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FINANCIAL RISKS OF ENTERPRISE AND INSTRUMENTS OF THEIR NEUTRALIZATION

Under reform of the Ukrainian economy and update of organizational framework according to modern world trends of economic development we must focus our attention on a problem solution of minimization of financial risks on enterprises. Alterations in the economic situation within a country and conjuncture of financial market lead to the extension of influence of financial risks on the effectiveness of financial activity of enterprise. Among all risks of activity of business entities, financial risks are basic as threaten a further successful enterprise activity.

In fact, financial risk is a conscious possibility that there will be contingent losses of an expected profit, property, money, through random changes of business activity conditions and unfavorable circumstances [1, p. 162]. Nobody is in safe from potential losses in market environment. However, it does not mean that it is necessary to pursue only a conservative economic policy for the purpose of complete loss prevention.

It is important to analyze causes of undesirable developing events in time, to take into account preceding negative experiments, to correct permanently the system of operational transactions from a position of maximization of result. The causes of financial risks are different and they may occur in the process of enterprise activity. They are divided into external and internal. To main external causes of forming financial risk we may refer an ailing and an unstable economy of a country, an economic crisis, inflation, an ineffective public regulation of a bank discount, a growth of competitive activity, a price cut in the world market and etc.

To internal causes of forming financial risk we may refer an increasing of expenses in the enterprise, an unsatisfactory financial policy of enterprise, an ineffective management of costs, profit and finance result.

According to the amount of possible financial losses it is possible to define four main field of financial risk:

- a riskless field: there is a small risk, virtually no financial losses and a financial result is guaranteed in bulk of a pure sum of profit;
- a field of allowed risk: a risk is average, financial losses are possible in bulk of a pure sum of profit;
- a field of crucial risk: there is a high level of risk and possible financial losses in bulk of a pure zero bracket amount;
- a field of catastrophe risk: a level of risk is very high and there are possible financial losses in bulk of an equity capital.

A separation of certain fields of financial risk, depending on the expending losses and factors that determine them, must be a basic of forming management system of financial risks of the enterprise. As long as the enterprise virtually does not influence on the external risks, we must focus our attention on inner mechanisms of risk neutralization, to which belong:

- a diversification. It is distribution process of investable funds between different object of capital investment. The aim of a diversification is to reduce the level of risk and loss of income. This method allows avoiding part of financial risk on the basis of capital distribution between different kinds of activity. A diversification foresees additional information about choice set and expected return. As a result, it becomes possible to make a more accurate selection and reduce a loss risk of financial results of enterprise;
- a limitation is a fixing of limit, that is maximum amount of expense, sale credit and etc. A limitation is used for reduce of financial risk in credit and investment activity of enterprise.
- a self-insurance is a decentralized form of creation of natural and currency insurance fund directly on the premises, especially those whose activity is at risk. The

main task of a self-insurance is to overcome temporal difficulties effectively in commercial activities [2, p. 13].

- a hedging gives opportunity to reduce a risk by concluding a relevant treaty. Hedging is often used as a means of insurance of a good value and currency risk of enterprise. Hedging is a system of economic relations of market participants that is connected with redaction of credit and price risk which resulting from simultaneous and opposite directions of trade transaction on the market and terminal market of cash commodity [3, p. 63].

To survive in a competitive market environment, enterprises need to make unconventional and daring decisions. However, it also raises the level of economic and financial risk. Under such conditions enterprises have to identify in time and correctly asses a level of risk, effectively manage it for the purpose of restriction of its negative influence and minimization of financial losses.

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