

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

FACULTY OF ECONOMICS AND MANAGEMENT

DEPARTMENT OF LAW



BACHELOR THESIS

**BUSINESS CONDUCT IN RUSSIA AND THE CZECH
REPUBLIC – LEGAL AND ECONOMIC ASPECTS**

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BACHELOR THESIS ASSIGNMENT

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Economics and Management

Thesis title

Business conduct in Russia and the Czech Republic - legal and economic aspects

Objectives of thesis

The aim of this thesis is to study business conduct in The Russian Federation and in the Czech Republic, and to determine how legal and economic aspects can influence a country frameworks. It includes a comparison between Russian and Czech businesses, their differences and similarities, business contracts and a prognosis for their future prospects.

Methodology

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- 3)05-06/2013: Investigation and collecting data according to information resources, consultation with the supervisor.
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Keywords

business form, business contract, business law, Czech Republic, Russia.

Recommended information sources

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1. MacGREGOR, PELIKÁNOVÁ, Radka. Introduction to law for business. Ostrava, CZ : Key Publishing, 2012. ISBN 978-80-7418-137-5.
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10. <http://www.expattarrivals.com/russia/doing-business-in-russia>

Další literatura po dohodě s vedoucím práce / Additional literature and resources upon agreement with the tutor.

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Prague November 8. 2013

Declaration

I here by declare to have compiled this final thesis “Business Conduct in Russia and the Czech Republic – Legal and Economic aspects entirely myself and in accordance with recommendations of my supervisor, that I indicate all the literature and other supporting materials used in the index of bibliography. Therefore I declare that I have not violated any right of third parties while writing my bachelor’s thesis.

Prague, _____

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Topic of the Thesis

**Business Conduct in Russia and the Czech Republic
–Legal and Economic aspects**

Téma bakalářské práce

**Podnikání v Rusku a v ČR – právní a ekonomické
aspekty**

Summary

There are many different factors which influence business conditions in each country. Much importance is attached to legal rules, regulations, and restrictions on a business, its establishment as well as its operation. As a matter of fact, the initial setting of a business form is often underestimated and can lead to serious, if not fatal, consequences. Once a business launched, in a correct or in a less correct form, there are many methods for its operation and growth and prosperity. Various aspects and instruments emerge and a myriad of factors need to be considered, reflected and addressed, namely management style, rewarding system including the type and extent of compensation, both internal and external financing, reshaping and resizing and this even via merging with a competitor, etc.

In this plethora of complex and not easily qualitatively and quantitatively assessable values, it is extremely useful and informative to perform a comparative analysis of two relatively similar businesses from the same business area. Considering the financial crisis of 2008 and the current allegedly volatility of markets, it seems appropriate to focus on the insurance field.

Therefore, the theoretical knowledge and general hypothesis about the setting and operation of large business companies is transposed and demonstrated in a study case of two leading companies in the insurance field in Russia and the Czech Republic. Rosgrosstrakh and Ceska pojistovna each take similar, yet different approaches that exhibit the legal and economic aspects pertaining to Russia and the Czech Republic. In addition, the comparison of results, especially critical numbers from financial and accounting statements, indicate that there are differences caused not by the legal framework per se. In other words, the positive law setting and reported financial and accounting data need to be further observed and evaluated based on additional interdisciplinary information. In sum, the study of a business conduct in Russia and in the Czech Republic demands an interdisciplinary open minded approach reflecting legal, economic, political, social and other aspects. The SWOT and SLEPT analysis together with the comparative analytical methodology makes it beyond any doubts that a successful business in Russia and in the Czech Republic can further prosper only if truly educated decisions are made. The ambition of this work is to contribute to it and to assist businesses, especially in the

insurance field, to understand better their complex environment and make right decisions to be rightly implemented, i.e. to be effective and efficient

Key words: Business form, Business contract, Business law, Czech Republic, Russia, Financial indicators, Legal and Economic aspects.

Souhrn

Je mnoho rozdílných faktorů, které ovlivňují podnikání v určité zemi. Velký význam se přikládá právním pravidlům, nařízením a omezením ohledně podnikání a otevírají se různé formy pro zahájení podnikání. Jakmile je podnikání zahájeno, ve správné či méně správné formě, je třeba zohlednit mnohé metody pro provoz, růst a prosperitu. Různé aspekty a nástroje nastupují a řada faktorů musí být zvážena, zohledněna a vypořádána, včetně stylu řízení, systému odměňování včetně typu a výše odměn, vnitřního a vnějšího financování, změna formy a velikosti, a to i cestou sloučení či splynutí s konkurentem, atd.

