay the cost of goods and services. The lower part of authorizing the purchaser of the bank which it serves to list the proper amount of money from his account to the vendor.

Task 3.13

Input data

LLC «NPC» sold goods on credit with drawing a simple bill of par value of 6,5 mln UAH, which was released into circulation on October 2, 2012 in a common interest with the exact number of days to maturity on January 12, 2013.

The interest rate for the loan is 24%.

Due 80 days promissory note holder presenting appealed to the bank for the transaction on the accounting bill. The bank offered the discount rate of 19,5%.

What is the amount obtained while accounting?

Determine the amount of funds received by company, and bank's earnings as a result of this operation.

Chapter 4

CASH FLOWS IN THE FOREIGN ECONOMIC ACTIVITY OF COMPANY

Questions for discussion

1. The essence of cash flow of company.
2. Types of activity.
3. Classification of cash flows by type of activity.
4. Structure of cash flow of company.
5. Statement of Cash Flow of company.

Practical tasks

Task 4.1. Multiple choice questions

1. _____ funds received for the current and other accounts of the banks and cash box of companies.
2. _____ income and expenditure of monetary funds.
3. _____ money that come from any sources on a company.
4. _____ receipt of money on a checking account companies in a bank, that is mobilized at the financial market.
5. _____ totality of receivables of money on a company from all types of economic operations.

Task 4.2. Multiple choice questions

1. Operating activity of company is:

- a) activity, that provides basic part of profit and related to the production, realization of products and other mutual relations that arise up in the process of her realization;
- b) any basic activity of company, and also operations that provide it or arise up because of its realization;
- c) operations relating to the holding or sale of goods (works, services), which is the main purpose of creating the company and provide main part its income.

2. Principal activity of company is:

a) activity, that provides basic part of profit and related to the production, realization of products and other mutual relations that arise up in the process of her realization;

б) any basic activity of company, and also operations that provide it or arise up because of its realization;

с) operations relating to the holding or sale of goods (works, services), which is the main purpose of creating the company and provide main part its income.

3. Ordinary activity of company is:

a) activity, that provides basic part of profit and related to the production, realization of products and other mutual relations that arise up in the process of her realization;

б) any basic activity of company, and also operations that provide it or arise up because of its realization;

с) operations relating to the holding or sale of goods (works, services), which is the main purpose of creating the company and provide main part its income.

4. Investment activity of company is:

a) activities that provide main part revenue and associated with the production, sales and other relationships, which arise in the course of work;

б) any principal activities of the enterprise, as well as operations that provide it, or arising from its realization;

с) operations relating to the holding or sale of goods (works, services), which is the main purpose of creating the enterprise and provide main part its income.

5. Financial activity of the company is:

a) activity that provide main part revenue and associated with the production, sales and other relationships, which arise in the course of work;

б) set of operations on purchase and sale of long-term (non-current) assets and short-term (current) financial investments;

с) activity that lead to changes in the size and composition of equity and loan capital.

6. Financial Report, which describes the cash flows of the company:

a) Balance Sheet;

б) Income Statement;

c) Cash Flow.

7. Choose the factors that affect the amount of income (revenue) from sales:

- a) accounts receivable for goods (works, services);
- b) cost of production;
- c) number of production;
- d) it is correct as indicated in paragraphs a) and b);
- e) it is correct as indicated in paragraphs b) and c);
- g) all answers are correct.

8. Size of revenue from sales depends on:

- a) the number of products, product quality, range and selling price levels;
- b) the number of products, product quality, product range;
- c) the product quality, range and level of selling price.

9. Forms of payment, conditions and procedure for bank lending are:

- a) internal factors that affect the amount of cash flows;
- b) external factors that affect the amount of cash flows;
- c) cash proceeds.

10. What document regulates the order of the statement of cash flows in Ukraine:

- a) Position (Standard) of Accounting 16 «Expenses»;
- b) Position (Standard) of Accounting 5 «Report on equity»;
- c) Position (Standard) of Accounting 4 «Statement of Cash Flows».

Task 4.3. True/false questions.

1. Operating activity is the main activity of the company and other activities that are not investing or financing activities.

2. Cash flows is inflows and outflows of cash and cash equivalents.

3. In the article «Receipts from customers and advances to customers» reflects the amount of the advance payment received and advance cash receipts from customers and customers during the next delivery of goods (works, services).

4. The purpose of the statement of cash flows is to provide users of financial statements complete, accurate and unbiased information about the changes in cash and cash equivalents of the enterprise for the period.

5. Internal changes in cash flows in the statement of cash flows are not included.

Task 4.4. Key terms and concepts

1. Receipt of monetary resources	a) from customers
	b) interest payment
	c) purchase of fixed assets
	d) the sale of goods and services
	e) payment of taxes
2. Expense of monetary resources	f) dividends received, interest
	g) employee benefit
	h) to receive interest or dividends
	i) from borrower and issuer
	j) advances to contractors
	k) repayment of loans

Task 4.5. Key terms and concepts

1. Cash flows from operating activity	a) for the buyers (customers)
	b) the payment of interest
	c) purchase of fixed assets
	d) the sale of goods and services
	e) payment of taxes
	f) to receive dividends and interest
	g) employee benefit
	i) to receive interest or dividends
	h) from borrower and issuer
	i) sale of fixed assets
	j) advances to contractors
2. Cash flows from investing activity	k) purchase of stocks
	l) repayment of loans
	m) payment of dividends
	n) Purchase of fixed assets
	o) the payment of interest on loans and loans received
	p) issue of shares
	q) sale of securities
	r) receipt of loans
	s) from the borrower and the issuer;
	t) sale of fixed assets;
	u) advances to contractors;
	v) purchase of supplies;

Task 4.6. Compare the report «Cash Flow» of different companies:

Table 4.1

**Apple Inc. (AAPL)
Cash Flow Report**

Period Ending	Sep 29, 2012	Sep 24, 2011	Sep 25, 2010
Net Income	41,733,000	25,922,000	14,013,000
Operating Activities, Cash Flows Provided By or Used In			
Depreciation	3,277,000	1,814,000	1,027,000
Adjustments To Net Income	6,145,000	4,036,000	2,319,000
Changes In Accounts Receivables	(6,965,000)	(1,791,000)	(4,860,000)
Changes In Liabilities	9,843,000	8,664,000	8,302,000
Changes In Inventories	(15,000)	275,000	(596,000)
Changes In Other Operating Activities	(3,162,000)	(1,391,000)	(1,610,000)
Total Cash Flow From Operating Activities	50,856,000	37,529,000	18,595,000
Investing Activities, Cash Flows Provided By or Used In			
Capital Expenditures	(8,295,000)	(4,260,000)	(2,005,000)
Investments	(38,427,000)	(32,464,000)	(11,075,000)
Other Cash flows from Investing Activities	(1,505,000)	(3,695,000)	(774,000)
Total Cash Flows From Investing Activities	(48,227,000)	(40,419,000)	(13,854,000)
Financing Activities, Cash Flows Provided By or Used In			
Dividends Paid	(2,488,000)	–	–
Sale Purchase of Stock	665,000	831,000	912,000
Net Borrowings	–	–	–
Other Cash Flows from Financing Activities	(1,226,000)	(520,000)	(406,000)
Total Cash Flows From Financing Activities	(1,698,000)	1,444,000	1,257,000
Effect Of Exchange Rate Changes	–	–	–
Change In Cash and Cash Equivalents	931,000	(1,446,000)	5,998,000

