

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

**Profit management and profitability of Russian oil
enterprise**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Ramazanbek Suleimenov

Business Administration

Thesis title

Profit management and profitability of Russian oil enterprise.

Objectives of thesis

The goal of this thesis is research the formation of profit and profitability of JSC "Bashneft".

The achievement of this goal contribute to the following tasks:

- Research the economic and financial essence of profit management and profitability mechanisms of an industrial enterprises;
- Describe of activities and conduct situation analysis of JSC "Bashneft";
- Develop a multi-factor model of profit management and profitability with considering the applied investment, financial and personnel corporate strategies;

Methodology

This thesis was analyzed by theoretical approach of mechanisms of profit and profitability, analyzed economic and mathematical model of managing profit and profitability. Research Methods are:

- Content analysis
- Statistical analysis
- SWOT analysis
- Factoral analysis

The proposed extent of the thesis

40 – 60 pages

Keywords

Profit management, profitability, industrial enterprise, JSC “Bashneft”, Russia

Recommended information sources

David K. H. Begg, Stanley Fischer, Rudiger Dornbusch. Economics. 1994 ISBN: 978-0077096151

Jae K. Shim. Modern Cost Management and Analysis. 2009 ISBN: 978-0-7641-4103-4

Joseph A. Schumpeter. The theory of economic development. 1934 ISBN: 9780674879904



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Declaration

I declare that I have worked on my bachelor thesis titled "Profit management and profitability of Russian oil enterprise" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 15.03.2018 _____

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Profit management and profitability of Russian oil enterprise

Summary

One of the important tasks of the current market is the mastering by managers and financial managers of modern methods of effective management of the formation, distribution and use of the company's profits, which explains the relevance of the topic of this bachelor thesis.

The aim of the bachelor thesis is to research the mechanisms of managing profit and profitability on the basis of investment, financial and personnel strategies.

Bachelor thesis consists of an introduction, theoretical research, practical part, conclusion. Were analyzed theoretical approaches to the analysis of the mechanisms of formation of profit and profitability, economic-mathematical models of profit management and profitability of an industrial enterprise in the context of strategic management. The practical importance of this research in the development of a conceptual model of profit and profit management based on corporate strategies for managing profit and profitability in practice. The following methods of financial analysis were used in the practical part such as statistical, comparative, SWOT, factorial analysis etc.

Key words: Profit management, profitability, industrial enterprise, investment strategy, financial strategy, personnel strategy.

Řízení zisku a rentabilita ruského ropného podniku

Shrnutí

Jedním z důležitých úkolů současného trhu je zvládnutí moderních metod efektivního řízení tvorby, distribuce a využití zisku společnosti manažery a finančními manažery, což světluje význam tématu této bakalářské práce.

Cílem bakalářské práce je výzkum mechanismů řízení zisku a ziskovosti na základě investičních, finančních a personálních strategií.

Součástí bakalářské práce je úvod, teoretický výzkum, praktická část a závěr. Analyzovali jsme teoretické přístupy k analýze mechanismů tvorby zisku a ziskovosti, ekonomicko-matematické modely řízení zisku a rentability průmyslových podniků v kontextu strategického řízení. Praktickým významem tohoto výzkumu je vývoj koncepčního modelu řízení zisku a ziskovosti založeném na strategiích pro řízení zisku a ziskovosti v praxi.

V praktické části byly použity následující metody finanční analýzy a to statistické, srovnávání, SWOT, faktoriální analýzy apod.

Klíčová slova: řízení zisku, ziskovost, průmyslový podnik, investiční strategie, finanční strategie, personální strategie

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1 Introduction

The main criterion for maintaining financial stability is that any commercial structure to strive if not to maximize profits, then, at least get that volume of profit that would allow it not only to firmly hold its positions in the market for the sale of its goods and services, but and ensure dynamic development in a competitive environment. All leads to the need for managers to know the sources of profit formation and to find methods for better use.

Profit is the basis of economic development of the enterprise. The receipt of profit is the main and indispensable condition for the functioning of the enterprise. Profit is the main source of financing for economic and social development. Profitability serves as the main criterion for choosing investment projects and programs for optimizing current costs, expenditures, and financial investments. The effectiveness of commercial calculation, pricing and other economic levers depends on the depth of its cognition and rationality of use. Being a source of industrial and social development, profit takes a leading place in providing self-financing of enterprises and associations, whose opportunities are largely determined by how much revenue exceeds costs.

Profit and the process of its management have been researched by many Russian and foreign economists. In the development of the author's concept, used fundamental studies of well-known foreign economists such as K. Marx, M. Mill, T. Mun, F. Knight, D. Riccardo, P. Samuelson, A. Smith, J-B Say, I. G. Tünen, J. Schumpeter.

Despite this, many problems of profit and management in the enterprise are not fully covered. A significant part of approaches to profit management are based mainly on foreign experience and are not fully applicable to Russian enterprises.

2 Objectives and Methodology

2.1 Objectives

The aim of this thesis is to research the mechanisms of managing profit and profitability on the basis of investment, financial and personnel strategies and based from received data, to develop the model of profit and profitability management. Thus, the scientific and practical significance of this work is that the main provisions and results are aimed at increasing the efficiency of the enterprise in a market environment from the perspective of profit and profitability management.

Achievement of this goal contribute to the following tasks:

- to explore the economic and financial nature of profit and profitability of an industrial enterprise.
- examine the current mechanisms for generating profit and profitability.
- analyze the economic and mathematical models of profit and profitability management of an industrial enterprise.
- conduct an analysis of the financial and economic activities of JSC “Bashneft”.
- to consider current mechanisms for managing profit and profitability of an enterprise.
- to develop a regressive multi-factor model for managing profit and profitability, included applied investment, financial and personnel corporate strategies.

The subject of the research is the mechanisms for managing profit and profitability on the basis of investment, financial and personnel strategies.

Object of the study is vertically integrated Russian oil company – JSC “Bashneft”

2.2 Methodology

As a result of research, to analyze the profit and profitability mechanisms was used a complex of economic research methods: analytical, SWOT, factorial and comparative analysis. Thus, the scientific and practical significance of the work lies in the fact that the results are aimed at increasing the efficiency of the enterprise in a market environment from the perspective of profit and profit management.

During the preparation of this work were researched the theoretical studies, special literature, official documents, legislative acts.

3 Literature review

3.1 Actual problems of profit management and profitability of an industrial enterprise

3.1.1 The economic and financial essence of profit and profitability of an industrial enterprise

Profit is the positive difference between revenue and expense created by enterprises own properties. The goal of any commercial structure in a market economy is to make a profit. Ensuring the necessary amount of profit in the long-term and short-term periods is due to the important needs in, the development of the organization satisfaction of the economic interests of owners, ensuring the interests of society and the collective.

The question of determining the financial result of an enterprise is one of the fundamental and most complex issues facing accounting. Numerous studies of profit in accounting, led to the delineation of such concepts as accounting and economic profit.

Accounting profit – is the final financial result, identified during the reporting period on the basis of accounting (GAAP) for all business transactions and valuation of accounting items.¹

Economic profit – is usually understood as an increase in the economic value of an enterprise. Thus, it is economic profit that gives a criterion for the effectiveness of the use of resources. It gives a more detailed description of the effectiveness of the company's use of existing assets in comparison with the indicator of accounting profit because it compares the financial result obtained by a particular enterprise with the result that will provide it with a real, and not only nominal maintaining of the invested funds.

Profit as a financial result acts in the following main types: gross, operating, net.²

After formation of profit the enterprise makes payment of taxes, and the rest of the profit at the disposal of the enterprise is called net profit. Net profit, represents the difference between revenue and expenses. The enterprise can dispose of this profit at its own discretion.

$$\text{Net Profit} = \text{Total Revenue} - \text{Total Expenses} \quad (1)$$

Profitability is a relative indicator characterizing the efficiency of economic activity and reflecting the level of profitability. The enterprise is profitable if the proceeds from the sale of

¹ Bocharov V.V. Analyzing the Financial Stability of the enterprise St. Petersburg: Piter, 2017. ISSN 2311-8768

² Bykadorov V.L. Financial and economic state of the enterprise. PRIOR, 2017. ISBN 5-7990-0261

products are sufficient not only to cover the costs of production and sales, but also to generate profit. Profitability indicators characterize the efficiency of the enterprise as a whole, the profitability of various activities, the cost recovery. They are more complete than profits reflect the final results of management, because their value shows the relationship of effect with cash and used resources. They are used to assess the activities of the enterprise, as an instrument of investment and price policy.

In a market economy, the value of profits is enormous. The pursuit of profit motivates commodity producers to increase the volume of production needed by the consumer, reducing production costs. With developed competition, this achieves not only the goal of entrepreneurship, but also the satisfaction of social needs. For the businessman, profit is a signal indicating where one can achieve the greatest increase in value, creates an incentive for investing in these areas.

Academician Polyak G.B. identifies the following profit functions:³

First of all, profit – performs the function of assessing the effectiveness of social production, representing the difference between the amount of income and losses received from various business transactions, it determines the final result of the financial and economic activities of the enterprise. In any market economy, investing in an enterprise is accompanied by a certain assessment of the effectiveness of its functioning. Otherwise, there is no sense in investing resources.

Profit also acts as a measure of accumulation. In this function, profit is the main source of social reproduction on an expanded basis. The real provision of the principle of self-financing is determined by the profit received. If the share of net profit that the enterprise has left after paying taxes will not be sufficient to finance expansion of production activities, scientific, technical and social development of the enterprise, material encouragement, the process of social reproduction in general may stop.