V tomto souhrnu komplexních a nesnadno kvalitativně a kvantitativně posuzovatelných a poměřitelných hodnot je vysoce užitečné a informativní provést komparativní analýze dvou relativně podobných podniků ze stejného oboru. Vzhledem k tzv. finanční krizi 2008 a současným údajně nervózním thrum lez mít za vhodné si vybrat oblast pojišťovnictví.

Tudíž teoretické znalosti a všeobecné hypotézy o nastavení a chodu podnikání velkých obchodních společností se přenášejí a demonstrují v rámci study case dvou vůdčích společností v pojišťovnictví, v Rusku a v ČR. Rosgrosstrakh a Česká pojišťovna mají podobný, nikoliv však stejný, přístup ukazující právní a ekonomické aspekty ve vztahu k Rusku a ČR. Dále, srovnání výsledků, zejména zásadních čísel z finančních a účetních dokumentů a závěrek poukazují na rozdílnosti nezpůsobené pouze právním rámcem. Jinými slovy, pozitivistické právní nastavení a vykazovaná finanční a účetní data musejí být dále pozorována a posuzována na základě dalších interdisciplinárních informací. Lze shrnout, že stadium podnikání v Rusku a ČR vyžaduje interdisciplinární a flexibilní přístup reflektující právní, ekonomické, politické, sociální a další aspekty. Analýzy SWOT a SLEPT společně s komparativní analýzou činí nepochybným, že úspěšné podnikání v Rusku a ČR může dále prosperovat jen pokud jsou činěna skutečně informovaná rozhodnutí. Ambicí této práce je přispět pro toto a napomoci podnikatelům, zejména v oblasti pojišťovnictví, a lépe pochopit komplexní prostředí a činit správná rozhodnutí a správně je implementovat, tedy být "effective and efficient".

Klíčová slova: Forma pro podnikání, Obchodní smlouva, Obchodní práva, Česká republika, Rusko, Finanční ukazatele, Právní a ekonomické aspekty.

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Introduction

Throughout the world, in order to expand and grow their market share, businesses have to garner funding from investors (Mallin, 2010, p.1). As well, our modern market economy is impossible without correct forms of interaction with the state, the states's legislative bodies and the governing executive power, which is tied-in with the necessity of maintaining the country's long-term economic growth.

The use of ever newer technologies, such as having electronic methods for organizing activities so as to improve inventory control, reducing prices on products or COGS (costs of goods sold) and improving efficiency via streamlining processes, is an important, if not vital, consideration for companies of all sizes, ranging from small to great. Yet, even with time and labor saving technology, many companies are forced to continuously spend huge amounts of money and expend much time and effort on what, on the surface, might appear to be 'busy-work' forms. These approval forms for business, and the matching of a business' content of it's activities with the requirements of the state through various laws and regulations not only cannot be avoided, they are a vital cog in the machinery of the government-business relationship. But they can prove a challenge, no doubt. Small businesses experience, perhaps, the greatest difficulties because of the red tape and bureaucracy associated with various actions, including the payment of taxes and professional fees, being granted licenses and permits, the provision of statistical reports, obtaining staff and the provision of their activity, new companies being registered and the start-up of their industrial activity, and also appointment to public institutions. These are also, of course, problems and issues for the representatives of big business, but due to the size and larger financial resources of the big companies, they cope with these problems much easier.

Today, such countries as Russia and the Czech Republic have specific features of doing business.

Improving the socio-economic efficiency of large business occurs only based on the development, testing and application of effective mechanisms of the state management of the multi-various relationships between business and society.

Goal and tasks of this research:

The purpose of this undergraduate work is to analyse and compare the methods of the strategic and financial management in Russia and the Czech Republic on the set criteria.

In order to achieve the goal of this study, the following tasks and issues need to be addressed and reflected:

- Analyze the basics of doing business.
- Characterize the system of modern business.
- Determine the peculiarities of doing business in the conditions of globalization.
- Legal aspects of doing business in Russia and the Czech Republic.
- Characterize the administrative requirements for the creation of enterprises, as well as the legal basis of their activities in these countries.
- Make a comparative analysis of Russian insurance companies and those from the Czech Republic, using as an example companies "Rosgosstrakh" and "Seska pojistovna».
- The formulation of the basic directions of perfection of interaction between big business and the state.

The theoretical provisions and the reasoning of the conclusions has been based on the implementation of various methods, including those used: a literary analysis, a Case study, Comparative study, SWOT analysis (strengths, weaknesses, opportunities and threats), deduction, synthesis, analysis.

The study of the undergraduate work is the role of the state in regulating the economic activity of business enterprises in both Russia and the Czech Republic.