Table 4.2

Google Inc. (GOOG)
Cash Flow Report

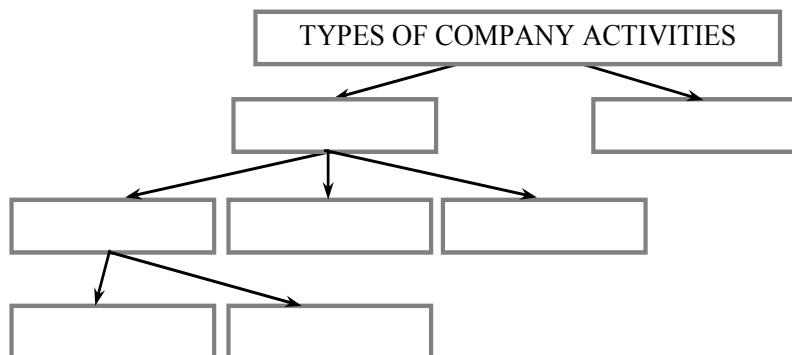
Period Ending	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Net Income	10,737,000	9,737,000	8,505,000
Operating Activities, Cash Flows Provided By or Used In			
Depreciation	2,962,000	1,851,000	1,396,000
Adjustments To Net Income	2,022,000	2,347,000	1,279,000
Changes In Accounts Receivables	(787,000)	(1,156,000)	(1,129,000)
Changes In Liabilities	2,217,000	2,048,000	1,444,000
Changes In Inventories	301,000	(30,000)	—
Changes In Other Operating Activities	(833,000)	(232,000)	(414,000)
Total Cash Flow From Operating Activities	16,619,000	14,565,000	11,081,000
Investing Activities, Cash Flows Provided By or Used In			
Capital Expenditures	(3,273,000)	(3,438,000)	(4,018,000)
Investments	785,000	(13,703,000)	(5,595,000)
Other Cash flows from Investing Activities	(10,568,000)	(1,900,000)	(1,067,000)
Total Cash Flows From Investing Activities	(13,056,000)	(19,041,000)	(10,680,000)
Financing Activities, Cash Flows Provided By or Used In			
Dividends Paid	—	—	—
Sale Purchase of Stock	—	—	(801,000)
Net Borrowings	1,328,000	726,000	3,463,000
Other Cash Flows from Financing Activities	(287,000)	(5,000)	294,000
Total Cash Flows From Financing Activities	1,229,000	807,000	3,050,000
Effect Of Exchange Rate Changes	3,000	22,000	(19,000)
Change In Cash and Cash Equivalents	4,795,000	(3,647,000)	3,432,000

Table 4.3

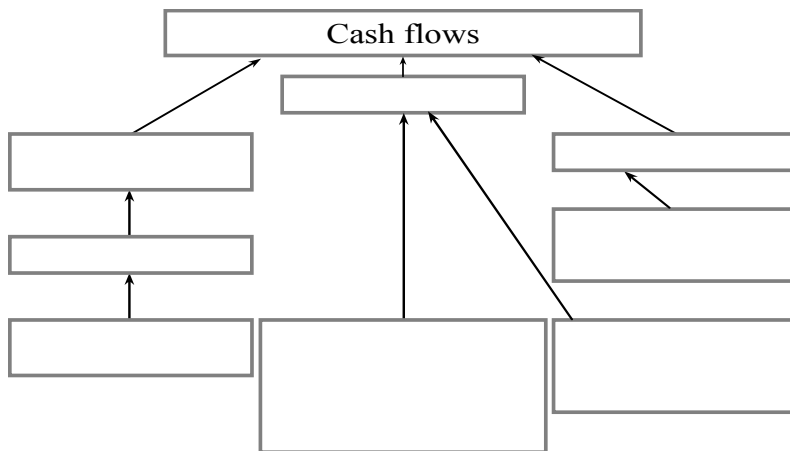
Exxon Mobil Corporation (XOM)
Cash Flow Report

Period Ending	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Net Income	44,880,000	41,060,000	30,460,000
Operating Activities, Cash Flows Provided By or Used In			
Depreciation	15,888,000	15,583,000	14,760,000
Adjustments To Net Income	3,313,000	262,000	129,000
Changes In Accounts Receivables	2,542,000	974,000	4,080,000
Changes In Liabilities	—	—	—
Changes In Inventories	(1,873,000)	(2,208,000)	(1,148,000)
Changes In Other Operating Activities	(11,381,000)	(1,472,000)	(806,000)
Total Cash Flow From Operating Activities	56,170,000	55,345,000	48,413,000
Investing Activities, Cash Flows Provided By or Used In			
Capital Expenditures	(34,271,000)	(30,975,000)	(26,871,000)
Investments	952,000	(2,547,000)	34,000
Other Cash flows from Investing Activities	7,718,000	11,357,000	2,633,000
Total Cash Flows From Investing Activities	(25,601,000)	(22,165,000)	(24,204,000)
Financing Activities, Cash Flows Provided By or Used In			
Dividends Paid	(10,419,000)	(9,326,000)	(8,779,000)
Sale Purchase of Stock	(20,671,000)	(21,147,000)	(12,057,000)
Net Borrowings	(2,908,000)	1,957,000	(6,210,000)
Other Cash Flows from Financing Activities	130,000	260,000	122,000
Total Cash Flows From Financing Activities	(33,868,000)	(28,256,000)	(26,924,000)
Effect Of Exchange Rate Changes	217,000	(85,000)	(153,000)
Change In Cash and Cash Equivalents	(3,082,000)	4,839,000	(2,868,000)

Task 4.7. Fill in a chart «Types of company activities».



Task 4.8. Fill in a chart «Factors that affect the amount of income (revenue) from sales of products, goods and services».



Review problems

Task 4.9 Input data

Based on the following data, make a statement of cash flows Exxon Mobil Corporation. In 2011 operations were carried out as explained in Table 4.2.

Table 4.2

Baseline data Exxon Mobil Corporation

№	Content of the operation	Total, thousands dollar USA
1	Investments	-2547000
2	Other Cash flows from Investing Activities	11357000
3	Depreciation	15583000
4	Adjustments To Net Income	262000
5	Changes In Accounts Receivables	974000
6	Changes In Inventories	2208000
7	Capital Expenditures	30975000
8	Dividends Paid	-9326000
9	Changes In Other Operating Activities	1472000
10	Sale Purchase of Stock	-21147000
11	Net Borrowings	1957000
12	Other Cash Flows from Financing Activities	260000

Problem solving procedure.

$$\begin{aligned}
 \text{Total Cash Flow From Operating Activities} = & \text{Depreciation} + \text{Adjustments To} \\
 & \text{Net Income} + \text{Changes In Accounts Receivables} + \text{Changes In Inventories} + \\
 & + \text{Changes In Other Operating Activities.} \quad (4.1)
 \end{aligned}$$

$$\begin{aligned}
 \text{Total Cash Flows From Investing Activities} = & \text{Capital Expenditures} + \\
 & + \text{Investments} + \text{Other Cash flows from Investing Activities.} \quad (4.2)
 \end{aligned}$$

$$\begin{aligned}
 \text{Total Cash Flows From Financing Activities} = & \text{Dividends Paid} + \text{Sale Purchase} \\
 & \text{of Stock} + \text{Net Borrowings} + \text{Other Cash Flows from Financing Activities.} \quad (4.3)
 \end{aligned}$$

$$\begin{aligned}
 \text{Change In Cash and Cash Equivalents} = & \text{Total Cash Flow From Operating} \\
 & \text{Activities} + \text{Total Cash Flows From Investing Activities} + \\
 & + \text{Total Cash Flows From Financing Activities.} \quad (4.4)
 \end{aligned}$$

Solution to problems

In applying the direct method for determining the amount of net income (expenditure) costs in the income series are all basic articles of income and expenditure, the difference which shows an increase or decrease in cash (Table 4.5).