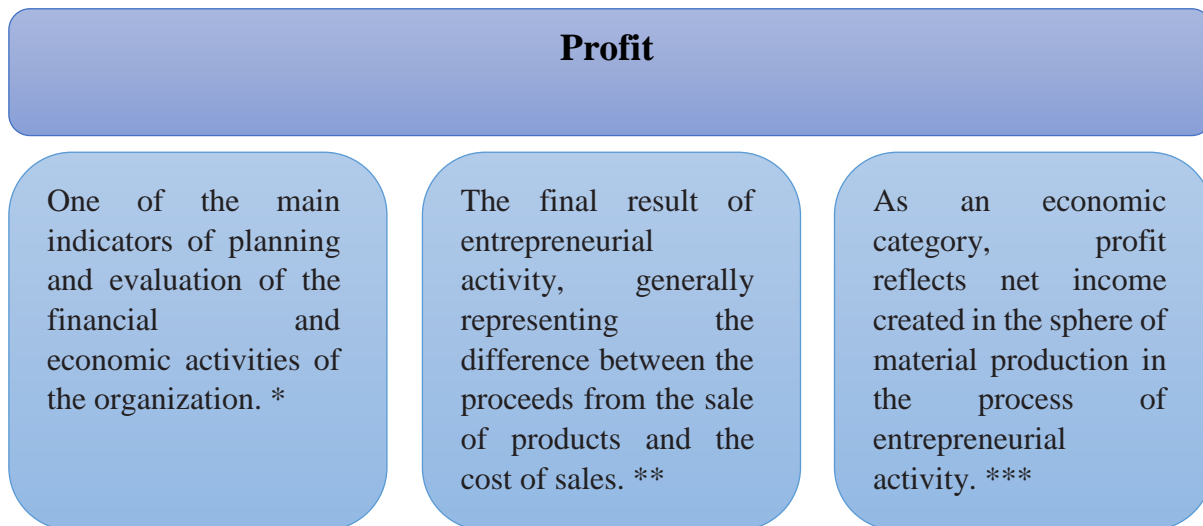
The multidimensional value of profit increases with the transition of the state economy to the foundations of a market economy. The fact is that an enterprise of any form of ownership, having received financial independence, has the right to decide for what purposes and in what amounts to direct the profits left after payment of taxes to the budget and other mandatory payments and deductions. Therefore, every enterprise, before starting production, determines what income it will be able to receive. Hence profit is the main goal of entrepreneurial activity, its result.

Profit is the simplest and at the same time the most complex category of a market economy.

³ Polyak G.B. Financial management. - M.: Finance, UNITY, 2017 ISBN 978-5-238-00645-1.

It is the pivot and the main driving force of a market-type economy, the main motive for entrepreneurs in this economy.

Figure 1. Essential characteristics of profit



Considering the essence of profit, in the modern economic paradigm, it is first of all necessary to note its characteristics:⁴

- profit is a form of income of an entrepreneur who carries out a certain type of activity, this is the simplest form of expressing profit, however, is insufficient for its full characterization;
- profit is a form of income of the entrepreneur who invested his capital in order to achieve certain commercial success;
- profit is not a guaranteed income of an entrepreneur who has invested his capital in a particular type of business;
- profit is a value indicator expressed in cash;

Considering the basic characteristics of profit, its concept can be formulated in the most generalized form as follows: "Profit is the net income of an entrepreneur in terms of invested capital, which characterizes his reward for the risk of entrepreneurial activity, which is the difference between total income and total costs in the process of implementing this activity".

⁴ Ignatova E.A. Analysis of the financial result of the enterprise. - Moscow: Finance and Statistics, 2014. ISBN: 5-279-00659-9

* Ignatova EA Analysis of the financial result of the enterprise. - Moscow: Finance and Statistics, 2014. ISBN: 5-279-00659-9

** Knyshova E.N. Economics of the organization. - Moscow: FORUM: INFRA-M, 2013. ISBN: 978-5-8199-0441-1

*** Sergeev I.V. Economics of the enterprise - Moscow: Finance and Statistics, 2013. ISBN: 978-5-9916-2323-0

Many economists, especially Joseph Schumpeter, believed that profit represents the income of entrepreneurs, obtained as a result of the application of new technologies.

Ways to increase the profit and profitability of the enterprise are one of the main tasks facing the management of any enterprise. At present, there are a lot of economic theories that allow to give a theoretical estimate of the company's future profit, but in practice, things are not so simple. One of the methods to increase the profitability and profit of the company is to reduce the costs associated with the production of products. If large corporations try to save on labor, placing their orders in various countries with a low standard of living, small companies prefer to save on the cost of consumables, which often leads to a drop in the quality of manufactured products.

Another way to increase the profit and profitability of the company can be the staffing strategy. Currently, many entrepreneurs prefer to employ highly qualified specialists who can work in several positions, in addition, various companies apply more and more advanced methods of stimulating labor, and also send their employees to retraining courses. Also, ways to increase profits and profitability mean an increase in sales of finished products, which can be achieved in several ways. Currently, more and more companies are paying increased attention to marketing, which allows them not only to choose products that are of interest to consumers, but also to promote them to the market.

Summarizing, we can say that the effectiveness of the company is determined by the financial result - profit or loss. Profit provides the needs of the enterprise, its employees and the state. The final financial result of the activity is the gross profit. The presence of a positive financial result allows us to speak about the effectiveness of the organization and implementation of activities. However, the mass of profit does not yet allow us to sufficiently assess how efficiently the enterprise's operations are carried out. The effectiveness of economic activity is expressed by the economic category of profitability.⁵

⁵ Vyvarets A.D. The Economy of the Enterprise. - UNITY-DANA: 2016, ISBN 5-238-01109-1

3.1.2 Effective mechanisms for profit and profitability formation.

Profit formation – is complex and multifaceted mechanism and a large number of factors have an influence on it.⁶

Profit is the result of the economic and financial activities of the enterprise, as well as a certain financial basis for expanding production and development of the enterprise. Mechanism of profit formation of the enterprise is the basic criterion of an estimation of financial and industrial activity of any enterprise, availability of the enterprise's ability to fulfill its obligations to creditors and suppliers, as well as the availability of profits, acts as a guarantor of the enterprise as an investment object.

Main source of profit formation, for example, in agriculture is the sale of products at a price higher than the cost of this product. Therefore, the mechanism of profit formation is directly related to the efficiency of production and the sale of products, almost always this is accompanied by a possible entrepreneurial risk. Its size is influenced by the level of selling prices, the cost of production, assortment shifts in the composition of products. The profit from sales grows, if in structure of sold production the specific weight of highly profitable products increases.

The second component of balance sheet profit is the result of operations with the property and financial activities of the enterprise, calculated as the difference between operating income and operating expenses. The result of this activity arises in connection with the leasing of temporarily unused property and rights, in the form of dividends on securities of other enterprises, in the form of profits from joint activities, etc.

The third component of the balance sheet profit is the result of non-sales operations, it is defined as the difference between non-operating income and non-operating expenses. This result is the difference between the penalties received and paid, penalties, penalties, damages, amounts of arrears for which the limitation period has expired; other non-operating income and expenses.

Profitability of the main activity of the enterprise is formed as the ratio of the entire profit of the enterprise from the sold products to the costs of production, services or works produced by the enterprise, in other words, to the cost of production. Profitability determines the economic efficiency of the organization, it reflects the ratio of the result to the costs. The basis for calculating the level of profitability and turnover are the indicators of profit, cost and revenue. There are many indicators of profitability, they can be calculated in relation to any kind of resources.

Practice has made it possible to single out the following patterns of growth in profitability

⁶ Kolchina N.V. Finance enterprises. - M.: UNITY, 2016. ISBN 978-5-238-02810-1

indicators:

- growth in the profitability of sales, subject to the growth in the volume of sales, indicates an increase in the competitiveness of products, and due to such factors as quality, service in customer service, but not price factor;
- growth of profitability of assets is an indicator of increasing the effectiveness of their use, in addition, the return on assets reflects the degree of creditworthiness of the organization: the organization is creditworthy if the profitability of its assets exceeds the interest on the attracted financial resources;
- growth in return on equity reflects the increased investment attractiveness of the organization: return on equity should exceed the return on alternative investments with a comparable level of risk. It should be noted that the return on capital is the indicator that tends to equalize across the economy, i.e. the low value of this indicator for a long time can be considered as an indirect sign of the distortion of reporting;
- growth in return on invested capital reflects an increase in the ability of a business to create value, i.e. increase the welfare of owners; the return on invested capital should exceed the weighted average price of the company's capital, calculated considering market prices for sources of financial resources;

Net profit of the enterprise is determined by subtracting from the balance profit the amounts of income tax, rental payments, export and import taxes. At the same time, it includes the result of extraordinary circumstances, calculated as the difference between receipts and the costs associated with these circumstances. In the formation of net profit, operations involving the payment of penalties, sanctions, interest and other payments that were previously paid at the expense of profits remaining at the disposal of the enterprise after tax. Net profit is distributed in the following areas:

- on the formation of reserve funds;
- payment of income to the founders (participants);
- creation of funds for special purposes (accumulation, consumption, social sphere).

Herewith there are two approaches to the distribution of net profit. At the first approach in the constituent documents of the enterprise the order of creation of special funds. It can be:

- accumulation fund (unites funds reserved for the industrial development of the enterprise and other similar activities for the creation of new property);
- the social fund (considers the funds allocated to finance capital investments in the social sphere);
- fund of consumption (accumulates funds for the development of the social sphere, except

for capital investments, material encouragement of workers, one-time assistance, payment of permits to holiday homes, etc.).

This approach facilitates the process of planning and monitoring the use of financial resources of the enterprise.

Under the second approach, the profit remaining at the disposal of the enterprise is not allocated to the funds but forms a single multipurpose fund that concentrates both the profit that is directed to accumulation and free funds that can be used for both accumulation and consumption. With this and other approach, enterprises independently determine the proportions of profit distribution in the main areas. When deciding the question of how much of the net profit it is expedient to direct to the payment of income to the founders (participants), dividends on shares, it is necessary to consider a number of factors. On the one hand, the increase in dividend payments leads to growth in the exchange value of shares and an increase in the business reputation of the enterprise.

On the other hand, the capitalization of net profit, i.e., channeling it to productive development, is the most acceptable source of financing for the company's activities, without the attendant costs of issuing securities, paying income on them, paying interest on loans. During this the circle of enterprise owners does not expand. If the enterprise does not send funds for its development for a long time, it leads to physical and moral aging of machinery, increase in production costs and loss of competitive positions. And as a result - the reduction in the volume of profits. All this requires a thorough and reasonable approach to the distribution of profits.

One of the ways to increase the company's balance sheet profit is through tax planning. Tax planning is based on the right of each taxpayer to use the legal means, tricks and methods to minimize his tax obligations to state and municipal government. The process of tax planning includes the following stages of managerial and financial activity of economists-managers:

- decision-making on the creation of a new enterprise of the appropriate organizational and legal form;
- choice and justification of the most advantageous location of the company;
- maintenance of current tax planning on the basis of available tax privileges and advanced methods of management and the mechanism of financing;
- rational allocation of assets and profits of the enterprise.

In the process of tax planning for each enterprise it is important to use different sources of coverage of the established tax. All planned revenues and expenses are reflected in annual and quarterly financial statements that represent a set of reporting forms compiled on the basis of

accounting with a view to presenting to the internal and external users generalized information on the results of the economic activity of the enterprise for the reporting period.