The object of the study, this undergraduate work focuses on the complex mechanisms of the regulation of the economic activity of enterprises from the state, as well as the totality of the processes of the interaction of the state and business in both Russia and the Czech Republic.

The scientific novelty of this research is to identify similarities and differences in conducting business between Russia and the Czech Republic.

The most significant scientific results obtained by the author for the thesis defense:

1. When one examines the history of the development of business in Russia and the Czech Republic, one comes to the conclusion that doing business in these two countries varies, the main differences are observed primarily in strategic management and investment.

2. In both Russia, and the Czech Republic there are two basic forms of small business: individual entrepreneurs and the society with a limited liability whose development is in the countries of favorable conditions.

3. The main obstacle for development of small and medium business in the Czech Republic is a low level of capitalization, which is associated with significant difficulties in accessing commercial credits. Almost 90% of SMEs in many countries are struggling with a loan for lack of collateral opportunities. For SME loans, banks generally charge a higher interest on loans than for large enterprises, since the banks act very carefully, trying to reduce their risks.

4. On the basis of the analysis, it is revealed that the structure of business of the Russian insurers differs from the structure of the Czech insurers.

5. From the research it devolves that investment activity along with insurance activity requires a fairly competent management. Besides, the investment business of an insurance company should be rather strictly regulated by the state.

6. It should be noted that indicators of investment activity, along with other indicators, such as the assessment of insurance activity, estimation of insurance reserves, solvency ratios and other indicators are analyzed by the special organizations that make up the ratings of insurance companies. In addition, as has been stressed in this work, investment activity can compensate for the losses incurred in the course of insurance activities.

Another important argument in favor of a well built investment policy is that a successful investment activity allows them to compete in the field of construction of tariff policy.

In the course of my research I have relied on scientific concepts, which were presented and various sciences, and various scientific schools. This is the kind of approach to the consideration of the basic categories of business in post-industrial society which can be considered as comprehensive.

Chapter 1. The basics of doing business.

1.1 The general provisions system of modern business

With the development of the division of labor in the human society, specialization people in different tasks and trades began to take shape. “Man always needs the help of his neighbors,” Smith wrote. – “He soon reaches his goal when he appealed to their selfishness and to be able to show them what's in their own interest to do for him what he requires of them.”

Therefore, the business of business associated with the production and distribution of material goods, rendering of services, performance of works, was and still continues today to subordinate the needs of a variety of human society.

Therefore, the business of business is aimed, at first glance, exclusively to the selfish interests of entrepreneurs themselves, yet generally has a value of socially useful activities.

There is a systemic nature of today's businesses, its integrity and stability due to the fact that these trends balance each other. Businesses compete among themselves; they seek to monopolize the market, but they understand that the monopolization of the market could lead to the collapse of the market and thus, ultimately, to their business. The integrity and stability of the modern system of business is provided on the basis of a formal Association of business entities and forced subordination of their business interests, and the integration of their ties for the result of mutual consideration of their interests.

The simultaneous action of centrifugal and centripetal tendencies of the development of the system of business leads to the formation of the basic system of (integrative) qualities of a modern system of business, associated with each of these trends. These are the:

- business sovereignty of all business relationships, regardless of their functional role in the system of business;
- agreement (consensus) of the interests of all subjects of business relations.

Under the business sovereignty business relations refers to the constant play of the natural right of each of them to participate in business and gaining success in it according to the

potential of their own competitiveness. Every man, therefore, has a natural right to maintain an entrepreneurial business and the achievement of success in it, as well as the right to not take part in the conduct of business. The Business sovereignty of entrepreneurs is a prerequisite for their participation in business. It allows entrepreneurs to have an independent choice of acceptable types of entrepreneurship, to take the initiative of the decision, to carry out the transaction, to risk their own domain, to partake in the continuous competitive struggle, to bear the economic and legal responsibility for the results of business activity. Having a business sovereignty means that every businessman can show his/her business interests and defend them in competition with other entrepreneurs.

The maintenance and reproduction in society of entrepreneurial sovereignty suggests that the authorities protect the lawful activity of subjects of entrepreneurial business, and that no other business entity is entitled to interfere in forcibly imposing all its business interests.

Business sovereignty entrepreneurs combine with the consent of the interests of all good subjects of the modern business. The conflict between «business people» should not force the inevitability of output of them beyond the existing public consent interests, or become a national problem and acquire inescapable nature.

Consent interest in the modern system of business is based on the adoption by all subjects of business relations of long-term mutual obligations to comply with the business sovereignty of each other. All parties agree with the right of every conscientious entrepreneur for the defense of their own interests and their implementation. By agreeing to recognize the right of every conscientious subject of business relations in the implementation of their business interests, contemporary entrepreneurs voluntarily or involuntarily integrate their own business activities into a single business system.