Table 4.5

Cash Flow Report Exxon Mobil Corporation for 2011

Article	Total, thousandsdollar USA
I. Operating Activities, Cash Flows Provided By or Used In	
Depreciation	15 583 000
Adjustments To Net Income	262 000
Changes In Accounts Receivables	974 000
Changes In Inventories	(2 208 000)
Changes In Other Operating Activities	(1 472 000)
<i>Total Cash Flow From Operating Activities</i>	<i>13 139 000</i>
II. Investing Activities, Cash Flows Provided By or Used In	
Capital Expenditures	-30 975 000
Investments	-2 547 000
Other Cash flows from Investing Activities	11 357 000
<i>Total Cash Flows From Investing Activities</i>	<i>-22 165 000</i>
III. Financing Activities, Cash Flows Provided By or Used In	
Dividends Paid	-9 326 000
Sale Purchase of Stock	-21 147 000
Net Borrowings	1 957 000
Other Cash Flows from Financing Activities	260 000
<i>Total Cash Flows From Financing Activities</i>	<i>-28 256 000</i>
Change In Cash and Cash Equivalents	-37 282 000

Answer: Balance of funds at the end of year is -37282000 thousands dollar USA.

Task 4.10**Input data**

Based on these data define receipt from principal operations and to emergencies Mo Inc: received insurance compensation for losses from natural disasters – 2000 UAH. Sold products with deferred payment 3 days – 3500 UAH. Provided services – 2500 UAH, received income from the sale of fixed assets – 3400 UAH received compensation from industrial accidents – 1500 UAH performed repairs for customers total cost 5650 UAH.

Problem solving procedure.

$$\text{Receipt from principal operations} = \text{Provided services} + \text{Revenue from sale of fixed assets} + \text{Repairs.} \quad (4.6)$$

Receipt of emergencies = Insurance compensation for losses from natural disasters + Reimbursement of technical accidents. (4.7)

Solution to problems

RPO = 2500 + 3400 + 5650 = 11550 (UAH).

RE = 2000 + 1500 = 3500 (UAH).

Answer: receipt from principal operations is 11550 UAH, receipt of emergencies is 3500 UAH.

Questions for self-control

1. The essence of the cash flows of the company.
2. Type of activities of the company.
3. Structure of the cash flows of the company.
4. Cash flows from operating activities.
5. Cash flows from financing activities.
6. Cash flows from investing activities.
7. Statement of cash flows of the company.

Tasks for self-control

Task 4.11

Based on the following data, make a statement of cash flows Exan Mobil Corporation. In 2012 operations were carried out as explained in Table 4.6.

Table 4.6

Baseline data Exan Mobil Corporation

№	Content of the operation	Total, thousands dollar USA
1	Investments	-3056400
2	Other Cash flows from Investing Activities	13628400
3	Depreciation	18699600
4	Adjustments To Net Income	314400
5	Changes In Accounts Receivables	1168800
6	Changes In Inventories	2649600
7	Capital Expenditures	37170000
8	Dividends Paid	-11191200
9	Changes In Other Operating Activities	1766400
10	Sale Purchase of Stock	-25376400
11	Net Borrowings	2348400
12	Other Cash Flows from Financing Activities	312000

Task 4.12. Based on the following data, make a statement of cash flows Cros Inc. In 2012 operations were carried out as explained in Table 4.7.

Table 4.7

Baseline data Cros Inc.

№	Content of the operation	Total, thousands dollar USA
1	Investments	-3667680
2	Other Cash flows from Investing Activities	16354080
3	Depreciation	22439520
4	Adjustments To Net Income	377280
5	Changes In Accounts Receivables	1402560
6	Changes In Inventories	3179520
7	Capital Expenditures	44604000
8	Dividends Paid	-13429440
9	Changes In Other Operating Activities	2119680
10	Sale Purchase of Stock	-30451680
11	Net Borrowings	2818080
12	Other Cash Flows from Financing Activities	374400

Task 4.13. Based on above data, calculate operating Sash-flow direct method Merks Inc: payment of interest on loans – 1,000 USD; cash expenditures on personnel – 1500 UAH. cash receipts from the sale of goods (works, services) – 15 000 UAH , other receipts that are not included in investing and financing activities – 5,000 UAH. payments for raw materials, services – 10 000 UAH. received interest on bonds – 650 UAH. Revenue from the sale of foreign currency – 350 UAH; income from investments in associates – 1000 UAH. payment of income tax – 350 UAH.

Chapter 5

THE ESSENCE OF THE CURRENT ASSETS IN THE FOREIGN ECONOMIC ACTIVITY OF COMPANY

Questions for discussion

1. The essence of the current financial needs.
2. Determination of current assets of companies.
3. Classification of current assets of companies.
4. Composition of current assets.
5. Sources of forming of current assets.
6. Description of current assets on such signs: depending on participating in the rotation of money, methods of planning.

Practical tasks

Task 5.1. Multiple choice questions.

- 1. How is the size of own circulating assets determined?**
 - a) difference between equity and permanent assets;
 - b) difference between the average size of the accounts receivable and payable;
 - c) correlation between capital and current assets;
 - d) there is no correct answer.
- 2. Which of the following is not included in company current assets?**
 - a) raw materials and materials stocks;
 - b) cash in company's accounts;
 - c) short-term receivables;
 - d) long-term receivables.
- 3. Current production assets include:**
 - a) raw materials and materials;
 - b) advanced funds pending on hiring production personnel;
 - c) finished products;
 - d) cash payments that provide production process.
- 4. If the duration of current assets turnover increases, this means their:**
 - a) release from the turnover;

- b) engagement in turnover;
- c) liquidity increasing;
- d) liquidity reduction.

5. If the effectiveness multiplier has increased, so the negotiability in days:

- a) will increase;
- b) will not change;
- c) will decrease.

6. Operating cycle – is:

- a) inventory turnover + finished goods turnover;
- b) payables turnover + finished goods turnover;
- c) inventories turnover + payables turnover;
- d) inventories turnover + receivables turnover.

7. Financial cycle is operating cycle:

- a) plus payables turnover;
- b) plus accounts receivable turnover;
- c) minus payables turnover;
- d) minus the accounts receivable turnover.

8. Profitability of sales and current assets turnover ratio are based on:

- a) directly proportional;
- b) inversely proportional;
- c) there is no correct answer.

9. Scope of circulation serves this component of working capital:

- a) finished goods;
- b) work in progress;
- c) funds in banks accounts and cash, payments, accounts receivable;
- d) shipped finished goods;
- e) expenditures of future periods.

10. Current assets are divided into the financial features according to their types and identity:

- a) own and borrowed;
- b) gross and net;
- c) stock material and financial;
- d) permanent and temporary.

Review problems

Task 5.2

Input data

Determine the amount and growth of the total working capital by economic method based on the following data:

1) Comprehensive standard at the beginning of the base year – 1800 ths UAH, including low-value, high-wear items, prepaid expenses, spare parts for repair – 20%.

2) In year under planning is expected to increase the volume of the finished products by 14% and to accelerate the turnover of capital by 2,5%.

Problem solving procedure.

$$\begin{aligned} &1) \text{ Definition of non-production standard at the beginning of the year} = \\ &= \text{Comprehensive standard at the beginning of the base year} \cdot (\text{low-value, high wear} \\ &\quad \text{items, prepaid expenses, spare parts for repair}) / 100. \end{aligned} \quad (5.1)$$

$$\begin{aligned} &2) \text{ Determination of production standard for the beginning of the year} = \\ &= \text{Comprehensive standard at the beginning of the base year} - \text{non-production stand} \\ &\quad \text{ard at the beginning of the year.} \end{aligned} \quad (5.2)$$

$$\begin{aligned} &3) \text{ Comprehensive standard for year under planning} = \text{Manufacturing standard} + \\ &\quad + \text{Non-manufacturing standard.} \end{aligned} \quad (5.3)$$

$$\begin{aligned} &4) \text{ Determination of the total needs in working capital due to the expected} \\ &\text{release of working capital as a result of working acceleration} = \text{Comprehensive} \\ &\text{standard for year under planning} - (\text{Comprehensive standard for year under} \\ &\quad \text{planning} \cdot \text{turnover of capital} / 100\%). \end{aligned} \quad (5.4)$$

$$\begin{aligned} &5) \text{ Increasing the total standard for year under planning} = \text{Total needs in work-} \\ &\text{ing capital due to the expected release of working capital as a result of turnover} \\ &\text{acceleration} - \text{Comprehensive standard at the beginning of the base year.} \end{aligned} \quad (5.5)$$

Solution to problems.