Profit – is part of the net income that business entities receive after selling their products. Quantitatively, it is the difference between revenue and the total cost of sales. Multifaceted character of profit means what its study should have system approach. Such an approach involves analysis aggregate factors education, interference, distribution and use. Thus, it can be concluded that the mechanism of profit formation and management is aimed at increasing the welfare of the owner of the enterprise, as well as achieving a certain harmony in the interests between the owners of the enterprise, its employees and the state. At the same time, this process has a complex character that affects both the processes of profit formation, and the processes of its use and distribution. In order for the profit management process to be effective, it is necessary to conduct a deep comprehensive analysis of the economic and financial performance of the enterprise as a whole.

3.1.3 Economic and mathematical models of profit and profitability management

In connection with the unstable economic situation, many industrial enterprises have thought about maintaining their financial stability in general and about increasing profits in particular. In the crisis, there is a need to change the company's strategy. Managers of such a company should develop a consolidation program, the purpose of which is to obtain short-term profit. The company's long-term strategic goal is to analyze the direction of the industry development and consider new marketing opportunities. The most dangerous for the fate of the company - if the company's management is not aware of the difference between long-term and short-term prospects. Managers of the company usually seek to achieve rapid results of the transformation to obtain short-term profit, which does not allow, as a rule, to stabilize the position of the firm for a long period of time. So, for example, increasing prices and reducing funding for incentive measures means increasing profitability in the short term, but predetermines a decrease in the company's market share.

The high role of profit in the development of the enterprise and ensuring the interests of its owners and personnel determine the need for efficient and continuous management of profits. Profit management is the process of developing and making managerial decisions on all the main aspects of its formation, distribution, and planning in the enterprise.

Ensuring effective management of the company's profit determines a number of requirements for this process, the main ones of which are:

1. Integration with the general enterprise management system. In whatever area of the

enterprise's activities a managerial decision is taken, it directly or indirectly affects profit. Profit management is directly related to the production management of personnel, investment management, financial management and some other kinds of functional management. This determines the need for organic integration of the profit management system with the overall system of enterprise management.

2. Complex character of the formation of management decisions. All management decisions in the field of profit formation and use are closely interrelated and have a direct or indirect effect on the final results of profit management. In some cases, this impact can be contradictory. For example, the implementation of highly profitable financial investments can cause a shortage of financial resources that ensure production activity, and as a result - significantly reduce the size of operating profit. Therefore, profit management should be viewed as an integrated system of actions that ensures the development of interdependent management decisions, each of which contributes to the effectiveness of the formation and use of profits for the enterprise.
3. Multivariate approaches to the development of individual management decisions. Realization of this requirement assumes that preparation of each managerial decision in the sphere of formation, distribution and use of profit should consider alternative possibilities of actions. In the presence of alternative projects of management decisions, their choice for implementation should be based on a system of criteria that determine the policy of managing the enterprise's profit. The system of such criteria is established by the enterprise itself.
4. High dynamism of management. Even the most effective management decisions in the field of formation and use of profit, developed and implemented at the enterprise in the previous period, cannot always be re-used in the subsequent stages of its activities. First of all, this is due to the high dynamics of environmental factors at the stage of transition to a market economy, and primarily - with a change in the condition of the commodity and financial markets. In addition, the internal conditions of the enterprise's functioning change in time, especially at the stages of transition to the subsequent stages of its life cycle. Therefore, the profit management system should have a high dynamism, considering changes in environmental factors, resource potential, forms of organization and management of production, financial status and other parameters of the enterprise.
5. Orientation towards strategic goals of enterprise development. No matter how profitable these projects of management decisions seem to be in the current period, they should be

rejected if they conflict with the mission (the main goal of the activity) of the enterprise, the strategic directions of its development, undermine the economic basis for the formation of high profit margins in the forthcoming period.

There are two opposing views on understanding the strategy. The first understanding of the strategy is based on the following process. The final state that is to be achieved after a long period of time is determined sufficiently accurately. Then we fix what needs to be done in order to reach this final state. After this, an action plan is drawn up with breakdown by time intervals (five-year periods, years and quarters), the implementation of which should lead to the achievement of a final, clearly defined goal. Basically, such an understanding of the strategy existed in systems with a centrally planned economy. With this understanding, a strategy is a concrete long-term plan for achieving a specific long-term goal, and developing a strategy is to find the goal and draw up a long-term plan.

With the second understanding of the strategy, which is used in strategic management, the strategy is a long-term, qualitatively defined direction of the organization's development concerning the scope, means and forms of its activities, the system of relationships within the organization, and the organization's position in the environment, leading the organization to its goals.

An example of a strategy of the first type can be as a long-term plan for the production of certain products, in which it is recorded how much and what to produce in each specific time interval and how much and what will be produced in the final period.

Examples of strategies of the second type, that is, those with which strategic management deals, can be the following strategies: increase the share of sales in the market to a certain percentage, without lowering prices; start production of a certain product while reducing the production of another product; to penetrate the distribution networks controlled by the competitor; to make a transition to the group form of labor organizations.

The definition of a strategy for an enterprise fundamentally depends on the specific situation in which it is located. In particular, it concerns how the management of a firm perceives various market opportunities, what strengths of its potential the firm intends to employ, etc. In fact, it can be said that as many firms exist, there are as many concrete strategies as there are. However, this does not mean that it is impossible to draw an analogy of management strategies. Analysis of the practice of selecting strategies shows that there are common approaches to formulating the strategy and the general framework under which the strategies fit:

- Reduce cost of production when:

- The enterprise is not profitable.
- The competitors have higher profitability of sales.
- Buyers do not appreciate a certain component of the supply of goods.
- The cost per unit of output has been increasing for a long time.
- Some competitors transfer certain types of work to outside firms.
- Increase price of goods when:
 - Competitors are likely to raise prices afterwards.
 - Profitability of the segment is low.
 - The market share of the enterprise is increasing.
 - Buyers rate highly.
 - Lower prices than competitors.
- Reduce price of goods when:
 - Competitors have lower prices.
 - There is a loss of market share because of the price.
 - It is unlikely that competitors will also lower prices.
 - Profits are higher than the "normal zone".
 - Buyers believe that price is the most important criterion.
- Changes in the structure of an industrial enterprise, when:
 - Profitability of segments is very different.
 - Indicators of the relative market share of business segments are very different.
 - Consumer estimates of activity in different segments are very different.
- Expansion of activities in existing segments, when:
 - The company can grow faster than the market.
 - An enterprise can engulf competitors by acquiring, without paying fantastic prices.
 - An enterprise can achieve higher prices or lower costs than any competitor in the selected segment.
- Inventions and innovations, when:
 - The enterprise is successful in this field.
 - Innovations are initiated by suppliers.
 - With the help of innovations, can be attracted new customers.

In general, the change strategy of the enterprise depends on management at the

macroeconomic level and on the foresight of enterprises. The choice of strategy means choosing the resources with which the organization will solve the tasks facing it. Let us discuss in more depth such types of strategies as investment, financial and personnel strategy.

Investment strategy - is a system of long-term goals of the enterprise's investment activity, determined by the general objectives of its development and investment ideology, as well as the choice of the most effective ways to achieve them. The investment strategy determines: the main objectives of the investment policy on profitability, liquidity, risk and capital growth; recommendations on the structure of the assets of the investment portfolio, types of securities, their investment qualities, the conditions for the acquisition and sale of assets, the timing of their storage and movement from one portfolio to another; rules of accounting, compliance with standards, reporting, ways of managing the investment portfolio and supporting the appropriate proportions between the primary and secondary reserves of securities (assets), their use strictly according to their intended purpose. Thus, the investment strategy of the company provides, first of all, the introduction of real investment projects for the further formation of asset portfolios. In the future, this form of investment will necessarily provide the enterprise with rapid development and development of new competitive products and, accordingly, expansion of sales markets.⁷

A financial strategy - is a financial course designed for a long-term perspective and involving the solution of large-scale tasks of enterprise development. In the process of its development, forecast the main trends in the development of finance, form the concept of their use, outline the principles of financial relations with the state (tax policy) and partners. The strategy assumes the choice of alternative ways of enterprise development. In this case, forecasts, experience, intuition of specialists are used to mobilize financial resources to achieve the goal.

The strategic objectives of the financial strategy are the following: profit maximization; optimization of capital and support of financial stability of the enterprise; achievement of information transparency for owners, investors and creditors; ensuring investment attractiveness; use of market-based mechanisms for raising funds; effective financial management based on the diagnosis of financial condition and the selection of strategic objectives of the enterprise.

Personnel strategy - is a set of basic principles, rules and objectives of work with personnel, based on the business strategy, organizational structure, personnel potential.⁸

Consider modern types of analysis and profit-level planning. One of the optimal methods

⁷ Kadambaev T.K. Organization market economy. - Chelyabinsk: South Urals Book Publishers, 2017 ISBN 5-7688-0692.

⁸ Kretov I. I. Marketing on company: Practice. Benefit. - M.: Finstatinform, 2017. ISSN 2072-8441

for allocating resources by product and in the subsequent decision-making on the production of goods is Cost Value Profit (CVP) analysis.

CVP analysis is also often called the break-even point definition. It helps determine the amount of sales needed to cover costs and achieve the desired profit. CVP analysis also allows you to determine how the changes in the price of sales, variable and fixed costs, and revenues will affect profit. In other words, the data on the relationship between costs, revenues, output and profit form the main model of financial activity and allow the use of analysis results for short-term planning and evaluation of alternative solutions.⁹

Its main tasks are:

- calculation of sales volume, which ensures full coverage of costs - break-even point
- analytical estimation of the volume of sales, in which an enterprise can be competitive
- determination of the price of products, allowing to ensure demand and profit at the planned level;
- the selection of the most effective production technologies;

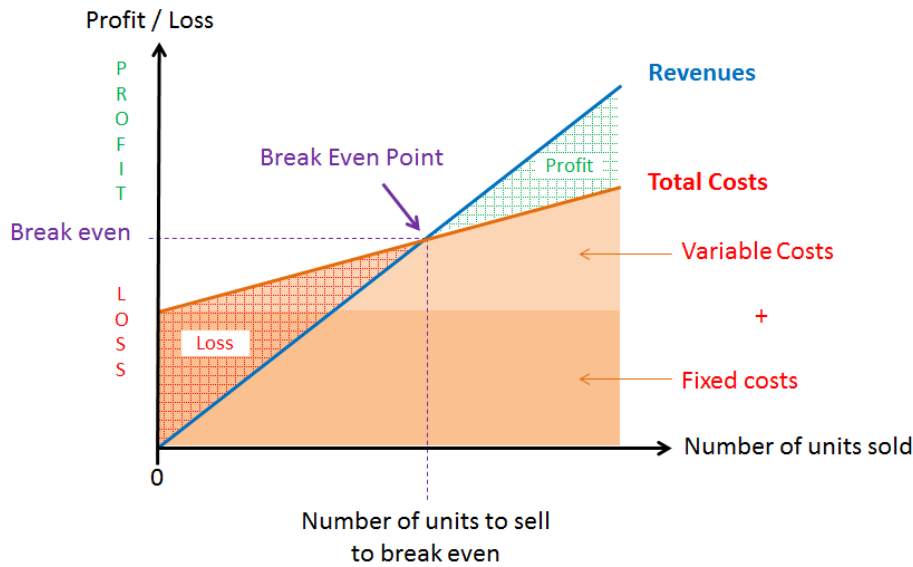
The CVP method is based on the principle of break-even, that is, you can cover expenses only when the total income minus the aggregate variable costs is equal to the level of fixed costs. Any level of production above the break-even point will be profitable. The methodology of this analysis includes building on the basis of data on the expected revenue, costs and volumes of production of the break-even schedule and calculation of a number of indicators, the central one being the margin income.