To ensure the feasibility of their business mission businesses create inside their entrepreneurial firms a system of organizational and managerial ties by which they can mobilize the potential of entrepreneurial competition-competitiveness and implement business behavior. The totality of these relations is usually called internal management.

In small businesses, the function of management and entrepreneurship are likely to be combined in the same person. The reverse is true for large businesses, in which managers are typically hired employees. The managers who take charge of the business firms often seem like only employees of this company, organizing maintaining the operating activities of other employees, guiding its execution of the selected technologies of business conduct, as well as the establishment, under-holding, development or cessation of the business relationship. But the main point is intracorporate management, primarily in the top management of the company is to ensure the business purpose of entrepreneurs.

Therefore, effective internal management is critical to the entrepreneurial mission for each of the subjects of business, an important part of the business as a whole. Business owners and their whole environment depend the on actions of the managers of the company. ¹

Stakeholders in the successful intracorporate management would include the owners of the company, and together with them, the clients of the firm, its partners and counterparties, and also the state itself as a spokesman for the interests of all its citizens. The management ability of a firm would also be of interest to its competitors. In the face of strong internal management in the camp of the opponents, competing entrepreneurs have to find ways of intensifying the successful actions in their own upper-management and increasing the effectiveness of all internal management. This must be done so as to ensure the feasibility of its own future efforts and sustainability. A modern business system has the following important special characteristics:

- it was formed in a market economy;
- modern entrepreneurship and market economy are an inseparable whole - market entrepreneurship;
- modern business has a stable character; its stability is ensured thanks to the constant reproduction of business relations; this contributes to the prevailing environment of modern business, which is mutually benefiting entrepreneurs, the competition policy in countries with developed market-oriented economies and the world community;
- controversial is the position of business entities involved simultaneously in private (egoistic) and the public interest, this is not negative, but, on the contrary, a positive

¹ European automobile manufacturers' association. Online: <www.acea.be/statistics>

factor of the economy; this inconsistency acts as a source of development of a modern business;

- modern business relationships are not static but a dynamic phenomenon;
- the development of entrepreneurial business is an ongoing process, during which a business relationship is complicated, enriched, developed, and acquires new and diverse forms of manifestation; that, among other things, promotes the well-developed system of business education, which has become an independent area of modern entrepreneurship;
- data shows that relationships are developing in various fields of human activity, each of which has an economic basis; therefore, the immediate scope of the business relationship are national markets and the emerging global market in various forms-branches and specific sections;
- modern entrepreneurial business covers the totality of relations between people, as well as the related social interests of business entities, including conflicts of interest; therefore, the modern system of business has become a defining social phenomenon;
- business relationships are, along with the economic form, forms of legal relations of subjects of business, development of which is based not only on the economic foundations of society, but on the totality of national and international legal standards;
- the modern system of business is self-sufficient (self-regulated and self-developing) and does not need imperative external influence; everything you need for a progressive movement forward is generated by this system itself, on the basis of domestic resources; with the development of its integrity gradually strengthening.

Modern business especially in the countries with developed market-oriented economy is called civilized. Under the civility of the business is usually understood the integrity of business systems, within which the confrontation of business entities does not lead to catastrophic shocks on the whole system. The term «civilized business» is quite applicable because the systemic nature of today's businesses, indeed, is one of the most important achievements of human civilization.

The resolution of conflicts between private and public business is the work for every civilized entrepreneur, it can only be done in working for others, thinking about the legitimate interests of others beside him. But only working behalf of others, forgetting

about himself, he could not do he is not just a civilized but also rather a civilized entrepreneur. In America, there is a well-known saying in the field of sales that “You GET by GIVING” and it is proven true daily.

1.2 Doing business in the conditions of globalization

Modern business represents a comprehensive socio-economic phenomenon and including its characteristics as a kind of economic activities, sectors of the market economy and the process of creating a new (innovative process), in a market economy performs a number of important functions.

Among them are the following: the organization of the enterprise and the organization of production; the function of an optimal combination of production factors and thereby the most efficient use of economic resources; taking risks; innovative functions; the function of the production of the national product and the national income distribution; to function effectively and to the complete satisfaction of the population's effective demand for goods and services; the function of providing the financial revenues for Federal and local budgets; the social function, implemented through the creation of jobs and income support for the General population at a level that ensures the normal reproduction of the labor force, and the function of supporting and strengthening the political and social stability in the society.

The determination of the essence of globalization, it appears, is that it becomes necessary to allocate the most important, the most valuable thing that distinguishes the contemporary stage of world development from all the previous ones. Only thus, in the author's opinion, can you more accurately determine the nature of «globalization»of the economy.