1) Definition of non-production standard at the beginning of the year:

Put a value after a problem specification (5.1):

$$1800 \cdot (10\% + 5\% + 5\%) / 100\% = 360 \text{ ths UAH.}$$

2) Determination of production standard for the beginning of the year:

Put a value after a problem specification (5.2):

$$1800 - 360 = 1440 \text{ ths UAH.}$$

3) Taking into account the increase in the volume of finished products:

– Manufacturing standard = $1440 \cdot 114\% / 100\% = 1641,6$ ths UAH.

– Non-manufacturing standard = $360 \cdot 107\% / 100\% = 385,2$ ths UAH.

4) Comprehensive standard for year under planning (5.3):

Put a value: $1641,6 + 385,2 = 2026,8$ ths UAH.

5) Determination of the total needs in working capital due to the expected release of working capital as a result of turnover acceleration (5.4):

Put a value: $2026,8 - (2026,8 \cdot 2,5\% / 100\%) = 1976,1$ ths UAH.

6) Increasing the total standard for year under planning:

Put a value after a problem specification (5.5):

$$1976,1 - 1800,0 = 176,1 \text{ ths UAH.}$$

Answer. Planned growth of total standard for year under planning – 176,1 ths UAH.

Task 5.3

Input data

Define standard working capital for the finished product, provided that:

1) Rate of margin finished products: acquisition products – 3 days, selection – 3 days, package – 1 day, shipping – 2 days, time on paperwork – 1 day.

2) Production costs in the plan year – 21 100 UAH.

Problem solving procedure.

Norm of working capital for finished products = one-day output for the 4-th quarter · norm margin of working capital. (5.6)

Solution to problems.

1) Define the norm margin of working capital:

Norm margin of working capital = $3 + 3 + 1 + 2 + 1 = 10$ days.

2) Determine the amount of the one-day output for the 4-th quarter:

One -day output for the 4-th quarter = $21100 / 365 = 57,8$ UAH.

3) We define the norm of working capital for the finished product (5.6):

Norm of working capital for finished products = $10 \cdot 57,8 = 578$ UAH.

Answer. Norm of working capital for finished product – 578 UAH.

Questions for self-control

1. What are the problems of current assets in modern companies?
2. Describe the composition and structure of company current assets.
3. For what purpose current assets valuation is carried out?
4. What are standard methods for total current assets calculating?
5. How are the manufacturing and non-manufacturing regulations on economic method calculated?

Tasks for self-control

Task 5.4

Input data

Determine the amount and growth of the total working capital with the help of standard economic method based on the following data:

1) Cumulative standard at the beginning of the base year – 3600 ths UAH, including the low-value, high-wear items, prepaid expenses, spare parts for repair – 40%.

2) In the planning year is planned to increase the volume of the finished product by 16% and to accelerate the capital turnover by 5%.

Task 5.5

Input data

Define the standard working capital for the finished product, provided that:

1) Rate of finished products margin: acquisition products – 4 days, selection – 2 days, package – 1 day, shipping – 4 days, time on paperwork – 2 days.

2) Production costs in the planned year – 24 800 UAH.

Task 5.6

Input data

Define the standard working capital for the finished product, provided that:

1) Rate of finished products margin: acquisition products – 3 days, selection – 4 days, package – 1 day, shipping – 4 days, time on paperwork – 5 days.

2) Production costs in the planned year – 45 000 UAH.

Chapter 6

STRUCTURE OF CURRENT ASSETS IN THE FOREIGN ECONOMIC ACTIVITY OF COMPANY

Questions for discussion

1. Structure of current assets of companies.
2. Characteristics of current assets of company.
3. Composition and presence of current assets, their influence on the results of activity of company.
4. Describe the indexes of presence and efficiency of the use of current assets.
5. Influence of current assets on the financial state of company.

Review problems

Task 6.1

Input data

Determine the standard turnover stock for certain types of basic stock materials on the basis of the data:

1. Requirement of company in basic stock materials in planned quarter: the material «A» – 58 ths UAH, material «B» – 36 ths UAH.
2. Time delivery of stock materials from the supplier to the consumer (days): material «A» – 10 days, material «B» – 7 days;
3. Length of document management (days): material «A» – 6 days, material «B» – 4 days;
4. Time required for the receipt of materials and preparing of them for production (days): material «A» – 2 days, material «B» – 1 day;
5. Middle interval of materials supply (days): material «A» – 32 days, material «B» – 16 days.

Problem solving procedure.

$$\begin{aligned} \text{Norm of working capital for finished products} &= \\ &= \text{one-day charges} \cdot \text{norm of supply}. \end{aligned} \quad (6.1)$$

$$\begin{aligned} 1) \text{ One-day charges for products «A» and «B» are respectively} &= \\ = \text{Requirement of company in basic stock materials in planned quarter} &/ \\ / \text{ amount of days in a quarter.} & \end{aligned} \quad (6.2)$$

2) The rate of reserve margin includes transportation inventory, warehousing and insurance reserve.

$$\begin{aligned} & \text{Transportation inventory for goods «A» and «B» are respectively} = \\ & = \text{Time delivery of stock materials from the supplier to the consumer} - \\ & \quad - \text{Length of document management.} \end{aligned} \quad (6.3)$$

$$\begin{aligned} & \text{Current stock (50\% of the interval between deliveries)} = \\ & = \text{Middle interval of stock materials supply} / 2. \end{aligned} \quad (6.4)$$

$$\text{Safety stock (50\% of current)} = \text{Current stock} / 2. \quad (6.5)$$

$$\begin{aligned} & 3) \text{ The total rate of supply for products «A» and «B» are respectively} = \\ & \text{Transportation inventory for products «A» and «B» are respectively} + \\ & + \text{Current stock} + \text{Safety stock} + \text{Time required for the receipt of stock} \\ & \quad \text{materials and preparing of them production.} \end{aligned} \quad (6.6)$$

4) Ratio of current assets for products «A» and «B» are respectively:

$$\begin{aligned} & \text{Norm of working capital for finished products «A» and «B» are respectively} = \\ & \text{One-day charges for products «A» and «B» are respectively} \cdot \text{Total rate of stock} \\ & \quad \text{for products «A» and «B» are respectively.} \end{aligned} \quad (6.7)$$

Solution to problems.

1) One-day charges for products «A» and «B» are respectively:

Put a value for products «A»: $58000 / 90 \text{ days} = 644 \text{ UAH}$;

Put a value for products «B»: $36000 / 90 \text{ days} = 400 \text{ UAH}$.

2) The rate of reserve margin includes transportation inventory, warehousing and insurance reserve.

Transportation inventory for goods «A» and «B» are respectively (6.3):

for product «A»: $10 - 6 = 4 \text{ days}$;

for product «B»: $7 - 4 = 3 \text{ days}$.

Current stock (50% of the interval between deliveries) (6.4):

for product «A»: $32 / 2 = 16 \text{ days}$;

for product «B»: $16 / 2 = 8 \text{ days}$.

Safety stock (50% of current) (6.5):

for product «A»: $16 / 2 = 8$;

for product «B»: $8 / 2 = 4$

3) Total rate of stock for products «A» and «B» are respectively (6.6):

Transportation inventory for products «A» = $4 + 16 + 8 + 2 = 30 \text{ days}$;

Transportation inventory for products «B» = $3 + 8 + 4 + 1 = 16 \text{ days}$.

4) Ratio of current assets for products «A» and «B» are respectively (6.7):

Norm of working capital for finished products «A» = $644 \cdot 30 = 19320$ UAH;

Norm of working capital for finished products «B» = $400 \cdot 16 = 6400$ UAH.

Answer: Norm of working capital for finished products «A» – 19 320 UAH, norm of working capital for finished products «B» – 6400 UAH.

Questions for self-control

1. Characterize the efficiency and working capital indicators.
2. How is working capital standard for raw stock materials, semi-finished products, purchasing semi-finished products calculated?
3. How is working capital standard for work in progress calculated?
4. Name and describe the main stages of current assets turnover at the company.
5. What are the main indicators of working capital availability and efficient use?