Marginal revenue – is the difference between a company's revenue from the sale of products (works, services) and the sum of variable costs.

Break-even analysis is one of the most effective means of planning and forecasting the activities of an enterprise. It helps business leaders to identify the optimal proportions between variables and constant costs, price and volume of implementation, to minimize entrepreneurial risk. In practice, three methods are used to calculate the break-even point:

⁹ Gavrilova A.N. Financial management: Training Allowance. M.: KNORUS, 2016. ISBN 978-5-406-05944-9

Graph 1. Graphical method to find break-even point



Source: <http://www.101computing.net/break-even-point/>

Graphical method. Finding a breakeven point is reduced to constructing a complex graph "costs - output - profit".

In the break-even point, the revenue received by the enterprise is equal to its total costs, while the profit is zero. The revenue corresponding to the breakeven point is called the threshold revenue. The volume of production (sales) in the break-even point is called the threshold volume of production (sales). If the enterprise sells products less than the threshold volume of sales, then it suffers losses, if more - it makes a profit.

The method of equations: based on the calculation of the company's profit by the following formulas:

$$TR - VC - TFC = NP \quad (1)$$

TR – Total Revenue

VC – Variable cost per unit

TFC – Total Fixed cost

NP – Net profit

By detailing the procedure for calculating the indices of this formula for calculating the break-even point, it can be represented in the following form:

$$P * X - VC * X - TFC = 0$$

$$(P - VC) * X = TFC \quad (2)$$

$$X = \frac{TFC}{P - VC}$$

P – unit sale price

X – Break-even point

These methods allow us to determine the dependence of financial performance on changes in costs, prices, production volumes and sales of products. It is of great importance for the recovery of the enterprise's economy in the conditions of the market.

The active use of mathematics in the economy is due to the fact that the central problem of the economy is the problem of rational choice. To make a right and reasonable choice or make predictions, mathematical support for the decision-making process is necessary. Therefore, the role of mathematical methods in the economy will continuously increase. In addition, mathematical modeling is useful for a more complete understanding of the essence of the processes that take place, understanding their economic nature and driving forces. In connection with the fact that at present many mathematical theories and their applied directions are well developed (such as linear algebra, mathematical analysis, probability theory, correlation and dispersion analysis, methods of scalar and vector optimization), users can use the capabilities of a powerful and developed mathematical apparatus.

Modeling – an indispensable tool in the construction of economic forecasts, probable judgments about the state of a phenomenon or system in the future. Forecasting is one of the forms of foreseeing the prospects for development of events, which in economics is a most valuable resource since foresight is the guarantee of future profit.¹⁰

When studying economic systems and predicting their future state, mathematical modeling is most often used. Mathematical modeling is understood as the concentration of knowledge, representations and hypotheses about the original, written using mathematical relationships.

The mathematical model – is a simplified model of the original. As a result of this simplification, the volume of states of the initial system decreases. At the same time, the model should behave in the same way as the original, that is, there must be a mutual correspondence between the original and the mathematical model.¹¹

The construction of economic-mathematical models includes several stages. The formation of the economic-mathematical model begins with the formulation of the problem and the definition of modeling goals. Further, proceeding from the research objectives, the boundaries of the studied system, the conditions of its functioning and the required level of detail of the simulated processes

¹⁰ Klimenko IS Economic cybernetics: economic and mathematical modeling. Lecture course. -Rudny: RII, 2016. ISBN: 5020034657

¹¹Efimova O.V. Financial analysis. - M.: Accounting Accounting, 2017. ISBN 978-5-370-03191-5

are established. In addition, the formulation of the task includes criteria for assessing the effectiveness of the functioning of the original and possible restrictions on their values. Also, very important the description of information flows, the description of restrictions on allocated resources.

The next stage in the construction of the model is synthesis, structure formation and description of the model parameters. Structural synthesis consists in constructing a number of alternative versions of models that differ in detail within the framework of the task. The stage of the analysis of the model is research its properties and behavior under various operating conditions. At this stage, a calculation is made of the performance criteria for each of the models constructed at the synthesis stage. Such criteria can be, for example, a minimum of costs per unit of output or a maximum of the quality of goods and services provided to consumers. There are the following types of mathematical models:¹²

Analytical model – is a set of analytical expressions;

Anion - these are models based on a computer experiment: they are a translation into machine language of descriptions of objects. These models allow you to simulate the functioning of systems on a computer, while making measurements and processing the necessary data;

Numerical models – are represented in the form of various numerical methods and schemes. as a rule, providing an approximate solution of the problem;

Algorithmic - a model represented by algorithms in the form of a certain logical sequence of operations on the computer;

It should be noted that a number of other types of models are used in the theory and practice of economic and mathematical modeling, characterized by varying degrees of complexity and different purposes. Thus, based on the above material, we can conclude that profit plays a huge role in the development of the enterprise and ensuring the interests of its owners and staff. All this determines the need for effective and uninterrupted profit management. Profit management is a process of developing and making managerial decisions on all the main aspects of its formation, distribution, use and planning in the enterprise. The adoption of managerial decisions in the aspect of profit management policy affects many of the company's strategies, including investment, personnel and financial strategies.

¹² Lyalin V.E.: *Mathematical Modeling and Information Technologies in Enterprise Economics*. - Murmansk; Izhevsk: Kolsky Scientific Center of the Russian Academy of Sciences, ISBN: 2016- 978-5-94178-173-7

4 The mechanism of profit and profitability management in JSC “Bashneft”

4.1 Characteristics of activities and situational analysis of JSC “Bashneft”

JSC “Bashneft” – is one of the most dynamically developing vertically integrated Russian oil companies.

The company produces oil on the territory of Bashkortostan, Tatarstan, Orenburg region from the fields of the Ural-Volga oil and gas province (over 160 fields in total). The quality of the company's oil reserves is low: the oil field are characterized by a high degree of depletion (about 85 %), water content (up to 90 %) and an increased sulfur content (2% and above). The company also produces oil at four license areas in Khanty-Mansiysk Autonomous Okrug. At the end of 2009, the company's 1P reserves amounted to 1.3 billion barrels (177.4 million barrels). t) oil and considering probable and possible - 2.1 billion barrels (286.5 million tons).

JSC “Bashneft” owns three refineries with a capacity of 24.07 million tons per year (“Ufaneftekhim”, “Ufa Petroleum Refinery” and “NOVOIL”), as well as petrochemical plant “Ufaorgsintez”. According to the data for the first quarter of 2013, JSC “Bashneft” was the industry leader in oil refining depth at its enterprises - 84.8%, with the average Russian indicator - 72.5 %.

For the sales of the products responsible its own tank farm, located on the territory of Bashkortostan, Udmurtia and Orenburg region, 460 private filling stations (owned by a subsidiary of JSC “Bashkirnefteprodukt”, LLC “Bashneft-Udmurtia” and JSC “Bashkirnefteprodukt”) and more than 160 third-party filling stations operating under the franchise agreements.

Figure 2. Structure of the JSC "Bashneft"

Structure of the JSC “Bashneft”		
<p>Exploration and production: LLC "Bashneft-Dobycha" LLC "Bashneft-Polyus" LLC "Bashmineral" LLC "Zirgan" LLC "GeoNeft" LLC "BashNIPineft" LLC "Bashneft-Burenie"</p>	<p>Petroleum refining and petrochemistry: JSC "Ufaneftekhim" JSC "Ufa Petroleum Refinery" JSC "NOVOIL" JSC "Ufaorgsintez"</p>	<p>Sales and logistics: JSC "Bashkirnefteprodukt" JSC "Orenburgnefteprodukt" JSC "Bashneft-Region" LLC "Bashneft-Udmurtia" LLC "SKON" LLC "Bashneft-Trans"</p>

Source: Compiled by author

Controlling stock of company (61,29 % of the votes) on February 2011 belonged to JSFC "Sistema", another 25 % owned JSC "System-invest". In April 2011 JSC "Bashneft" acquired the company JSC "RussNeft" 94,041 % of shares of JSC "Bashkirnefteprodukt" (100 % of common and 76.16 % of preferred shares). Evaluation of the sources JSC "Bashneft" has paid slightly less than \$100 million of JSC "Bashkirnefteprodukt" is the largest supplier of petroleum products in the Orenburg region (according to the company web page) unites 93 gas stations and 16 tank farms.¹³

In March 2014, JSC "Bashneft" purchased 100% stocks of LLC "Burneftegaz", the leading exploration and production in the Tyumen Region. The transaction amount exceeded \$ 1 billion. The purchased company holds the right to develop two sites - East Vuyemsk and Tortasinsk, where discovered two oil fields, the total recoverable reserves of which exceed 53 million tons of oil. In addition, JSC "Burneftegaz" holds licenses for exploration in the North-Ityahsk and East Unlorsk sites. Revenue of JSC "Bashneft" in 2014 was 489 million rubles, net loss - 107,5 million.

According to the strategy of JSC "Bashneft" developed corporate governance system is one of the key elements, necessary to create a balanced dynamic-vertically integrated company of world class.

In the effort to meet the highest international standards, company carries out continuous monitoring and implementation of international best practices in corporate governance.

The main directions of policy of JSC "Bashneft" in the field of corporate governance are:

- unconditional observance of interests and protection of shareholders' rights;
- implementation of uniform management standards in all structures of the company;
- improvement of the company's information policy and internal control systems;
- implementation of the principles of information openness and transparency;
- constructive interaction with investors, employees, business partners of the company;
- active implementation of the best practices in the field of corporate governance;

The main management bodies of JSC "Bashneft" are:

- The stockholders;
- Board of directors;
- Management (executives group);
- President (solo executive);

¹³<http://www.bashneft.ru> – official web page of JSC "Bashneft".

The principles and procedures of corporate governance of the JSC “Bashneft” attached in the company’s *article of association* and in many public available internal documents, which together determine the structure and competence of the company's management and control bodies. The Corporate Governance Code and the Code of Ethics contain additional obligations for JSC “Bashneft” in openness, social responsibility, and ethical principles of doing business.

