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## THE APPLICATION OF THE SYSTEM APPROACH TO THE CONSIDERATION OF THE NATURE AND CLASSIFICATION OF THE ECONOMIC CONTROL OBJECT

*The paper investigates current approaches to building a classification of economic control. It is proved that the object of control should be considered as a complex real phenomenon. Using a systematic approach to the consideration of the nature and further classification of control, namely the allocation of institutional and legal characteristics and attributes which details the elements of economic systems as complex control, allowed to improve the list of the control principles and outline prospects for further research.*

**Keywords:** economic control, system approach for economic control classification, the organizational and legislative features of economic systems, micro and macro level of economic control.

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## COST MANAGEMENT OF SMALL-SCALE COMPANIES

*In the article the role of the Financial Management in the support of the steady development of the small business has been described. The differences between the small business companies and the big business structures has been shown. The author analyzed the management peculiarities of the small companies by the cost-benefits criteria.*

**Keywords:** cost management, managing small companies, big and small companies, value criteria, investment companies.

### Introduction

Due to the development of market relations in Ukraine, the importance of small-scale companies, which are very mobile and do not require solid primary investments, has been constantly increasing. In economically developed countries, small companies form over 50 % of grow domestic product, so their role in Ukrainian economy will continue to grow.

Currently, small companies have poor management quality. Business management according to cost criterion, which is commonly used by big companies, is not used by small companies. The purpose

of this work is to reveal the reasons of such situation and to find out if business management according to cost criterion is worth implementing within the small companies.

### Literature review

Among foreign specialists that studied this problem are R. Breyli and S. Myers, A. Damodaran, E. Brigham and L. Gapenski, T. Coupland, F. Modigliani, M. Miller. Domestic researchers are Stupichevoy Y. G., Smorochinskiy K. A., Kundius V. A., Mendrul O. G. and others.

Despite serious scientific Ukrainian and foreign background, there are two substantial problems: not enough attention given to questions concerning the evaluation of small companies and possible methods to resolve them.

Differences between small and big companies and the influence these differences make on evaluation and value management of a company require deeper study, formation of new approaches and ways for improvement.

### **Differences between small and big companies**

There are a lot of differences between big and small companies. No matter whether they make products or offer services, are engaged in wholesale or retail trade. Differences between such companies means that they have to be analyzed differently.

In Ukraine the formal features of small business enterprises are outlined in Presidential Decree «On the Simplified System of Taxation, Assessment and Accounting of Small Companies». According to the decree, small companies are obliged to meet the following quantitative requirements: average number of workers should not exceed 50 men; sales proceeds should be less than €500,000. According to the International Organization of Economic Cooperation and Development, companies should be considered small, if there are up to 99 employees, very small—up to 19.

Of course, there are many others quantitative attributes of classification of small companies and each company can group them according to its own criteria. Take commercial banks, for example. Each bank has a department, which works with small companies, however, in each bank there's different approach to differentiation companies into small, middle and big.

In general, domestic scientists do not pay much attention to the question of differences between small companies and large enterprises, while their foreign colleagues explore this problem with much greater enthusiasm. They consider qualitative differences between large companies and small firms to be of primary importance.

The main qualitative feature of a small company is that such company is usually the instrument of self-employment and therefore the relations of hired labour are very hard to differentiate from the relations of the company's ownership. This can be clearly seen on the example of a professional practice. If a professional practice is not big (small law firm), its employees are, at the same time, its joint owners. If it's a large law company, its employees and its owners are usually different people. This qualitative difference between big and small companies shows that there are many other distinctions. For example, its very hard to differentiate between income from salary and property income [1].

Another important difference between large and small companies is that the first ones have institutional attributes. Corporations practically always operate as subjects of economic activity independent of proprietors (in the context of accounting, taxation and perspectives of activity), while small companies to a great extent depend on proprietors. Besides corporations most frequently have a set of features of formal organizations all (the rules of conduct and conducting business are clearly regulated, co-operation between the employees and proprietors are sharply defined), while the companies of small business often operate as informal organizations [6].

Small companies differ, according to the sphere of their activity, their sizes, territorial location, etc. However, in this part, we'll analyze them (at the present time, our purpose is to reveal differences between small and large companies and to determine, how these differences influence the evaluation of small business enterprises) we group small companies into one category, while large companies, – regardless of the sphere of their activity, territorial location etc., – into another.

It should be noted, that there are no clear qualitative or quantitative criteria which would allow to make a clear-cut distinction between large and small companies. Such classification can be done only using the combination of many factors.

In practice analysts often use the set of approaches, methods, and procedures for the estimation of the value of small companies, as well as for the estimation of large corporations. They usually ignore numerous differences between large and small companies. However, such differences exist and are substantial enough, so analysts should take them into consideration when they choose evaluation methods, use evaluation procedures, find and select information for a comparative analysis and determination of a final cost.

Differences between large and small companies can be classified in many ways. It would be reasonable to arrange them into two groups: internal (organizational and operational differences) and external (differences based on terms of activity). Besides, substantial differences between big and small companies emerge during the realization of purchase-sale agreements [5].

Thus, we can name the followings groups of differences:

- operational and organizational differences, that is, differences in the ways the business is organized (organizational form, system of taxation), differences of operation accounting and business financing;
- transaction differences, which take place during the conduction of M&A agreements;
- differences in an information environment, which include differences both in the amount

and in the quality of data, used for market dynamics analysis, and differences in methodology of work with such data.

It is significant that there are no formal rules for business evaluation, according to which the differences between large and small companies are taken into account. Obviously, neither big companies nor small companies are similar, so when evaluating each object, we need to consider its individual features.