Tasks for self-control

Task 6.2. Fill in the missing information.

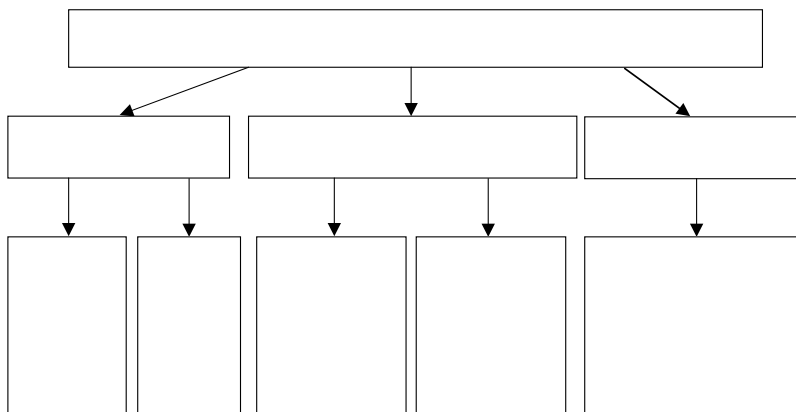


Fig. 6.1. Classification of current assets by degree of liquidity and investment risk

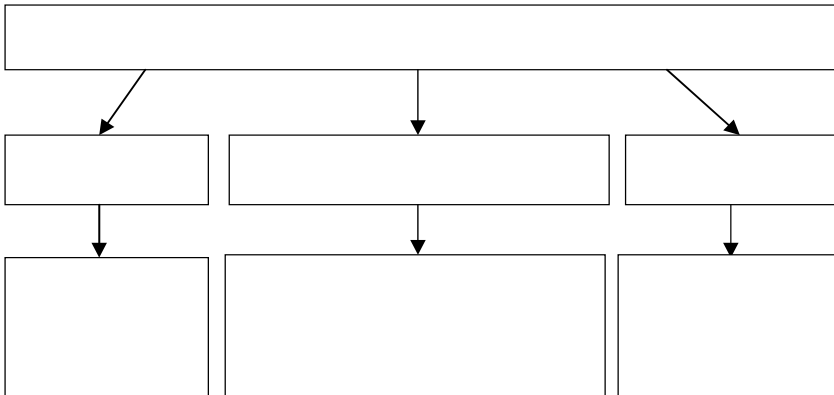


Fig. 6.2. Sources of current assets formation

Task 6.3. Fill in the gaps.

1. _____ – part of the company’s capital, invested in current assets are returned during one production cycle.
2. _____ – tools which ensure optimal planning needs in financial resources for the company current activity and are determined as the difference between the amount of equity and long-term capital raised and the largest non-current assets of the company.
3. _____ – the elements of working capital tools as for which effective planned requirements are determined.
4. _____ – index, which is determined in days, percentage, UAH for calculating of standards working assets.
5. _____ – the optimum need for working capital that is determined by the individual articles and the whole venture into monetary terms.

Task 6.4. Key terms and concepts.

Terms	Description
1. Working capital	A. Means to ensure the optimal planned need for financial resources for the current activity of company are determined as the difference between the amount of company own and long-term debt capital and the value of non-current assets.
2. Current assets	B. Part of the capital invested in current assets, which returns during one production cycle.
3. Working capital	C. Funds advanced to the current production assets and funds of the reference.

Terms	Description
4. Standard of current assets	D. The indicator of working capital efficiency.
5. Normative working capital	E. Indicator defined in days, percentage, UAH to calculate standards for working capital.
6. Working capital turnover	F. Optimal working capital needs, as determined by the constituent items and the whole company in monetary terms.

Task 6.5. Divide the indicators used for current assets assessment, indicators of availability and efficiency of working capital usage. To do this, put at the appropriate letter.

Groups of indicators	Individual indicators
1. Indicators of current assets availability	A. Own circulating assets
	B. Convertibility of circulating assets
	C. Convertibility coefficient
2. Performance indicators of working capital usage	D. Value of fixed assets at company assets
	E. Return on working capital
	F. Load factor

Task 6.6

Input data

Determine the standard turnover stock for certain types of basic stock materials on the basis of the data:

1. Requirement of company in basic stock materials in planned quarter: the material «A» – 62 ths UAH, material «B» – 44 ths UAH.

2. Time delivery of stock materials from the supplier to the consumer (days): material «A» – 13 days, material «B» – 9 days;

3. Length of document management (days): material «A» – 6 days, material «B» – 7 days;

4. Time required for the receipt of stock materials and preparing of them for production (days): material «A» – 3 days, material «B» – 2 day;

5. Middle interval of stock materials supply (days): material «A» – 34 days, material «B» – 22 days.

Chapter 7

LOANS IN THE FOREIGN ECONOMIC ACTIVITY OF COMPANY

Questions for discussion

1. The movement of funds of companies and the need to attract loans.
2. Causes of credit relations.
3. Objects of subjects and objects of credit relations.
4. Classification of loans granted to companies.
5. Types of bank loans and their characteristics.
6. The procedure of bank loan.
7. Assessment of creditworthiness of the borrower.
8. Non-bank lending.

Practical tasks

Task 7.1. Multiple choice questions.

1. Basic principles of lending are:

- a) maturity, repayment, security, serviceability;
- b) security, payment, repayment, long maturity;
- c) return, liquidity, payment, inflation protection;
- d) there is no correct answer;
- e) all answers are correct.

2. What are the principles of lending means that the loan must be repaid within a certain period:

- a) security;
- b) return;
- c) urgency;
- d) pay.

3. What are the principles of lending means that the loan must be repaid within the period defined by the credit agreement:

- a) security;
- b) return;
- c) urgency;
- d) serviceability.

4. What are the principles of lending means that a company has a legally-binding documents guaranteeing the timely return of the loan: the pledge obligation, contract-based on warranty, contract, guarantee:

- a) security;
- b) return;
- c) urgency;
- d) serviceability.

5. What is the principle of lending means that the company should make the bank a fee for credit:

- a) security;
- b) return;
- c) urgency;
- d) pay.

6. What benefits does at company get an unsecured loan:

- a) reduction of the interest rate for loan use;
- b) reduction in the cost of credit;
- c) preservation of rights management and disposal of property;
- d) all of the answers are correct.

7. What are the consequences for the company when it receives a loan secured by the property (buildings):

- a) shortfall of the profit from the sale of property subject pledge that, due to the fact that it can not be realized;
- b) loss of assets at default credit obligations;
- c) there is no right answer;
- d) all of the above mentioned consequences.

8. How will the demand for loan capital for working capital while reducing the length of the operating cycle (ceteris paribus):

- a) decrease;
- b) increase;
- c) will not change.

9. What are the causes of the credit relationship relate to general economic causes:

- a) commodities production;
- b) seasonal nature of certain industries;
- c) value movement in the commodities exchange;
- d) differences between the accumulation of funds and their spending at company;

- e) operation of commercial companies on the basis of calculation;
- f) deviation of the actual use of working capital from their norm in the individual circuit circulating capital companies.

10. What are the causes of credit relations are specific:

- a) commodities production;
- b) seasonal nature of certain industries;
- c) value movement in the commodities exchange;
- d) differences between the accumulation of funds and their spending at the company;
- e) operation of commercial companies on the basis of calculation;
- f) deviation of the actual use of working capital from their norm in the individual circuit circulating capital companies.

Review problems

Task 7.2

Input data

On the basis of the data necessary to determine the standard for working capital according to unfinished production:

- issue of commodity production according to manufacturing cost in a planned quarter will be 4500 ths. UAH.
- production cycle – 20 days;
- productive prime price of unit of products – 3200 UAH, including the cost of stock materials at a start production – 1 580 UAH, cost of next charges – 1620 UAH.