JSC “Bashneft” – one of the oldest enterprises of the Russian oil industry-which producing oil since 1932.

Extensive oil reserves and resource base are located in three major oil producing regions of Russia: the Volga-Ural province, Timan-Pechora, and Western Siberia.

In industrial operation - more than 170 fields.

Production of more than 16 million tons and processing of more than 20 million tons of oil per year.

Strong scientific potential - many years of experience in the development and implementation of advanced technologies for oil exploration and production.

The industry leader in the depth of refining with an indicator 84.7%.

Production and sale of motor fuels of high ecological standards Euro-4 and Euro-5.

High profitability indicators for shareholders and generated cash flow - since 2009, shareholders earned \$ 5.0 billion.¹³

4.2 Analysis of financial and economic activities of JSC "Bashneft"

The following data became the basis for the analysis of financial and economic activities of JSC "Bashneft":

- The balance sheet for 2012-2016
- Statement of financial results for 2012-2015

We will analyze the main financial and economic indicators of the company's activity for the period 2012-2016.

Table 1. The main financial and economic performance of the company for 2012-2016 (thous. rubles)

	2012	2013	2014	2015	2016
Revenues	353 640 905	484 092 487	489 312 379	517 486 718	575 268 651
including from the sale of oil	60 594 021	92 363 777	113 064 307	113 674 443	139 818 051
from the sale of petroleum products	281 677 050	376 641 979	364 492 122	390 955 802	419 833 751
from the sale of other products, works, services	11 369 834	15 086 731	11 656 950	12 856 473	15 616 849

Cost of goods sold (COGS)	221 444 943	283 356 018	281 503 708	268 263 219	296 375 379
including from the sale of oil	18 018 034	25 661 049	28 862 259	33 248 336	40 522 736
from the sale of petroleum products	194 363 966	245 521 845	242 930 312	222 362 061	242 783 159
from the sale of other products, works, services	9 062 943	12 173 124	9 711 137	12 652 822	13 069 484
Gross profit	132 195 962	200 736 469	207 709 671	249 223 499	278 893 272
Commercial expenses	77 974 763	114 837 592	130 226 664	153 544 673	176 684 111
Managerial expenses	4 394 562	7 094 806	10 734 132	9 858 430	9 322 975
Profit (loss) from sales	49 826 637	78 804 071	66 748 875	85 820 396	92 886 187
Income from participation in other organizations	2 533 226	1 978 507	1 645 027	7 113 759	1 661 861
% in receivables	1 472 586	1 475 226	4 674 754	5 321 969	5 607 763
% to payable	9 405 736	11 347 401	10 757 921	8 509 510	10 817 541
Other income	224 927 893	319 914 850	30 806 419	43 880 066	21 115 233
Other expenses	216 840 926	346 139 171	37 083 725	47 104 188	26 928 705
Profit (loss) before tax	52 513 680	44 686 082	56 033 429	86 522 492	83 524 797
Current income tax	6 739 207	10 119 276	10 545 607	15 241 562	15 671 412
including permanent tax liabilities	2 332 657	1 032 883	4 384	368 886	1 223 485
Deferred Tax Liabilities	1 409 441	724 748	1 363 893	2 311 057	170 347
Deferred Tax Asset	21 431	873 925	698 429	617 007	360 285
Other	324 048	247 181	352 720	462 517	9 385
Net Profit	44 019 553	34 468 802	45 175 078	69 124 363	68 033 939

Source: Annual report from official web page

At the end of 2013, the company's revenue increased by 37%, but the net profit of 2013 is lower by 22% compared to 2012, this is explained by an increase in the cost of production by 28%. This is explained by the fact that the financial and economic crisis of 2010-2011 led to an increase in prices for raw materials, which had an impact in the long term and was reflected in the indicators of 2013. Data for 2014 show growth - revenue exceeds the same indicator of 2013 by 1%, net profit grew by 31%, the cost of production in 2014 decreased by 1%. A high net profit was achieved mainly due to an increase in % of receipts.

In 2015, compared to 2012, net profit increased by 53%, profit (loss) before tax by 54%, while the cost price decreased by 5%, revenue growth in 2015 was 6%.

The 2016 was characterized by a proportional increase in revenue 11% and cost of goods sold 10%. However, high overheads led to a 2% decrease in net profit in 2016.

Throughout the research period, the main revenue item in the revenue structure is the sale of petroleum products, in 2012 the share of revenues from the sale of petroleum products in total revenue was 79.65%, in 2013 - 77.80%, in 2014 - 74.49% %, in 2015 - 75.55%, in 2016 - 72.98%. The share of cost of goods sold decreases during the research period, which is a positive trend of goods cost in 2012 in the total revenue amounted to 62.62%, in 2013 - 58.53%, in 2014 - 57.53%, in 2015 - 51.84%, in 2016 - 51.52%. If you consider a more detailed analysis of the company's financial situation for the period 2015 -2016. In 2015, there is a rapid growth in many indicators, but the projected figures for 2016 indicate a decrease in key performance indicators.

The balance sheet – is a list of the assets of the enterprise (in the asset) and sources of its acquisition (in the passive) for a specific date. The property of the enterprise, reflected in the asset balance into non-current (long-term use) assets and current (short-term) assets. Current assets include the resources of the enterprise used in the production cycle, that is, production stocks, goods stored in the warehouse, current receivables, and so on.

Sources of formation of assets are reflected in the liabilities of the balance sheet, which in turn consists of three sections:

- capital and reserves;
- current liabilities;
- long-term liabilities;

Liquidity and efficiency of the use of current assets are determined by the amount of net current assets, which is the difference between the company's current assets and the company's adjusted short-term liabilities. Since the amount of net current asset directly depends on the structure of the balance sheet, we will consider four basic models of building the capital structure and determine to which of them the structure of JSC “Bashneft” belongs.

Depending on the structure of the balance, four models are distinguished:

- ideal model;
- aggressive model;
- conservative model;
- compromise model;

The ideal model – is based on the assumption that the current assets in the static representation coincide with short-term liabilities. This situation practically does not occur in real life, because under unfavorable conditions, for example, if urgent repayment of accounts payable is necessary, the enterprise will be forced to sell non-current assets, etc., which will further worsen the situation.

The aggressive model – is based on the assumption that short-term accounts only to cover the variable part of current assets needed as insurance stock. The constant part of current assets in this case is covered by long-term accounts payable and part of own capital. This situation, as well as the ideal model, should be regarded as rather risky, as in practice it is impossible to limit the minimum of current assets.

The conservative model – assumes the absence of short-term obligations and financing of current assets due to long-term liabilities and part of own capital. However, in the long term, this model is not profitable.

The compromise model – is the most realistic model. In the case of this model, the net current capital is equal to the sum of the constant current assets and half of their variable part.

Based on the models discussed above, the structure of the organization's assets at the end of the reporting period can be attributed to the aggressive model. The structure of the balance asset and changes in the analyzed period are presented in Table 2 and Table 3.

Table 2. Balance sheet assets structure JSC “Bashneft”

Balance sheet item	Line code	31.12.2015	31.12.2016
I Non-current assets			
Intangible assets	1110	0,01%	0,01%
Results of research and development	1120	0,00%	0,00%
Intangible search assets	1130	1,37%	0,02%
Material search assets	1140	0,16%	0,08%
Fixed assets	1150	31,24%	31,10%
Profitable investments in tangible assets	1160	0,00%	0,00%
Long-term financial investments	1170	21,61%	25,60%
Deferred tax assets	1180	0,77%	0,75%
Other fixed assets	1190	2,66%	2,27%
Total for section I	1100	57,82%	59,84%
II. Current assets			
Inventory	1210	8,57%	12,75%
Value added tax on purchased valuables	1220	2,20%	2,06%

Receivables	1230	18,61%	16,03%
including long-term accounts receivable	1231		
Financial investments	1240	9,60%	0,93%
Cash	1250	2,45%	7,98%
Other current assets	1260	0,74%	0,42%
Total for section II	1200	42,18%	40,16%
Balance	1600	100,00%	100,00%

Source: Annual report from official web page

Table 3. Balance sheet assets structure JSC “Bashneft”

Assets	31.12.2015	31.12.2016	In absolute terms, thousand rubles.	Growth rate	Specific weight
I. Non-current assets					
Intangible assets	33 080,00	30 388,00	-2 692,00	-8,14 %	-0,00 %
Results of research and development	14 443,00	3 611,00	-10 832,00	-75,00 %	-0,00 %
Intangible search assets	5 070 823,00	70 028,00	-5 000 795,00	-98,62 %	-1,35 %
Material search assets	586 726,00	333 681,00	-253 045,00	-43,13 %	-0,08 %
Fixed assets	115 870 428,00	125 039 735,00	9 169 307,00	7,91%	-0,14 %
Profitable investments in tangible assets	0,00	0,00	0,00	0	0,00%
Financial investments	80 132 683,00	102 936 832,00	22 804 149,00	28,46%	4,00%
Deferred tax assets	2 840 629,00	3 020 441,00	179 812,00	6,33%	-0,01 %
Other noncurrent assets	9 866 227,00	9 127 215,00	-739 012,00	-7,49 %	-0,39 %
Total for section I	214 415 039,00	240 561 931,00	26 146 892,00	12,19%	2,02%
II. Current assets					

Inventory	31 765 128,00	51 276 332,00	19 511 204,00	61,42%	4,19%
Value added tax on purchased valuables	8 154 136,00	8 270 457,00	116 321,00	1,43%	-0,14 %
Receivables	69 032 274,00	64 436 360,00	-4 595 914,00	-6,66 %	-2,59 %
Financial investments	35 614 470,00	3 730 988,00	-31 883 482,00	-89,52 %	-8,68 %
Cash	9 102 929,00	32 067 825,00	22 964 896,00	252,28%	5,52%
Other current assets	2 760 944,00	1 685 614,00	-1 075 330,00	-38,95 %	-0,33 %
Total for section II	156 429 881,00	161 467 576,00	5 037 695,00	3,22%	-2,02 %
Balance	370 844 920,00	402 029 507,00	31 184 587,00	8,41%	0,00%

Source: Annual report from official web page

On the balance sheet, while analyzing, the total assets of the enterprise in the reporting period, compared with the base, increased slightly. Compared to the data as of December 31, 2015, assets and currency of the balance sheet increased by 8.41%, which was 31,184,587.00 thousand rubles. Thus, in the reporting period, the asset balance is at the level of 402,029,507.00 thousand rubles. To a greater extent, this was due to an increase in the "Cash." Over the past period, the growth of this item amounted to 22,964,896.00 thousand rubles. and already at the end of the analyzed period the value of "Cash" reached 32 067 825.00 thousand rubles.