### **Managing small companies according to value criterion**

To manage a company according to the value criteria is not widespread in Ukraine; however, during the last five years the popularity of this approach increased. It is mostly used in big companies, where it proves to be very effective. In small companies the value criteria is rarely used; it is explained by the following factors:

- 1) difficulties with corporate valuation;
- 2) directions of management decisions are limited.

The management of small companies rarely makes corporate valuation or other efficiency indexes when making administrative decisions [2]. It's because of many factors. First, managers of small companies do not usually have the proper professional education, and that is why do not have necessary skills to make such calculations. Second, such calculations are inexpedient because of the high level of resource consumption, which is not compensated by the returns of the decision made. Third, such calculations, may provoke problems, typical only for small companies and to deal with them, one would need to attract additional resources.

The reasons why problems arise when one makes corporate valuation of small companies are:

- cash flows of small companies are hardly predictable for the unexpected activity of such companies, as well as for the lack of middle and long-term development strategies;
- it's hard to estimate the discount rate of cash flows because of the limited access to the loan capital market, and the absence of data on the level of market risk.

But even if company's management makes decisions on the base of the value criteria, their administrative decisions are significantly limited. It's mostly because small companies lack funding sources.

Unlike big enterprises, small companies do not have possibilities to attract money in stock market and cannot issue debt securities. Restricted access to the stock market may be partly explained by the poorly developed domestic market (there are not many companies on listing (data sheet), trading volumes are small). Besides, foreign investors are not interested in the small companies on the developed stock exchange due to the low liquidity of their actions. Concerning the emission of debt securities,

small companies are also limited: in general, they want to attract up to 10 million hrn., but the liquidity of such amounts is low and thus is not interesting for market participants. Furthermore, the overhead expenses (to receive credit rating, to conduct audit, and to pay an underwriter) make the emission of small volume economically unprofitable in comparison with a bank credit.

To take a loan from a bank is much more difficult for a small company, than for a big one. It's because of the following factors:

- usually, small companies have short life history and thus do not have time to show itself in the market, and commercial banks do not usually want to grant a loan;
- small companies do not have sufficient security for a debt. Small companies usually work in the sphere of services and have small capital assets which are not enough for a mortgage;
- owner of a small company does not have enough financial resources to finance his share in a project (usually commercial banks demand to cover at least 30 % of general costs).

Besides, small enterprises are often limited in making operational decisions: because of their size not all suppliers and consumers are ready to co-operate with such companies (due to the small order and delivery quantities). Consequently such companies do not frequently take decisions on price policy.

### **Conclusions**

In spite of the described complications, managing small companies according to value criteria becomes more popular among managing owners. Managers of small enterprises are interested to increase the value of the company, while within a big company; this question provokes a conflict of interests between owners and hired management. For small companies, the management based on the value criteria always means the choice of administrative decisions not from all possible decisions, but from the ones, which are available (strategy «the best of available»).

On the whole, the differences between big and small companies are intuitively obvious. However, for their deeper understanding, especially how these differences affect the process of company evaluation and making administrative decisions, wide experience is required. When analyzing small companies, different problems emerge. To resolve them, one needs special knowledge and skills. So it's wrong, when investment companies let their inexperienced workers to analyze small companies. Poor quality of the informative field, lack of statistical data, impossibility to use traditional methods, inability to verify data when evaluating small companies, require from an analyst more knowledge and skills than he needs for evaluation of big companies.

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## УПРАВЛІННЯ ВАРТІСТЮ ПІДПРИЄМСТВ МАЛОГО БІЗНЕСУ

*У статті визначено місце фінансового менеджменту в забезпеченні стійкого розвитку малого бізнесу. Виявлено відмінності компаній малого бізнесу від великих бізнес-структур. Проведено аналіз особливостей управління компаніями малого бізнесу за критерієм вартості.*

**Ключові слова:** управління вартістю, управління малими компаніями, великий і малий бізнес, критерій вартості, інвестиційні компанії.

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## РОЛЬ «ДІЛОВОЇ ЕТИКИ» У ФОРМУВАННІ ОСОБИСТОСТІ СТУДЕНТА

*У статті розглянуто структуру курсу «Ділова етика» й оцінку студентами його впливу на формування особистості та застосування набутих навичок у майбутній практичній діяльності.*

**Ключові слова:** дисципліна «Ділова етика», анкетування, формування особистості студента, майбутня практична діяльність.

### Вступ

Для сучасного етапу розвитку країни характерна перебудова майже всіх ланок життєдіяльності людини, що, у свою чергу, зумовлює значні зміни цілей і завдань навчання. Глобальні проблеми людства змінюють шкалу цінностей, спричиняють зміни у суспільстві, і передусім в освіті. Вмотивованість студентів лише до набуття професійно-орієнтованих знань призвела до того, що людина постає об'єктом, на поведінку якого можна впливати за допомогою загальних стандартів і нормативів. Проте необхідно не забувати набутого досвіду гуманістичної освіти попередніх поколінь, зміст якої полягає у процесі пізнання. З'ясовано, що тільки пізнання шляхом діалогу: викладача зі студентом, студента зі студентом і, нарешті, шляхом внутрішнього

діалогу студента із собою – є запорукою вирішення певних питань у майбутній професійній діяльності. У період навчання в університеті результатом таких діалогів і полілогів відбувається розвиток різноманітних форм мислення. Створюються сприятливі умови не тільки для формування базових та професійно-орієнтованих знань студентів, а й надається певний поштовх до самонавчання, самовиховання, самооцінки, де максимально розкриваються індивідуальні властивості, потенційні можливості кожного студента у пошуку та вирішенні поставлених завдань.

### Постановка проблеми та отримані результати

Навчальний курс «Ділова етика» викладають на бакалаврській програмі для студентів спе-