Problem solving procedure

$$\text{Norm of working capital in progress} = \text{one-day charges according to plan} \cdot \text{duration of productive cycle} \cdot \text{multiplier of increase of charges.} \quad (7.1)$$

$$\text{Multiplier of increase of charges} = (\text{stock material cost at start} + 0,5 \text{ cost of next charges}) / (\text{stock material cost at start} + \text{cost of next charges}). \quad (7.2)$$

Solution to problems.

- 1) One-day charges according to the plan:
 $4500 / 90 = 50 \text{ ths UAH.}$
- 2) Multiplier of increase of charges is follows (7.2):
 $1580 + (0,5 \cdot 1620) / (1580 + 1620) = 0,75.$

- 3) Norm of working capital in progress (7.1):
 $50000 \cdot 0,75 \cdot 20 = 75$ ths UAH.

Answer. Norm of working capital in progress – 75 ths UAH.

Task 7.3

Input data

Based on the data necessary to determine the capital turnover and the amount of their release or to attract additional turnover (ths UAH).

– Sales volume for the quarter: plan – 6480 UAH, actually – 7130 UAH.

– Average balances of current assets: plan – 320 UAH, actually – 340 UAH.

Problem solving procedure.

$$\textit{Term of rotation of working capital} = \textit{middle bits and pieces of working capital} \cdot \textit{duration of period for that a rotation is calculated} / \textit{volume of realization.} \quad (7.3)$$

$$\textit{Turnover accelerating} = \textit{term of rotation of working capital by actually} - \textit{term of rotation of working capital by plan.} \quad (7.4)$$

Solution to problems

- 1) Define planned and actual turnover period (7.3):

Term of rotation of working capital by plan = $320 \cdot 120 / 6480 = 4,45$ days.

Term of rotation of working capital by actually = $340 \cdot 120 / 7130 = 4,3$ days.

- 2) Turnover accelerating (7.4): $4,3 - 4,45 = - 0,1$.

- 3) One-day actual product sales is:

$$7130 / 90 = 79,2 \text{ ths UAH.}$$

4) The amount of funds release is as follows: $79,2 \cdot 0,1 = 7,92$ ths UAH.

Answer. Total of freeing of working capital – 7,92 ths UAH.

Task 7.4

Input data

Nominal cost of bill of exchange – 350 ths UAH. Bank buys the companies bill for 90 days prior to its maturity at the rate of 10% per annum.

Determine the nominal value net of discount notes, the bank pays the company.

Name documents, what LTD «Beta» gives to the bank for signing of agreement on the account of bills of exchange.

Problem solving procedure

Discount that the company pays to the bank = cost of bill of exchange · amount of days is to redemption of bill of exchange · interest rate / 365 · 100%. (7.5)

Solution to problems

1) Calculate the discount that the company pays to the bank (7.5):
 $350 \cdot 90 \cdot 10\% / 365 \cdot 100\% = 8,65$ (ths UAH).

2) Bank will pay the company a nominal value net of discount notes:

$$350 - 8,650 = 341,35 \text{ (ths UAH).}$$

3) To sign the agreement on accounting bills, company provides the bank with the following documents:

- statement;
 - original bill proposed to discounting;
 - two copies of the bill;
 - copies of the company's founding documents – the owner of the bill;
 - balance sheet and income statement for the last reporting period;
 - certificate of operations at the main current account;
 - document, confirming the commodity nature of the bill.
- Answer.** The nominal value of discount notes – 341,4 ths UAH.

Questions for self-control

1. What is the reason for company financing? What factors affect the level of demand for working capital?

2. Which groups of loans, depending on the availability of security, are allocated? What assets can be used as collateral?

3. Expand the features of the provision and the use of credits in foreign currency.
4. Describe the main stages of the credit transaction. What the ultimate reasons should be considered when obtaining a loan?
5. Name the features of credit under the discounting of bills.
6. Expand the essence and peculiarities of the banking, commercial and leasing crediting.
7. Give a description of the subjects and objects of credit relations.
8. On what grounds can loans that are available for the company be classified?
9. What are the forms of loans?
10. What are the peculiarities of crediting small and medium companies?

Tasks for self-control

Task 7.5. Fill in the missing information.

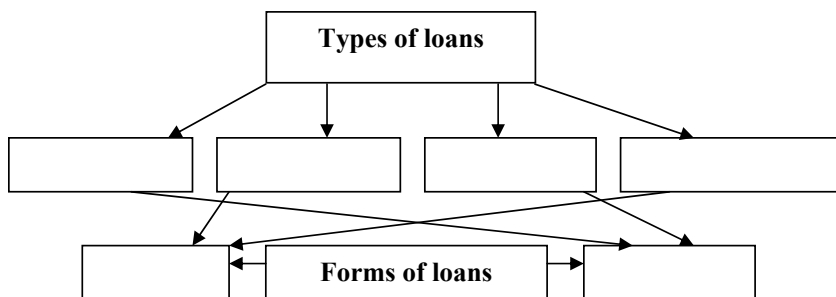


Fig. 7.1. Loan types

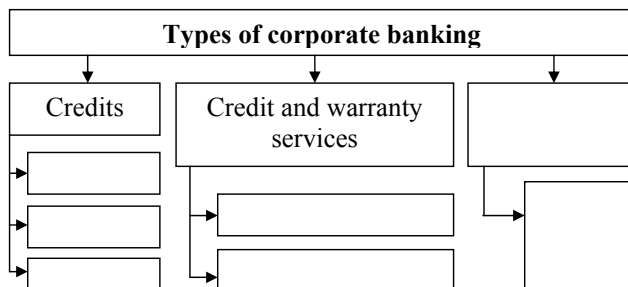


Fig. 7.2. Types of corporate banking

Task 7.6. Fill in the table regarding the classifications of factoring operations and their species (Table 7.1).

Table 7.1

Classification of factoring operations

Features of classification	Types of factoring operations
1. Location of factoring operations	1.1. 1.2.
2. Degree of scope of products that will be realized	2.1. 2.2.
3. The way of the debtors' companies informing	3.1. 3.2.
4. The form of the relations between company and bank	4.1 4.2
5. Completeness of service provision	5.1 5.2
6. Order of payment settlement of supplier's documents	6.1 6.2

Task 7.7. Fill in the gaps.

1. _____ – funds provided by residents or non-residents in the use of legal or natural persons in due time and under a certain percentage.

2. _____ – providing business entities with bank loans on the basis of payment for domain and return.

3. _____ – contract agreement (association of banks) lend the borrower loans, limited to a certain maximum value (credit limit) within a certain time.

4. _____ – the presence of preconditions for the loan borrower capacity it back fully in due time.

Task 7.8. Key terms and concepts.

Signs of classification	Types of factoring operations
1. Location of factoring operations	A. Factoring
	B. Full factoring
2. The level of coverage of factoring products sold by	C. Factoring with pre-payment
	D. Payment of all sales
3. The way of the message of debtors' companies	E. Factoring without recourse
	F. Open factoring
4. The form of relations between company and the bank	G. Payment is a part of sold products
	H. Domestic factoring

Signs of classification	Types of factoring operations
5. Completeness of services provision	K. Factoring with recourse
	L. Partial factoring
6. Order of payment supplier's settlement documents	M. Factoring without prepayment
	N. Closed factoring

Task 7.9. Key terms and concepts.

Types of loans	Definition
1. Bank	A. the relationship between entities that arise in the case of leasing property.
2. Commercial	B. Economic and credit relationships between the state and the entities.
3. State	C. The economic relations between lender and borrower regarding the provision of funds by the company under the domain, payment, return, material security, target orientation.
4. Leasing	D. Economic, credit relationships that arise between individual companies.

Task 7.10. Match loans and credit services, which are provided to businesses by the banks, with their definitions. Put a corresponding letter with the number.