In the general structure of non-current assets, the value of which as of December 31, 2015 was 214,415,039.00 thousand rubles, increased by 26,146,892.00 thousand rubles. (the growth rate was 12.19%). On December 31, 2016, their value was 240 561 931.00 thousand rubles. (60% of the total property). The value of current assets, which on 31.12.2015 was 156 429 881.00 thousand rubles, also increased by 5 037 695.00 thousand rubles. (the growth rate was 3.22%), and on December 31, 2016 their value was 161 467 576.00 thousand rubles. (40% of the total of property). The share of fixed assets in the total structure of assets on 31.12.2016 was 31%.

As can be seen from Table 3, at the end of the reporting period, the largest share in the structure of total assets is fixed assets (59.84%), which indicates a low-mobile asset structure and contributes to a decrease of the enterprise's cash flow. In addition, there is a tendency towards deterioration in the analyzed period. In the reporting period, the share of fixed assets in the overall structure of the balance decreased by 2.02%.

In the structure of fixed assets, the largest change was due to an increase of 22,804,149.00 thousand rubles. in comparison with the base period of the "Long-term financial investments".

In the structure of current assets, the largest change was due to an increase of 22,964,896.00

thousand rubles, compared to the base period, of the "Cash".

The structure of the balance liabilities and changes in the analyzed period are presented on the Table 4 and Table 5.

Table 4. Balance sheet liabilities structure of “Bashneft”

Balance sheet item	Line code	31.12.2015	31.12.2016
III. Capital and reserves			
Authorized capital	1310	0,00%	0,00%
Own shares redeemed from shareholders	1320	0,06%	0,04%
Revaluation of non-current assets	1340	1,35%	-1,34%
Additional capital	1350	9,78%	1,23%
Reserve capital	1360	0,01%	0,01%
Undistributed profit (uncovered loss)	1370	36,96%	28,06%
Total for section III	1300	48,16%	28,00%
IV. Long-term liabilities			
Borrowed funds	1410	22,90%	38,72%
Deferred tax liabilities	1420	2,92%	2,73%
Provisions for contingent liabilities	1430		0,00%
Other long-term liabilities	1450	1,66%	1,58%
Total for section IV	1400	27,48%	43,03%
V. Short-term liabilities			
Borrowed funds	1510	2,07%	1,43%
Accounts payable	1520	21,42%	26,64%
Revenue of the future periods	1530	0,03%	0,02%
Reserves for future expenses and payments	1540	0,85%	0,40%
Other short-term liabilities	1550	0,00%	0,47%
Total for section V	1500	24,37%	28,97%
Balance	1700	100,00%	100,00%

Source: Annual report from official web page

Table 5. Changes in the balance of liabilities of JSC "Bashneft"

Liabilities	31.12.2015	31.12.2016	In absolute terms, thousand rubles.	Growth rate	Specific weight
III. Capital and reserves					
Authorized capital	0,00	0,00	0,00	0%	0,00%
Own shares redeemed from shareholders	227 384,00	180 359,00	-47 025,00	-20,68 %	-0,02 %
Additional capital	36 257 464,00	4 960 970,00	-31 296 494,00	-86,32 %	-8,54 %
Reserve capital	34 108,00	34 108,00	0,00	0,00%	-0,00 %
Undistributed profit (uncovered loss)	137 052 606,00	112 806 793,00	-24 245 813,00	-17,69 %	-8,90 %
Total for section III	178 593 136,00	112 580 195,00	-66 012 941,00	-36,96 %	-20,16 %
IV. Long term liabilities					
Borrowed funds	84 920 449,00	155 676 229,00	70 755 780,00	83,32%	15,82%
Deferred liabilities	10 831 318,00	10 971 301,00	139 983,00	1,29%	-0,19 %
Other long-term liabilities	6 144 873,00	6 343 530,00	198 657,00	3,23%	-0,08 %
Total for section IV	101 896 640,00	172 991 060,00	71 094 420,00	69,77%	15,55%
V. Short-term liabilities					
Borrowed funds	7 680 792,00	5 738 814,00	-1 941 978,00	-25,28 %	-0,64 %
Accounts payable	79 431 527,00	107 119 758,00	27 688 231,00	34,86%	5,23%

Revenue of the future periods	96 295,00	79 448,00	-16 847,00	-17,50 %	-0,01 %
Reserves for future expenses and payments	3 163 982,00	1 618 077,00	-1 545 905,00	-48,86 %	-0,45 %
Other short-term liabilities	2 548,00	1 902 155,00	1 899 607,00	74 552,86%	0,47%
Total for section V	90 375 144,00	116 458 252,00	26 083 108,00	28,86%	4,60%
Balance	370 864 920,00	402 029 507,00	31 164 587,00	8,40%	-0,01 %

Source: Annual report from official web page

In the cell of liabilities, the increase in the balance sheet was due to the growth of "Borrowed funds". Over the past period, the growth of liabilities amounted to 70 755 780.00 thousand rubles. (83.32%). Thus, at the end of the analyzed period, the value of the item "Borrowed funds" was established at the level of 155,676,229.00 thousand rubles. Considering the change in the equity capital of JSC "Bashneft", it seen that its value for the analyzed period is decreased. On 31.12.2016 the value of the company's equity capital was 114,277,720.00 thousand rubles. (28.43% of total liabilities).

The share of liabilities in aggregate sources of formation of assets for the reviewed period has significantly increased. As of 31.12.2014 the aggregate amount of long-term and short-term liabilities of the enterprise amounted to 287 751 787.00 thousand rubles. (71.57% of total liabilities). The increase in the company's borrowed funds leads to an increase in the degree of its financial risks and may adversely affect its financial stability. Considering the change in the reserves of the enterprise and retained earnings, it can be noted that for the analyzed period their total value decreased by 24,245,813.00 thousand rubles. and amounted to 112,840,901.00 thousand rubles. Reserves of the company did not change, but retained earnings amounted to - 24,245,813.00 thousand rubles. In general, this can be seen as a negative trend, as a reduction in reserves, funds and retained earnings can speak of inefficient operation of the enterprise.

In the general structure of liabilities, the amount of capital and reserves (section III of the balance sheet), which on December 31, 2015 was 178,593,136.00 thousand rubles, decreased by 66,011,941.00 thousand rubles. (the growth rate was -36.96), and on December 31, 2014 its value was 112 580 195.00 thousand rubles. (28% of the total structure of property). This change was due

to a decrease in "Additional capital" - by -31,296,494.00 thousand rubles.

Long-term liabilities, the amount of which on December 31, 2015 was 101 896 640.00 thousand rubles, increased by 71 094 420.00 thousand rubles. (the growth rate was 69.77%), and on 31.12.2016 its value was 172 991 060.00 thousand rubles. (43.03% of liabilities).

The biggest influence on the increase in long-term liabilities was the growth of "Borrowed funds". Over the past period, the growth of this item amounted to 70 755 780.00 thousand rubles. (in percentage terms - 83.32%), and at the end of the analyzed period the value of the item "Borrowed funds" reached 155 676 229.00 thousand rubles.

The value of short-term liabilities, which on 31.12.2015 was 90 375 144.00 thousand rubles, also increased by 26 083 108.00 thousand rubles. (the growth rate was 28.86%), and on December 31, 2016, their value was 116 458 252.00 thousand rubles.

The largest share in the structure of short-term debt obligations as of December 31, 2014 is "Accounts payable". At the end of the analyzed period, the amount of debt is 107 119 758.00 thousand rubles. (the share of short-term accounts payable is 91%).

The aggregated balance sheet is constructed by combining homogeneous balance sheet items for the convenience of subsequent analysis.

The structure of the aggregate balance sheet is presented in Table 6.

Table 6. The aggregate balance sheet of JSC "Bashneft"

Assets	31.12.2015, thousand rubles.	31.12.2014, thousand rubles.	In absolute terms, thousand rubles.	Growth rate	Specific weight
Non-current assets	214415039	240561931	26146892	12.19%	2,02%
Current assets	156429881	161467576	5037695	3.22%	-2,02 %
Stocks and expenses	39919264	59546789	19627525	49.17%	4,05%
Short-term accounts receivable	69032274	64436360	-4595914	-6.66%	-2,59 %
Cash and short-term financial investment	44717399	35798813	-8918586	-19.94%	-3,15 %
Other current assets	2760944	1685614	-1075330	-38.95%	-0,33 %

Balance	370844920	402029507	31184587	8.41%	0,00%
Liabilities					
Equity	181853413	114277720	-67575693	-37.16%	-20,61 %
Long-term liabilities	101896640	172991060	71094420	69.77%	15,55%
Loans and credits	84920449	155676229	70755780	83.32%	15,82%
Other long-term liabilities	16976191	17314831	338640	1.99%	-0,27 %
Short-term liabilities	87114867	114760727	27645860	31.73%	5,05%
Loans and credits	7680792	5738814	-1941978	-25.28%	-0,64 %
Accounts payable	79431527	107119758	27688231	34.86%	5,23%
Other short-term liabilities	2548	1902155	1899607	74552.86%	0,47%
Balance	370864920	402029507	31164587	8.4%	-0,01 %

Source: Annual report from official web page

The change in financial and economic activity in the reporting period, as compared to the base period, is presented in Table 7.

