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# Managing Business Risks Of An Economic Entity

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**ABSTRACT**

Business risk management, which ensures the minimization of their negative impact and the impact on increasing the competitiveness of business structures due to the developed tools that ensure the integration of new information technologies into the business management system. Currently, in practice in modern companies, rational risk management is not widespread, but in recent years this area has been steadily developing. Not all large companies direct their efforts to identify and minimize their business risks, most consider insurance to be the only way to fight.

**Keywords:**

Business, risks, management methods, financial, increasy, economy, insurance

**Introduction.** In the conditions of real activity, the company is constantly faced with a huge number of risks. The reasons for the risks of entrepreneurial activity may be different: unstable financial condition, the influence of external factors, lack of qualified personnel, and others. Therefore, the task of timely, competent identification and assessment of risks, as well as finding ways to minimize and prevent them, comes to the fore. Many business decisions must be made in conditions of uncertainty, when it is necessary to choose a course of action from several possible options, the result of which is difficult to foresee.

Currently, in practice in modern companies, rational risk management is not widespread, but in recent years this area has been steadily developing. Far from all large companies direct their efforts to identify and minimize their business risks, most consider insurance to be the only way to fight.

Effective risk management will help to achieve the set goal of the organization in various sectors of the economy – to reduce the

impact of financial risk on the final results, minimize unforeseen expenses, optimize the cost structure, and increase competitiveness in the market.

To do this, economic analysis, risk assessment, forecasting are comprehensively applied, large investment projects, anti-crisis programs and much more are being developed.

**Literature review.** Risk is characteristic of a wide range of human activities, and this is due to the presence of many factors, conditions that affect the positive and negative outcome of economic and other decisions.

A.Smith, a representative of the classical school, was one of the first to consider the problem of risk as an economic category. In the process of analyzing the factors related to profitability, he highlighted its dependence on the riskiness of the situation. As profits grow, the risk increases, but not in direct proportion. This judgment of A. Smith became a fundamental step in the formation and development of classical and neoclassical schools of risk.

In classical political economy (18th century), commercial and industrial risks were considered from a scientific point of view. In the 19th and 20th centuries, risk management was supplemented with precise tools.[1]

In the 1930s, 20 V. A. Marshall developed the foundations of the neoclassical theory of risk. The theory of "risk aversion model" has been developed, according to which the overall utility of growing income increases more slowly than the growing level of risk. A significant contribution to solving the problems associated with entrepreneurial risk was made by the English economist J. Maynard Keynes, who introduced the concept of "risk costs", reflecting the funds spent on insurance of possible deviations of the organization's revenue from the planned.

The modern paradigm of financial risk management is based on the work of American researchers. However, the most widespread scientific works of G. Max Markowitz, who developed the "profitability-risk" model: the higher the profitability of an organization, the higher its risks.[2]

The analysis of interpretations of the concept of "risk" by domestic and foreign scientists allowed us to conclude that the multidimensional nature and diversity of formulations of this term. The risk appears

when it becomes impossible to accurately determine the occurrence of an event that may not depend on the desires, preferences and actions of the subject. At the same time, risk accompanies the business constantly, being an integral part of it.

The most important feature of risk is uncertainty, which is most typical for a competitive market economy. Subjects make decisions based on the fact that they have to choose a course of action from several possible options, the implementation of which is difficult to predict. Adverse circumstances, accidental changes in the conditions of economic activity explain that the essence of the risk lies in the danger of unforeseen financial losses (income, profit, property).[3]

**Analysis.** One of the ways to check the effectiveness of business risk management in an enterprise is to assess financial stability based on calculations of liquidity ratios and bankruptcy forecasting. Based on the results of the assessment, a decision is made on the presence or absence of a financial component of entrepreneurial risk for the company.

Let's calculate bankruptcy using two models – two-factor by formula and five-factor by formula - since Gazpromneft-Business Service LLC does not issue shares. The results are presented in table 1.

**Table 1**

**Calculation of the bankruptcy forecast using the two-factor and five-factor Altman models[4]**

№	Indicators	The value of indicators, thousand rubles		
		2021	2022	2023
Two-factor model				
1	X1	1,54	1,31	1,44
2	X2	0,83	0,93	0,91
Calculation of the bankruptcy forecast		-1,99	-1,74	-1,88
The five-factor model				
1	X1	0,24	0,15	0,21
2	X2	0,11	0,12	0,13
3	X3	0,14	0,15	0,17
4	X4	0,01	0,02	-
5	X5	2,38	2,50	2,66
Calculation of the bankruptcy forecast		3,29	3,35	3,65
The Taffler Model				

1	X1	0,37	0,30	0,31
2	X2	1,52	1,28	1,44
3	X3	0,45	0,47	0,47
4	X4	2,38	2,50	2,66
Calculation of the bankruptcy forecast		0,85	0,81	0,86

According to the two-factor model, the value of the Altman coefficient in 2021-2023.  $Z < 0$  - the probability of bankruptcy is less than 50% and decreases as the value of Z. However, it would be more accurate to assess the risk of bankruptcy using the Altman five-factor model. According to the five-factor model, the coefficient values are  $Z > 2.9$  - the zone of financial stability (the "green" zone).[4]

Another well-known model for predicting bankruptcy risk is R.Taffler's model. If the Z value is greater than 0.3, this indicates that the organization has a low risk of bankruptcy; if less than 0.2, then the risk of bankruptcy is more than likely. In Gazpromneft-Business Service LLC, the calculation of the bankruptcy forecast showed that Z is significantly higher than 0.3, therefore, the risk of bankruptcy is low.

The financial component of entrepreneurial risks, since it has the greatest importance and influence among other areas of entrepreneurial risks. However, the following threats always exist in an enterprise providing services in the field of accounting and tax accounting:[4]

- risks of labor losses (intellectual and personnel);
- risks of leakage of confidential information (informational);
- organizational and managerial risks associated with internal control problems, employee errors.

In the process of risk management, the following circumstances must be taken into account:

- it is not worth risking more than your own capital can afford;
- it is always necessary to keep in mind the possible consequences of risk;
- there are several options for solving risky tasks;

- one should not risk much for the sake of small things.[5]

**In conclusion**, Summing up the results of the conducted research, it can be concluded that any industrial, commercial and financial activity is always associated with some entrepreneurial risk, which should be understood as the probability of adverse circumstances in the process of conducting financial and economic activities, which arises under the influence of external and internal factors, characterized by uncertainty, and expressed in the failure to achieve goals and objectives, the occurrence of losses and losses.

Despite the fact that at the moment there are many methods of risk assessment, perhaps the most common method of determining risk is the assessment of financial and economic activity, which includes the assessment of financial indicators such as liquidity ratios, profitability and financial stability, including the formation of an opinion on the level of risk of bankruptcy of an enterprise by calculating Altman coefficients, Taffler et al.

It should be noted that the purpose of risk management is to obtain the greatest profit with an optimal and acceptable ratio of profit and risk for the entrepreneur himself, which leads to an increase in the value of the business. To solve the problem of reducing the degree of risk, various techniques are used, for example, diversification, hedging, insurance, limiting, as well as reserving funds to cover unforeseen expenses (self-insurance).

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