If proceeding from this principle, the economic globalization should be considered, in our opinion, not only as the highest stage of the internationalization of economic life, but also a qualitatively new stage in development of the world economy. The determining factors are the domination of transnational corporations, financial capital and redistribution on the basis of economic and political functions between national States, TNK and international

organizations thus, when the supranational becomes the main and determining with respect to the national.

In the basis of the contemporary process of globalization, of course, is the process of the internationalization of the economic life of the Nation States, which has been actively underway since the end of the 19th century. Today, however, this process works in a fundamentally different material-technical base. Such a framework would be modern information technologies. They allow the world economy to function as a single system, as the use of information technology has greatly reduced the cost of transportation and communications, and has enabled the performance of all transactions in real time.

Economic globalization, in contrast to internationalization, means developing uniform rules of the game for each national capital, which are set by international economic institutions. And no one national capital can ignore the rules, because the globalization of the economy implies submission to these rules, all participants of economic relations.

Globalization is characterized by the weakening of the regulatory functions of the state. During the existence of the market economy, it was a function of the national state to draw up special mechanisms for the regulation of the economy and the regulation of businesses so as not to allow the market to destroy the social sphere, to provide education, health, and protect the environment. In the context of globalization some of the regulatory functions of the national States eroded, so they are no longer in as strong a position as previously, to protect the national economy.

The modern state has been able to manage the economic and social processes that went beyond national borders and which have acquired independent and self-sufficiency, in relation to national economies.²

That's why the disadvantages of a market system, partly at a standoff at the national level, and the existing mechanisms of state regulation, began to play «on a wider scale at a global level, where these mechanisms are lacking. These global markets are more heterogeneous and non-equilibrated than national markets. Today, not in relationship to supranational regulation, global market forces weaken, and blur macroeconomic management in national

² The Economist/ 17th-23rd 2011.

States, with a reduced capacity of the state (particularly in less developed countries) to protect the national economy from external shocks. Huge differences between countries in terms of geographical location and the endowment of factors of production is today the foundation for an uneven development in most countries

In the context of globalization, national and supranational like to change places. If in prior times the main role in international relations played on ethnic relations, because international relations were considered as a natural continuation of the trends and relationships that were formed within the country, today the picture has changed. Today, the global economic relations play increasingly a leading role, while in-country relationships, even in most of the big countries find themselves having to adapt to the realities of the global economy.

Thus, the globalization of the economy is a natural process. On the one hand, it provides significant benefits to the billions of people around the world. This includes economic growth, increased productivity, the dissemination of advanced technologies and the emergence of new jobs, with a wider and free access to information. All of these factors create additional opportunities for business development.

However, on the other hand, it is necessary to recognize less welcome and negative consequences resulting from globalization. These would include the strengthening of the influence of transnational corporations on the development of national economies, including the political stage; the deepening of the uneven development between rich and poor countries; an increase of the role of world financial markets and financial speculation; the instability and volatility of the international markets, and the reduction in the capacity of the state regulation of the national economy.

Globalization is accompanied by the progressive development of social systems, largely influencing and social potential of small business.

The problems of the potential of small business in the aspect of globalization conditions have not yet found a receptive and adequate reflection in the scientific literature and needs further analysis.³

Globalization can and must be transformed into a constructive interaction of the countries for the sake of their common existence and mutually beneficial development. Small business as an essential element of modern economic system of the country needs new ways to improve their effectiveness.⁴

An integral condition of globalization is the large-scale development of business, including small business as an integral part of market relations and economic system of the country. Analysis of scientific sources and the social practice showed that the potential of small business is to characterize the development the level and combination of qualities and abilities, contributing to efficient business activities. The base unit, the bearer of this potential is the, entrepreneur himself, possessing a number of qualities, which are partly embedded in his personality, but largely formed as a result of its interaction with various public institutions and phenomena (population, the productive forces, production and social relations, customers, competitors, administrative bodies).

Small business make a great contribution to the formation of the material basis of welfare and social stability of all the industrialized countries. Successful functioning of small business is of great importance for the transformation of the economy into a competitive one, using achievements of scientific and technical progress.

Through functional analysis there is identified the following four functions of globalization, that have an impact on the world economic system: integration, stimulating, redistribution and rakoobraznyh.

This classification also applies to the description of the process of socio-economic development of small business in system of world globalization.

³ Operational program 2007 2013, March 2010. Online: <Europa.eu/press release/Czech Republic>

⁴ VIKHANSKIY O.S Strategic management: textbook for students and post-graduates of higher educational institutions on a speciality "Management" M: Moscow state University, 2009.