Table 7. Change on financial results report in the reporting period compared to the base period of JSC "Bashneft"

Name	31.12.2015, thousand rubles.	31.12.2016, thousand rubles.	In absolute terms, thousand rubles.	Growth rate	Specific weight
Income and expenses for ordinary activities					
Revenues	517 486 718,00	575 268 651,00	57 781 933,00	11,17%	0,00%
Cost price of sales	-268 263 219,00	-296 375 379,00	-28 112 160,00	10,48%	0,32%
Gross profit (loss)	249 223 499,00	278 893 272,00	29 669 773,00	11,90%	0,32%
Commercial expenses	-153 544 673,00	-176 684 111,00	-23 139 438,00	15,07%	-1,04 %
Managerial expenses	-9 858 430,00	-9 322 975,00	535 455,00	-5,43 %	0,28%

Profit (loss) from sales	85 820 396,00	92 886 186,00	7 065 790,00	8,23%	-0,44 %
Other income and expenses					
Income from participation in other organizations	7 113 759,00	1 661 861,00	-5 451 898,00	-76,64 %	-1,09 %
% receivable	5 321 969,00	5 607 763,00	285 794,00	5,37%	-0,05 %
% payable	-8 509 510,00	-10 817 541,00	-2 308 031,00	27,12%	-0,24 %
Other income	43 880 066,00	21 115 233,00	-22 764 833,00	-51,88 %	-4,81 %
Other expenses	-47 104 188,00	-26 928 705,00	20 175 483,00	-42,83 %	4,42%
Profit (loss) before tax	86 522 492,00	83 524 797,00	-2 997 695,00	-3,46 %	-2,20 %
Change in deferred tax assets	617 007,00	360 285,00	-256 722,00	-41,61 %	-0,06 %
Change in deferred tax liabilities	-2 311 057,00	170 347,00	2 481 404,00	-107,37 %	0,48%
Current income tax	-15 241 562,00	-15 671 412,00	-429 850,00	2,82%	0,22%
Net profit (loss) for the reporting period	69 124 363,00	68 393 402,00	-730 961,00	-1,06 %	-1,47 %
For reference					
Total financial result of the period	69 124 363,00	68 393 402,00	-730 961,00	-1,06 %	-1,47 %
Basic profit (loss) per share	360,00	0,00	-360,00	-100,00 %	-0,00 %
Diluted profit (loss) per share	0,00	0,00	0,00	0	0,00%

Source: Annual report from official web page

Table 8. Change of financial and economic activity in the reporting period in comparison with the base period of JSC "Bashneft"

Name	31.12.2015, thousand rubles.	31.12.2016, thousand rubles.	In absolute terms, thousand rubles.	Growth rate
Sales volume	517 486 718,00	575 268 651,00	57 781 933,00	11,17%
Profit from sales	85 820 396,00	92 886 186,00	7 065 790,00	8,23%
Amortization	0,00	0,00	0,00	0%
EBITDA	85 820 396,00	92 886 186,00	7 065 790,00	8,23%
Net profit	69 124 363,00	68 393 402,00	-730 961,00	-1,06 %
Profitability of sales,%	16,58%	16,15%	-0,44 %	-2,64 %
Net assets	178 669 431,00	112 659 643,00	-66 009 788,00	-36,95 %
Net assets turnover,%	289,63%	510,63%	220,99%	76,30%
Profitability of net assets,%	48,43%	74,14%	25,71%	53,10%
Equity	181 853 413,00	114 277 720,00	-67 575 693,00	-37,16 %
Profitability of own capital,%	38,01%	46,19%	8,18%	21,52%
Loans and credits	92 601 241,00	161 415 043,00	68 813 802,00	74,31%
The financial lever	103,94%	251,80%	147,86%	142,26%

Source: Annual report from official web page

From Table 8 it can be seen that the proceeds from the sale of the company as compared to the base period increased (from 517,486,718.00 thousand rubles on December 31, 2013 to 575,268,651.00 thousand rubles on December 31, 2014). For the analyzed period, the change in sales volume amounted to 57,781,933.00 thousand rubles (growth rate was 11.17%).

The gross profit on December 31, 2013 was 249,223,499.00 thousand rubles. During the analyzed period, it increased by 29,669,773.00 thousand rubles, which should be regarded as a positive moment, and on December 31, 2014 amounted to 278 893 272.00 thousand rubles.

The sales profit on December 31, 2015 was 85,820,396.00 thousand rubles. For the analyzed period, like gross profit, it increased by 7,065,790.00 thousand rubles. and on 31.12.2016 profit from sales amounted to 92,886,186.00 thousand rubles, as well as gross profit, remained at the same level.

It should be noted the high level of commercial and managerial expenses in the report on the financial results of the organization. At the beginning of the analyzed period, their share was 60.91% of the cost of sales, and at the end of the period - 62.76% of the cost of goods sold, products, works, services.

The indicator of increasing the efficiency of the company's activities can be called a higher revenue growth in relation to the growth of the cost price, which amounted to 11.17% compared to the growth of cost price (10.48%).

Negative point is the presence of losses under the section "Other income and expenses". On December 31, 2016, the balance under the section was set at -9,361,389.00 thousand rubles, but there is a positive trend - for the period from the end of December 31, 2015 to the end of December 31, 2016, the balance under "Other income and expenses" increased by 5 456,373.00 thousand rubles.

Table 9. Analysis of liquidity ratio by relative indicators

Name	31.12.2015	31.12.2016
Absolute liquidity ratio	0,52	0,31
The coefficient of intermediate (fast) liquidity	1,31	0,87
Coefficient of current liquidity	1,34	0,89
Coefficient of coverage of working capital by own sources of formation	0,44	0,29
Coefficient of restoration (loss) of solvency		0,33

Source: Annual report from official web page

As can be seen from Table 9, the ratio of current liquidity at the beginning and in the end of the analyzed period (31.12.2015 - 31.12.2016) is below the normative value of 2, which means that the value of the coefficient is low, and the enterprise hasn't enough resources for conducting business activities and timely repayment of urgent obligations. At the beginning of the analyzed period - 31.12.2015 the value of the current liquidity indicator was 1.34. At the end of the analyzed period, the value of the indicator decreased to 0.89.

Since at the end of the analyzed period the ratio of current liquidity is below its normative value of 2, calculating the recovery factor of the company's solvency. The indicator of the restoration of solvency shows whether the company's ability to restore its solvency in the next six

months with the current dynamics of the change in the current liquidity indicator. At the end of the period, the value of the indicator was set at 0.33, which indicates that the enterprise will not be able to restore its solvency, since the indicator is less than one.

Based on the results of the financial and economic analysis of the company's activity over the last 5 years, it can be concluded that, in general, the state of the enterprise is characterized as stable, this shows relative and absolute performance indicators. Some decreased results in 2016 does not affect to the stability on long-term perspective and they are rather precautionary call.

Over the years of successful operation, the holding has developed a stable material base, which allows to compensate for some decrease in indicators.

4.3 Operating mechanisms of profit and profitability management of JSC “Bashneft”

Researching the change of profit for the enterprise and for the industry in dynamics, was created Table 10.

Table 10. Dynamics of profit of the JSC "Bashneft" for 2012-2016, thousand rubles.

Indicators	Absolute deviation 2013 from 2012	Absolute deviation 2014 from 2013	Absolute deviation 2015 from 2014	Absolute deviation 2016 from 2015
Revenues	130 451 582	5 219 892	28 174 339	57 781 933
including from the sale of oil	31 769 756	20 700 530	610 136	26 143 608
-from the sale of petroleum products	94 964 929	(12 149 857)	26 463 680	28 877 949
-from the sale of other products, works, services	3 716 897	(3 429 781)	1 199 523	2 760 376
Cost of goods sale	61 911 075	(1 852 310)	(13 240 489)	28 112 160
including from the sale of oil	7 643 015	3 201 210	4 386 077	7 274 400
-from the sale of petroleum products	51 157 879	(2 591 533)	(20 568 251)	20 421 098
-from the sale of other products, works, services	3 110 181	(2 461 987)	2 941 685	416 662
Gross profit	68 540 507	6 973 202	41 513 828	29 669 773
Commercial expenses	36 862 829	15 389 072	23 318 009	23 139 438
Managerial expenses	2 700 244	3 639 326	(875 702)	(535 455)
Profit (loss) from sales	28 977 434	(12 055 196)	19 071 521	7 065 791

Income from participation in other organizations	-554 719	(333 480)	5 468 732	(5 451 898)
% receivable	2 640	3 199 528	647 215	285 794
% payable	1 941 665	(589 480)	(2 248 411)	2 308 031
Other income	94 986 957	(289 108 431)	13 073 647	(22 764 833)
Other expenses	129 298 245	(309 055 446)	10 020 463	(20 175 483)
Profit (loss) before taxation	-7 827 598	11 347 347	30 489 063	(2 997 695)
Current income tax	3 380 069	426 331	4 695 955	429 850
including standing tax liabilities	-1 299 774	(1 028 499)	364 502	854 599
Deferred Tax Liabilities	-684 693	639 145	947 164	(2 140 710)
Deferred Tax Asset	852 494	(175 496)	(81 422)	(256 722)
Other	-76 867	105 539	109 797	(453 132)
Net profit	-9 550 751	10 706 276	23 949 285	(1 090 424)

Source: Compiled by author based on balance sheet

Based on the data in Table 10, concluded following:

- for the analyzed period there is a significant increase in such indicators as revenue, gross profit, but the net profit at the end of 2016 is less than the same indicator of 2015 by 1,090,424 rubles;
- the indicators of other incomes and expenditures are decreasing throughout the whole period of analyze;
- net profit has the highest value in 2013, according to the results of 2014, the indicator falls;

By researching the change in profit in the whole enterprise, we will analyze the implementation of certain types of products, works, services in dynamics. We will investigate the influence of certain factors on the change in the amount of profit from the sale of specific types of products, works, services of JSC "Bashneft".

The change in the amount of profit from the sale of certain types of products, works, services is presented in the Table 11.

Table 11. Dynamics of profit from the sale of certain services of JSC "Bashneft", thousand rubles.

Indicators	2012	2013	Absolute deviation 2013 from 2012	2014	Absolute deviation 2014 from 2013	2015	Absolute deviation 2015 from 2014	2016	Absolute deviation 2016 from 2015
Revenue from sales	49 826 637	78 804 071	28 977 434	66 748 875	(12 055 196)	85 820 396	19 071 521	92 886 187	7 065 791
including from the sale of oil	8 537 463	15 035 643	6 498 179	15 423 512	387 869	18 851 857	3 428 345	22 575 827	3 723 970
including from the sale of petroleum product	39 687 208	61 312 501	21 625 293	49 721 691	(11 590 810)	64 836 411	15 114 720	67 788 773	2 952 362
including from the sale of other products, works, services	1 601 966	2 455 927	853 961	590 167	(865 760)	2 132 127	541 961	2 521 586	389 459

Source: Compiled by the author based on annual report

Based on the data in Table 11, we draw the following conclusions:

- the profit from sales throughout the whole researching period is growing, the greatest growth of this indicator is provided by the growth of profit for the oil products. An unfavorable period is only 2014, there is a decline in profits for this type of activity, which led to a decrease in sales profit in 2014 relative to the 2013 indicator. However, in 2016, both indicators reach their maximum values.
- re-profiling of production is not observed, but during the research period, a significant increase in profits from the sale of oil