Loans and services of credit character that are provided to businesses by banks	Definitions
1. Term credit	A. Loan, which provides for the collection of the borrowing company of the bill provided that the company provides the bank with the bill before its maturity date.
2. Line of credit	B. Short-term loan, which the bank provides to a reliable company over the current account balance (within an agreed amount) through its debits current account
3. Overdraft	C. A loan when the Bank accepts responsibility for its obligations in the form of surety or guarantee.
4. Credit under bill discounting	D. The consent of the creditor's bank to provide credit in the future in the amounts that do not exceed a predetermined amount for a certain period of time without additional negotiations.

Loans and services of credit character that are provided to businesses by banks	Definitions
5. Acceptance credit	E. Short-term loan which provides financial institution bearer bills, buying them before the deadline for the fulfillment of obligations on them and paying par value bearer promissory notes, net of discount.
6. The aval credit	F. The financing system, provided that the company-supplier of the goods short retreats requirements on trading commercial bank.
7. Factoring	G. Credit, which is available completely immediately after conclusion of the credit agreement.

Task 7.11. Key terms and concepts.

Types of factoring operations	Definitions
1. Domestic factoring	A. Type of factoring, when the company – supplier informs company buyer (debtor) that the right to receive payment ceded to the bank or factoring company.
2. External factoring	B. Type of factoring, which provides that the bank (the factoring company) agrees to pay the supplier sent him the settlement documents only on the day of payment documents debtor.
3. Conventional factoring	C. Type of factoring, which allows the bank (the factoring company) to return the company – supplier vouchers, which refused to pay for the buyer and require the return of supplying company funds.
4. Confidential factoring	D. Type of factoring, which provides that one of the parties of the factoring agreement is abroad.
5. Factoring with recourse	E. Type of factoring, which provides immediate payment provider settlement documents as soon as they are supplied to the bank (the factoring company).
6. Factoring without recourse	F. Type of factoring, which provides that the supplier and its counterparty bank located in the same country
7. Factoring prepaid	G. Type of factoring, which provides that the bank (the factoring company) assumes the entire risk of payment.
8. Factoring without prior payment	H. Type factoring, which provides that no counterparty provider does not know about them assignable rights to receive payment bank?

Task 7.12. Key terms and concepts.

Signs of classification	Types of loans
1. By way of repayment of	A. Discount
	B. The questions
	C. Cancellation in a definite term
2. By the nature of redemption	D. Depreciation
	E. With a long-term repayment
	F. Loans which are gradually repaid
	G. Loans which are repaid with lump total payments

Task 7.13

Input data

The nominal value of the bill – 750 ths UAH. Bank purchases the company bill for 70 days before its maturity at the rate of 12% per annum.

Determine the face value of the bill minus a discount, which pays the bank company.

Task 7.14

Input data

The nominal value of the bill – 900 ths UAH. Bank purchases the company bill for 40 days before its maturity at the rate of 24% per annum.

Determine the face value of the bill minus a discount, which pays the bank company.

Task 7.15

Input data

Based on the data necessary to determine the capital turnover and the amount of their release or to attract additional turnover (ths):

– sales volume for the quarter: plan – 8880 UAH, actually – 8230 UAH;

– average balance of current assets: plan – 350 UAH, actually – 220 UAH.

Task 7.16

Input data

Company uses fuel for technological process. Fuel consumption in the quarter is 227000 UAH. The norm of current stock is 10 days. The norm of safety stock is 30 % of the current stock norm.

It is necessary: to define a working capital standard for fuel.

Methodical instructions ratio of current assets on fuel is charged as well as for raw stock materials. A standard for gaseous fuels and electricity is not calculated.

While calculating it is necessary to take into account the need for fuel for production and non-production purposes. For production purposes need is determined on the basis of the production program and consumption rates per unit of production shops; for non-production – on the basis of the amount of executed works.

Calculation of standard is shown in the table 7.2.

Table 7.2

Calculation of capital current assets on fuel

Indicator	Total
Spending on fuel for the quarter, UAH	
One-day spending on fuel, UAH	
The norm of the current reserve, days	
Provision of insurance reserve, days	
The standard of current assets for fuel, UAH	

Chapter 8

PAYMENT AND CREDIT RELATIONS REGULATION IN THE FOREIGN ECONOMIC ACTIVITY OF COMPANY

Questions for discussion

1. The essence of monetary relations companies.
2. The subjects of monetary relations companies.
3. Functions of monetary subjects.
4. Structure of monetary regulation.
5. The mechanism of state regulation of company.
6. The financial basis of public support.

Practical tasks

Task 8.1. Multiple choice questions.

1. In which organizational forms can be founded company with foreign investments in Ukraine?

- a) joint-stock company;
- b) Permanent Representative Office of a foreign company;
- c) limited liability company;
- d) branch of a foreign company;
- e) private company.

2. The main criteria for deciding on the choice of legal form business organization include the following:

- a) minimum amount of the authorized capital;
- d) minimization of dividend payments;
- c) legislative requirements regarding the type of activity;
- d) minimization of taxation;
- e) level of responsibility of the owners.

3. Members of the society with additional liability company responsible for the debts of the company...

- a) only within their deposits in authorized capital;
- b) his contributions to the share capital and partly due to them for private property;
- c) his contributions to the share capital and all his private property;

- d) their donations to the authorized and additional capital company;
- e) within the framework of their contributions to the share capital and additionally purchased bonds of the company.

4. The shareholders of the company are responsible for the obligations of the company...

- a) only within the limits of their shares;
- b) his contributions to the share capital and partly due to them for private property;
- c) his contributions to the share capital and all his private property;
- d) their donations to the authorized and additional capital company;
- e) within the framework of their contributions to the share capital and additionally purchased bonds of the company.

5. Participants complete the Association responsible for the debts of the company.

- a) only within their deposits in authorized capital;
- b) his contributions to the share capital and partly due to them for private property;
- c) his contributions to the share capital and all its property;
- d) their donations to the authorized and additional capital company;
- e) within the framework of their contributions to the share capital and additionally purchased bonds of the company.

6. Which of the following characteristics of the private entrepreneurs are correct?

- a) private entrepreneur can open a checking account in a bank;
- b) the subjects of entrepreneurial activity – physical person must make up an independent balance;
- c) private entrepreneur responsible for the debts of the entity, the owner of which he is, all of its property;
- d) private entrepreneur can only be a citizen of Ukraine;
- e) taxation of income of private entrepreneurs is regulated by the legislation on profitable tax individuals.

7. Which of the following characteristics of private company are correct?

- a) private company might not have authorized capital at the time of registration;

- b) in private company can have only one owner;
- c) owner of private company is responsible for debts companies all his property;
- d) private company has independent balance;
- e) the founders of private company can only be residents.

8. Which of the following characteristics of the State company are correct?

- a) state-owned companies cannot be founders of companies of any subjects of entrepreneurial activity;
- b) the decision to increase the share capital the SE accepted the labor collective;
- c) distribution of the net profit of the company is carried out by decision of the labour collective;
- d) directors, by his/her Deputy Heads of state do not directly engage in business activity.

9. State-owned company:

- a) meet its obligations of funds and all other property;
- b) when the deficiency of funds and property liable for their obligations shall be the appropriate state authority;
- c) have the right to join associations, consortiums, corporations and other associations of companies only in consultation with State authorities;
- d) have the right to purchase corporate rights of other companies;
- e) operates a financial plan, approved by the relevant ministry.

10. Non-residents when making financial investments in Ukraine have such perks:

- a) do not pay for 5 years income tax;
- b) do not pay customs when making contributions into the authorized capital of the company-resident;
- c) do not pay customs payments when purchasing from outside of Ukraine any raw stock material, materials and components necessary for the activities of the company with foreign investments;
- d) there is no correct answer.

11. Which of the following is an integral loan capital of the company?

- a) receivable on notes issued;
- b) payable on the notes receivable;
- c) trade accounts receivable;
- d) receivable for advances paid.

12. What are objective factors that determine the peculiarities of companies individual turnover?

- a) the level of production organization;
- b) the nature of the production process;
- c) the level of sales and supplies organization;
- d) seasonality of production;
- e) there is no correct answer.