On the basis of the conducted analysis one can conclude that the potential of small business in the conditions of globalization has the following significance:

- develops the ability of people to manage their own affairs, in accordance with the General processes of self-organization;
- contributes to the harmonious participation of the country in the global socio-economic system;
- promotes the elimination of barriers to the movement of goods, services, resources, capital, information and technologies;
- participates in the convergence of socio-economic systems of the countries;
- participates in the process of leveling of discrimination against foreign partners;
- is an active participant gogodancing, geo-economic and geopolitical directions of deepening interdependence between countries;
- contributes to the reinforcement and development of certain types of social relations: in a subject - international; the object and the subject of the socio-cultural and economic;
- by the nature of relationships - relationships of cooperation and competition;
- contributes to the development and implementation of innovations in the socio-economic system of the country;
- makes a significant contribution to the maintenance of social stability of all the developed countries of the world;
- provides the necessary mobility of participants of the world social-economic system;
- promotes the socialization of business objectives.

With the purpose of the development of social potential of small business in the conditions of globalization researchers in the field of economic management, administrative and legislative bodies, associations and public organizations should develop and implement the following measures:

- Point out the economic problems of society that influence the development potential of small businesses.
- Systematize the trends of the globalization processes affecting the development potential of small businesses.

- Conceptualize a socio-management approach to the study of the social potential of the small business as a complex system, including the allocation of object-subject institutional complexes regulatory potential of small businesses (administrative, economic and socio-cultural), goals, tasks, mechanisms and ways of management influence on its implementation.
- Develop a scientific problem, resolving the contradiction between the established practice of applying certain mechanisms and methods of social small business management, influencing the insufficient development of its social potential.
- To justify the transformation of the economic basis for the realization of the potential of small business.

Thus, small business operates in an environment of overall socio-economic instability and increased risk, which however, largely influences globalization. With the development of measures for the development of its human potential and their successful implementation, one should follow best practices.

Chapter 2. Legal aspects of doing business in Russia and the Czech Republic

2.1. The administrative requirements for the management of enterprises in Russia and the Czech Republic

Entrepreneurship in the Czech Republic (adjustable) is regulated by two main laws: The law “On entrepreneurship” (Zhivnostensky Law) No 455\1991 Coll. from October 2, 1991, and the Commercial Code (Law No 513\1991 Coll.), as well as changes and amendments to these laws.

According to the current legislation of the Czech Republic, foreign citizens (physical persons) and companies (legal entities) have equal rights in the establishment of Czech companies and business activities, the same as with residents of this country.

In accordance with the Law on entrepreneurship and the Commercial code of the Czech Republic, for a new company in the Czech Republic it is possible to incorporate via the following organizational and legal forms:

- Outdoor commercial company "v. o.s."
- Limited partnership - k. s."
- Limited Liability Company "s. r.o."
- Joint-stock company - "a. s."
- Co-op - "druzstvo".

The most common form of a company used is a limited liability company společnost s ručením omezeným, (abbreviated - s. r.o.). This form is the most attractive in terms of ease of operation and functioning, taxation and accounting, as well as legal support for its activities. In regard to registration of the company, the Czech company in the form of a limited liability company (s. r.o.) consists of two stages:

Everything begins with the provision of the founders of the company, necessary documents and information required for registration.

To the licensed types of activities according to the legislation of the Czech Republic, there includes almost all types of entrepreneurial activity.

The most common types of entrepreneurial activity subject to licensing and included in the list of activities of the company include the following:

Table 1.

Czech	English
Koupe zboží za účelem jeho dalšího prodeje a prodej	Purchase of goods for further resale
Zprostředkovatelská činnost v oblasti obchodu a služeb	Intermediary activity in the field of trade and services
Realitní kancelář	The activities of Real estate Agencies
Provozování cestovní kanceláře	The activity of Travel Agencies
Hostinská činnost	Hotel activities (int. al. operation restaurants)

Poradenství v oblasti obchodu a služeb	Consulting activities in the field of trades and services
Pronájem nemovitosti, bytu a nebytových prostor a poskytování základních služeb spojených s pronájmem	Rental of real estate, residential and non-residential premises and provision of all related services

Source: own processing

Minimum Charter capital (s. r.o.) - 200,000 CZK A minimum share in equity capital of 20 000 CZK

Following this is the signature of the incorporation documents.

The drawing up of founders documents and their legal support is carried out by a Czech lawyer or notary, which serves as a guarantee of the legality of the execution of the documents and their compliance with current legislation of the Czech Republic.