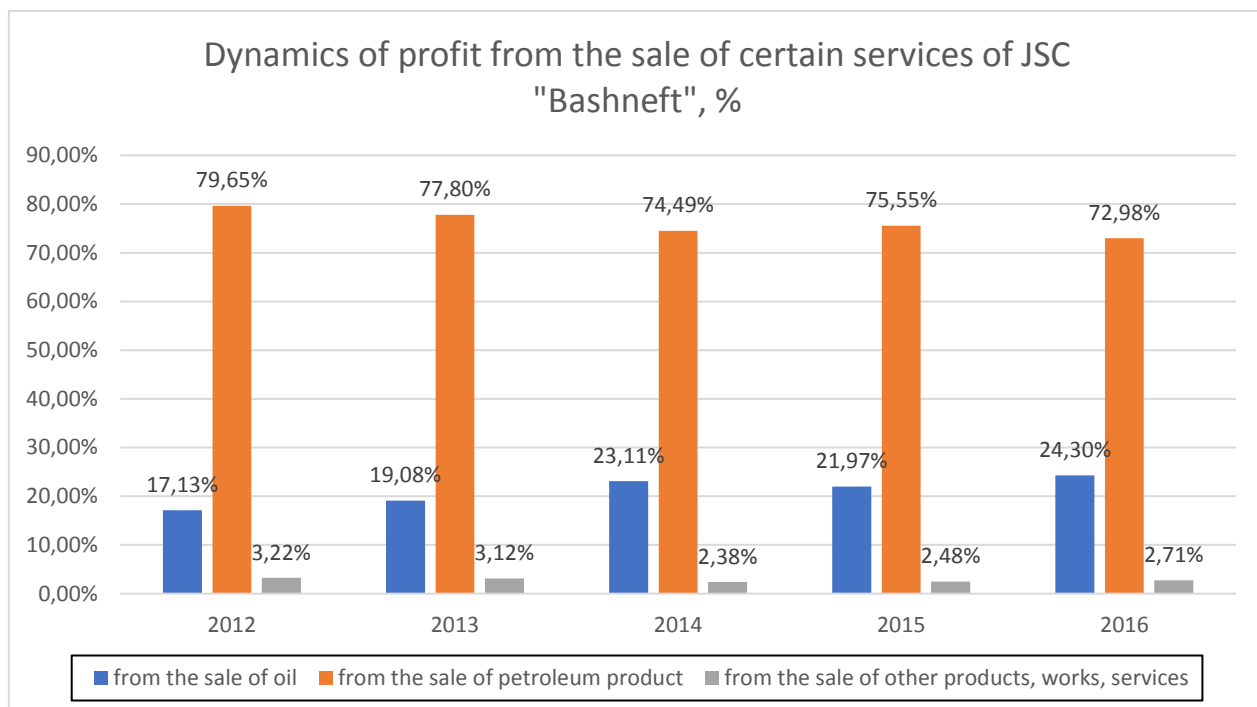
Table 12. Dynamics of profit from the sale of certain services of JSC "Bashneft", %

Indicators	2012	2013	Absolute deviation 2013 from 2012	2014	Absolute deviation 2014 from 2013	2015	Absolute deviation 2015 from 2014	2016	Absolute deviation 2016 from 2015
Revenue from sales	100,00%	100,00%		100,00%		100,00%		100,00%	
including from the sale of oil	17,13%	19,08%	1,95%	23,11%	4,03%	21,97%	-1,14%	24,30%	2,34%
including from the sale of petroleum product	79,65%	77,80%	-1,85%	74,49%	-3,31%	75,55%	1,06%	72,98%	-2,57%
including from the sale of other products, works, services	3,22%	3,12%	-0,10%	2,38%	-0,73%	2,48%	0,10%	2,71%	0,23%

Source: Compiled by the author based on Table 11

As can be seen from Table 12, the largest share of during research period was the sale of oil products, and the lowest share sold other products, works, services.

Graph 2. Dynamics of profit from the sale of certain services of JSC "Bashneft", %



Source: Compiled by the author

Based on the graph it is shown that the highest rate of growth on the sale of petroleum products, and the highest rate of decrease in the sale of other goods, works and services. Oil sales provide a stable profit and maintain positions and consistently occupying a quarter of the total sales profit.

To evaluate the impact of certain factors to change the level of profitability in JSC "Bashneft", initially it is necessary to analyze the level of profitability of its activities.

Table 13. Profitability dynamics of JSC "Bashneft" in 2012-2016.

Profitability indicators	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016
Overall profitability, %	14,85%	9,23%	11,45%	16,72%	14,52%
Profitability of sales, %	14,09%	16,28%	13,64%	16,58%	16,15%
Profitability of main activity, %	37,38%	41,47%	42,45%	48,16%	48,48%

Source: Annual report from official web page

Considering the indicators of profitability, first of all, it should be noted that at the beginning and at the end of the analyzed period, the profit before tax and sales proceeds, overall profitability is above the industry average value, which was established at 10%. At the beginning of the period, the total profitability index at the enterprise was 16.72%, and at the end of the period - 14.52% (change in absolute terms over the period: -2.2%). In general, the situation where the profitability index is above the industry average should be viewed as a positive.

5 A conceptual model of profit and profitability management

To develop a model of profit and profitability management, were analyzed the strength, weaknesses, opportunities and threads of the company and draw up a map Figure 3.

In modern business practice SWOT-analysis is one of the most known and widespread quality methods of conducting strategic analysis.

Figure 3. SWOT - analysis

SWOT-analysis	Opportunities	Thread
<p>Strength</p> <p>Own raw materials base, high replenishment factor;</p> <p>High level of technical equipment of the oil refining complex;</p> <p>High financial stability;</p>	<p>Strength and opportunities</p> <p>Increase the sales by entering new markets;</p> <p>Production of new types of petroleum products;</p> <p>Deeper processing of raw materials;</p> <p>Development and implementation of efficient technologies in the field of oil refining with "extrusion" of competitors from the market;</p>	<p>Strength and thread</p> <p>High financial stability;</p> <p>Reducing the cost of oil products to exclusion competitors;</p> <p>Reduce costs, thereby the price of the product;</p> <p>Development and implementation of efficient technologies in the field of oil refining with "extrusion" of competitors from the market;</p>
<p>Weaknesses</p> <p>High degree of depreciation of fixed assets;</p> <p>Creation and promotion of the "Bashneft" brand;</p> <p>Poor development of retail sales and small wholesale;</p>	<p>Weaknesses and opportunities</p> <p>Implementation of new equipment;</p> <p>Conducting a wide advertising campaign;</p> <p>Keep customers from moving to a competitor by informing them about high quality and reliability of their product;</p>	<p>Weaknesses and thread</p> <p>Conduct a review of the equipment and set a time-free operation;</p> <p>Optimize equipment;</p> <p>Improve the market perception of the company through disclosure of information;</p> <p>Optimization of staffing;</p>

Source: Compiled by the author

The long-term goal of JSC “Bashneft” is to form a large, balanced, vertically integrated company with growing production, high-technology processing and sustainable distribution channels, increasing profit and profitability of products.

The most important stage in the development of an effective strategy of the company is strategic analysis, which should give a real assessment of own resources and capabilities in relation to the state of the external environment in which the firm operates. On the basis of this analysis, must occur a rational choice of strategies from a possible option.¹⁴

Investment strategies:

- development of the most progressive branches;
- rational allocation of enterprises;
- increase in the proportion of specialized production;
- acceleration of the introduction and development of new, more advanced technology;

Financial strategies:

- reduction of production costs;
- using new equipment and technology;
- automation of production processes;
- strengthening the economy in the expenditure of material, labor and financial resources;
- increase in revenue from sales of products;

Personnel strategies:

- increase in labor productivity;
- improvement of management in all structural divisions of the enterprise;
- raising the qualification level of staff;

To increase the profit of the comp and profitability index of the company, we will propose the following investment, financial and personnel corporate strategies for the implementation of the JSC "Bashneft".

1. Increase in sales volume (access to new sales markets),
2. Reducing the cost of production,
3. Optimization of the staffing

¹⁴ Tokarev V. Financial Forecasting Companies by Foundations SWOT Analysis / «Company Management» - №9, 2009

Recommended investment strategies:

As an investment strategy, we consider entering to new market. This type of strategy is based on a planned marketing policy from the opening of new points of filling stations to the development of new types of activities. Also, here can be attributed the increase in the technical level of production: introduction of new progressive technology, mechanization and automatization of production processes, improvement of the use and application of new types of raw materials and other factors that can increase the technical level of production.

Recommended financial strategy:

One of the significant factors affecting the financial result is the cost of the product. Therefore, it is necessary to consider possible ways to reduce it. The decisive condition for reducing the cost is continuous technical progress. Introduction of new equipment, complex mechanization and automatization of production processes, the improvement of technology, the introduction of advanced types of materials can significantly reduce the cost of production.

And also, to the company recommended to sell used equipment. Based on the proceeds, we consider it necessary to introduce into new equipment, which has higher technical and economic characteristics and have a longer service life. The proceeds necessary to introduce into new equipment, which has higher technical and economic characteristics and have a longer service life.

Recommended personnel strategy:

Optimization of the staff, assumes a reduction in the marketing and advertising department. Despite the fact that the enterprise is very progressive, the current organizational structure is inefficient.

Department of marketing and advertising on the number of staff exceeds such departments as the economic, accounting, legal departments. At the same time, the company annually incurs significant expenses for advertising

In addition, the analysis showed that over the last year the enterprise increased the number of employees. And the increase involved not only production workers, but also specialists.

In order to bring the company to a progressive level in general and to reduce the cost of production, suggested to reduce the size of marketing and advertising departments by 50%. To conduct marketing research and promotional activities, should be involved outsourcing companies 2 times a year.

For a comprehensive approach to analyze goal achievement, it is necessary to take into account both the criteria that enable us to measure the results of a decision or the limitations that reflect the influence of external and internal factors.

6 Conclusion

The purpose of this bachelor thesis was to research the mechanisms of managing profit and profitability on the basis of investment, financial and personnel strategies.

Based on the results of this work, concluded following.

The effectiveness of management of any economic enterprise is characterized by indicators of financial results. Among these indicators, the most important are profit and profitability.

Profit as a financial result acts in the following main types: balance sheet, taxable, net.

Accounting profit – is the final financial result, revealed for the reporting period on the basis of accounting for all business transactions and valuation of accounting items.

Economic profit – is usually understood as an increase in the economic value of an enterprise. The mechanism of profit formation and management is aimed at increasing the welfare of the owners of the enterprise, as well as achieving a certain harmony in the interests between the owners of the enterprise, its employees and the state.

Profit management is a process of developing and making managerial decisions on all the main aspects of its formation, distribution, use and planning in the enterprise. Along with the formation of profit and profitability in each organization should be a plan to manage an income, according enterprises way.

The object of this thesis one of the most dynamically developing vertically-integrated Russian oil companies – JSC “Bashneft”.

The main activities of JSC “Bashneft” are the exploration and production of oil and gas, the production of petroleum products and petrochemical products, as well as the sale of manufactured products.

To increase the profit of the enterprise and increase the profitability index, were proposed steps based on the following investment, financial and personnel corporate strategies.

- Increase in sales volume (access to new sales markets),
- Reducing the cost of production,
- Optimization of staffing

7 References

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