13. What are subjective factors contributing to the peculiarities of company individual turnover:

- a) the level of production organization;
- b) the nature of the production process;
- c) the level of sales and supplies organization;
- d) seasonality of production;
- e) there is no correct answer.

14. Which sectors of the economy is characterized by relatively uniform appearance circulation of funds:

- a) the oil sector;
- b) light;
- c) coal;
- d) food;
- e) metals;
- f) forest;
- g) agriculture.

15. Which sectors predominantly inherent uneven view of the circuit means:

- a) the oil sector;
- b) light;
- c) coal;
- d) food;
- e) metals;
- f) forest;
- g) agriculture.

16. A loan that involves retrieving fees for the loan at the time it is granted, is called:

- a) surety;
- b) depreciation;
- c) a discount;
- d) normal;

e) all of the answers are wrong.

17. The amount of interest on a loan granted by the bank to the company – the borrower – is:

- a) included in the gross revenue of the company and subject to taxation;
- b) is included in the gross costs of the company;
- c) does not affect the size of the gross revenue and the amount of taxable income;
- d) does not affect the size of the gross expenditure;
- e) reduces the amount of accrued income taxes.

18. Credit, provided by the banks association to one borrower, called:

- a) syndicated;
- b) commercial;
- c) consortia;
- d) open account;
- e) all of the answers are wrong.

19. Interest rates on loans can be:

- a) fixed;
- b) floating;
- c) stable;
- d) progressive;
- e) all answers are correct.

20. What is different acceptance credit from aval credit:

- a) the surety is a warranty service, and acceptance is not;
- b) aval loan is a loan of «Aval»;
- c) the different nature of the responsibility of the bank;
- d) acceptance credit provided solely drawer;
- e) all of the answers are wrong.

21. What kind of machines repair or equipment is carried out to restore the production of the resource object being repaired, with full disassembly of the machine or the machine, control of technical condition, Assembly, regulation and trials?

- a) average;
- b) capital;
- c) current.

22. Intellectual property, and other similar rights, legally recognized company object of ownership are called:

- a) plant and equipment;
- b) current assets;
- c) capital investments;
- d) intangible assets.

23. Indicators of technical condition of plant and equipment include:

- a) the coefficient of restitution;
- b) the ratio of input;
- c) wear factor.

24. Indicators of movement of plant and equipment include:

- a) retirement rate;
- b) elimination coefficient;
- c) profitability of fixed assets.

25. The efficiency indicators of plant and equipment include:

- a) validity coefficient;
- b) growth rate;
- c) assets ratio of fixed assets.

Review problems

Task 8.2

Input data

Determine the possibility of providing company with a loan for the purchase of raw stock materials according to the balance sheet:

- cash – 70 ths UAH.
- requirements are easily implemented – 140,5 ths UAH.
- elements of the rationed working capital, that easily will be realized – 54 ths UAH.
- loans and other borrowings – 123 ths UAH.
- settlement and other liabilities – 34,5 ths UAH.

Problem solving procedure

$$\text{Liquid money} = \text{cash} + \text{requirements} + \text{normative working capital.} \quad (8.1)$$

$$\text{Liquid assets to calculate the coverage ratio} = \text{cash} + \text{requirements are easily implemented} + \text{elements of the rationed working capital, that easily will be realized.} \quad (8.2)$$

Liabilities, that is subject to redemption = loans and other borrowings + settlement and other liabilities. (8.3)

Solution to problems

1) Liquid assets to calculate the coverage ratio (8.1):

$$70 + 140,5 + 54 = 264,5 \text{ (ths UAH).}$$

2) Liquid assets for the liquidity calculating (8.2):

$$70 + 140,5 = 210,5 \text{ (ths UAH).}$$

3) Liabilities, that is subject to redemption (8.3):

$$123 + 34,5 = 157,5 \text{ (ths UAH).}$$

4) Balance ratio: $264,5 : 157,5 = 1,68$.

5) Liquidity ratio: $210,5 : 157,5 = 1,3$ (at a rate of not less than 0,5).

The liquidity ratio of the balance above the standard value, hence there is the possibility of providing company with a loan for the purchase of raw stock materials.

Answer. Current ratio – 1,3.

Questions for self-control

1. Public finance and State budget.

- 1.1. Give a definition of the concept of «public finance».
- 1.2. Give a definition of «public credit».
- 1.3. Give a definition of budget system.
- 1.4. List the principles on which the budget system.
- 1.5. Give a definition of «income», list them.
- 1.6. Give a definition of the concept of «budget», list them.
- 1.7. Give a definition of «budget classification».

2. The budget process.

- 2.1. Give a definition of «budget process».
- 2.2. Define the term «budget».
- 2.3. What are the budget process participants?
- 2.4. List the stages of the budget process.
- 2.5. Give a definition of «budget surplus» and «budget deficit».
- 2.6. What sources cover the budget deficit.
- 2.7. Give a definition of «grant».

3. Off-budget funds.

- 3.1. Give a definition of the concept of «off-budget fund».
- 3.2. What are the types of extra budgetary funds?
- 3.4. Describe the compulsory medical insurance fund.
- 3.5. Describe the social insurance fund.
- 3.6. What are the sources of funds for extra budgetary funds?

Tasks for self-control

Task 8.3. Key terms and concepts.

Groups of sources of financing capital investment	Sources of funding capital investment
1. Own financial resources	A. Aids charities
	B. Long-term loans from commercial banks
	C. Means of state and local budgets
	D. Depreciation charges
2. Centralized financial resources	E. Proceeds from sale of own property
	F. Proceeds from the issue and sale of securities
	G. Non-budgetary funds
3. Attracted and borrowed financial resources	H. Foreign Investment
	K. Using internal resources in construction
	L. Means of company founders

Task 8.4. Key terms and concepts.

Types of repair	Description
1. Current repairs	A. Type of machines repair, equipment, which is carried out for the recovery of the manufacturing resource object that is repaired, with complete disassembling machine or machine, the control of the technical condition, build, adjustment and tests.
2. The average repair	B. Type of repair that is carried out to ensure the support capacity of fixed assets by removing the individual breakdowns and replace or repair parts.
3. Overhaul	C. Type of repair that is carried out for the partial recovery of assets with the replacement or restoration of details and assemblies of limited range, defined by the technical documentation.

Task 8.5

Input data

Determine the possibility of providing company with a loan for the purchase of raw stock materials according to the balance sheet:

- cash – 140 ths UAH.
- requirements are easily implemented – 280 ths UAH.
- elements of the rationed working capital, that easily will be realized – 70 ths UAH.
- loans and other borrowings – 112 ths UAH.
- settlement and other liabilities – 21,5 ths UAH.

Task 8.6

Input data

Determine the possibility of providing company with a loan for the purchase of raw stock materials according to the balance sheet:

- cash – 200 ths UAH.
- requirements are easily implemented – 120,5 ths UAH.
- elements of the rationed working capital, that easily will be realized – 110 ths UAH.
- loans and other borrowings – 98 ths UAH.
- settlement and other liabilities – 48,5 ths UAH.

Task 8.7. Fill in the missing places.

Legal forms of business classification

Right property form	Private	Collective	State
Legal persons			
Without establishing a legal entity			
Association			

Task 8.8. True / false questions.

1. Supervision of banking activities are as regular as trolling bodies and self-regulatory organizations.
2. Bank is the only bank in the country.
3. Combining the banking regulation and supervision of the Central Bank's policy-making in all countries with a market economy of coy.
4. Agents of the bank supervision are auditing companies, specializing in Bank audit.
5. Supervision and control-equivalents.

6. The Central Bank, as the body of prudential supervision is responsible for the maintenance of financial stability of all other banks.

7. Banking supervision is required to maintain financial stability in the country.

8. The number of Bank licenses revoked – an indicator of the effectiveness of banking supervision.

9. Banking supervision can be carried out on the micro-and macro-levels.

10. Supervisors can and should identify common challenges and we in the banking sector.

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