The process of registering a Czech company is done through completing three consecutive stages of registration:

- Verification of the name of an enterprise on non-repeatability names in the registry of the commercial Court;
- The design of a document on providing a legal address of the company;
- Providing the name of the Executive officer ("еднателя") at the time of the registration of the Czech company;
- Preparation and signing of constituent documents of the company founders or its authorized representative;
- Opening a temporary Bank account to deposit 30% of the authorized funds, with a minimum of 100 000 crowns;
- The provision of responsible persons to conduct business activity ("заступцы"), subject to licensing.
- Obtaining business licenses;
- Obtaining of an extract from the register of the commercial Court of registration of the company;
- Opening of a settlement account;

- Tax registration.

The normal duration of the registration of the company - not less than 30 calendar days.⁵

Business or entrepreneurial activity in Russia may be organized in various forms: in the form of the businessman without formation of the legal person or individual entrepreneur in the form of legal persons.

Consider the peculiarities of the activity of individual entrepreneurs and one of the forms of legal entities - a limited liability company. In article 23 of the Civil code of the Russian Federation (RF CC) it established that a citizen has the right to engage in entrepreneurial activity without the formation of the legal person from the moment of state registration as an individual entrepreneur.

The CC RF rules are applied to the entrepreneurial activity of citizens conducted without the formation of legal entity. These rules regulate the activity of legal persons that are commercial organizations, unless it otherwise follows from a Statute, other legal acts, or the nature of the legal relationship. A citizen conducting entrepreneurial activity without the formation of the legal person or without the state registration as the individual businessman is not entitled to rely in respect of prisoners them deals that he is the businessman. The court may apply to such transactions the rules of the civil code on obligations related to business activities (paragraph 4 t.bsp. 23 of the civil code).

The Tax code of the Russian Federation declares that individual entrepreneurs are natural persons registered in the established order and carrying on entrepreneurial activity without forming a legal entity, including as well private notaries and lawyers who have established advocate's offices.

The age of 18 is the minimum for citizens to independently carry out entrepreneurial activities. The defined age of majority (18 years) is the ground floor for civil capacity, i.e. the ability of a citizen, through his/her actions to acquire and exercise civil rights, to create the civil law duties and to so fulfill them.

⁵ VESNIN V.R. Management for everyone. M. Lawyer, 2011.

The legal capacity of an individual entrepreneur, according to the civil code, is almost equal to the legal capacity of legal persons - commercial organizations. An individual entrepreneur may have the rights, as well as and be responsible for the duties necessary in the conducting of any of the various types of activities not prohibited by law. However, it can't create the organizations and enterprises, and remains the owner unless he/she transfers the property.

Individual entrepreneurs may also conduct business activities collectively on the basis of the conclusion of the partnership agreement, by which two or more persons (partners) agree to join together their contributions and act in concert without forming a legal entity for profit or take on another purpose which would be not contrary to the law (article 1041 of the civil code). If the contract of simple partnership is connected with the conduct by its participants of an entrepreneurial activity, those parties are responsible jointly and severally for all the common obligations, no matter what the grounds of their origin.⁶

A limited liability company is established and operated in compliance with the civil code and the Federal law «On limited liability companies dated 8 February 1998, no 8-FZ. A limited liability company (hereinafter - the company) is viewed as established by one or more persons of a business company. This company's authorized capital is divided into shares of the constituent documents of certain sizes.

Participants in the society of a company may be citizens and legal persons. It is possible for the company to be founded by one person, that person becoming the sole shareholder. Society can become a society with one participant, but it may not have as a sole participant another business company consisting of one person. The maximum participants of the company may not be more than fifty. If this limit is exceeded by the company during the year, it must then be transformed into an open joint-stock company or into a production cooperative.

The Federal law delineates the order of the formation of the share capital, on the date of the state registration, the minimum size of which must be not less than a total of 100 minimum monthly wages.

⁶ SPLETUHOV Overview of the insurance market. Financial newspaper (Regional Edition). 2013.

As a General rule, it is held that the property of the legal entities is considered as separate from the property of their founders. This means, as a result, that the founders are not liable for any debts created by a legal entity. But it devolves that, for the General rule, there are exceptions, which may or may not affect the choice of a particular form of entrepreneurial activity.

First off, consider the case when the founders or participants should answer for the debts of the legal entity, directly provided for in article 56 of the civil code. This means that in any other legal act - be it through the law, perhaps a government decree, or maybe the instance of a decree made by the President - one cannot install additional instances of the founders' liability for the debts of the legal entity. While the CC RF responsibility of the founders of a legal person, their responsibility on the legal persons debts installed in respect of the founders of commercial structures, i.e. the organization, the main purpose of the которых is for the profit and its distribution among the founders.

Secondly, in most cases, the degree of the liability of the founders depends upon the legal form of the established legal entity.

The founders of the company (as well as the participants) are responsible for the company's obligations in but one instance. They are responsible for the debts of the created societies, if they have not fully contributed their part into the deposits. In such a situation, the liability may be greater than the cost of the unpaid part of a share. At the same time, the creditor may demand for the satisfaction of their claims in General, from any or all of the participants. A participant who has paid the whole debt entirely can then collect these amounts from other participants.

At the same time a citizen conducting entrepreneurial activity in the form of an individual entrepreneur, in accordance with article 24 of the CC RF is responsible for its obligations with all the property that belongs to him, with the exception of property upon which, in accordance with the law, it cannot be levied.

The list of property, which may not be levied, is established by the civil procedural codes (article 446). The individual entrepreneur who is unable to satisfy the demands of creditors connected with the performance of the entrepreneurial activity may be declared insolvent

(bankrupt) via a decision of a court. In addition, its creditors on obligations not related to the entrepreneurial activity, are also entitled to present their claims. Claims shall be satisfied from the assets of the entrepreneur. So, concerning the liability of the limited liability company there are ingrained a number of advantages compared to the individual enterprise.⁷

2.2. The legal basis of regulation of enterprise activity in Russia and the Czech Republic

According to World Bank estimates, Russia is among the ten countries that, during the last year, have significantly improved conditions for doing business. The basis of the legal environment of business in Russia is composed of the Constitution of the Russian Federation, Codes, Federal laws, decrees of the President of the Russian Federation, decrees and orders of the Government of the Russian Federation, acts of the ministries and departments (decrees, orders, instructions and letters, instructions, orders, explanations, instructions and so on), acts of subjects of the Russian Federation and bodies of local self-government.

The current Constitution of the Russian Federation, adopted by popular vote on 12 December 1993, establishes the fundamental basis of the socio-economic structure of society. It acknowledges the existence of a diversity of forms of ownership (state, municipal, private, other forms), as well as their equal protection by the state.

The civil code of the Russian Federation defines the basis of occurrence and the features of enterprises, their main organizational and legal forms. This includes business partnerships (General partnerships, limited partnerships, as well as a simple and silent partnership), the economic society (these are a society with a limited liability, an additional liability company, or a joint stock company), production cooperatives, and state and municipal unitary enterprises.

⁷ ROUNOV A.V. *System support and development of small business in foreign countries*. Moscow: Infra-M, 2013

One of the backbone documents mainly responsible for regulating the order of the activities of small and medium enterprises ("SME") is the Federal law № 209-FZ «About the development of small and medium entrepreneurship in the Russian Federation», adopted on 24 July 2007. It has become the legal basis for the further development of small and medium enterprises.

This law lays out the basic concepts which are used in the sphere of the regulation of relations in the development of SMEs, the concept of the SMEs and also the support infrastructure for SMEs, as well as the types and forms of such support.

In accordance with this law on SMEs in the Russian Federation, various economic entities are granted authority, such as legal persons and individual entrepreneurs registered in the uniform state register of legal entities and consumer cooperatives and commercial organizations (except state and municipal unitary enterprises). Also authorized are physical persons, registered in the uniform state register of individual entrepreneurs and carrying on entrepreneurial activity without forming a legal entity such as a farm/farmer economy. For the above mentioned,, the average number of employees for the preceding calendar year shall not exceed the following limits:

- micro - 15 persons;
- small businesses - up to 100 people, inclusive;
- medium enterprises - from 101 to 250 persons inclusive.

There are financial constraints (revenue) referring to each of these categories of enterprises. These were established by a resolution of the Government of the Russian Federation of July 22, 2008 № 556, which stated that the following were limits for revenue, 60 million rubles for micro-enterprises, 400 million rubles for small businesses and 1 billion rubles for medium enterprises.

The end result is that the Federal law № 209-FZ «About the development of small and medium entrepreneurship in the Russian Federation» is a piece of legislation consistent for the development of small and medium entrepreneurship with the countries of the European Union - the main foreign economic partner of Russia. Based on world experience, it has been shown that no less important for the effective development of the economy is a

medium sized enterprise and the new law obviously regulates this area. Thus, the law introduces a new term «medium entrepreneurship».

1 January 2014 in the Czech Republic came into force the new civil code. The preparation, writing of this lasted for 13 years. The new rules will concern everyone, whether he is a citizen of the CR or foreign. The new code applies both to physical and legal persons.

From January 1, 2014, the Trade law shall be liquidated. Private legal relations shall be governed partly by the code, partly by the new law on trade companies. Experts say that the new code becomes less protected categories of citizens. Here are some significant changes dictated by the new law:

- Company (s.r.o.) you can base with registered capital of 1 crown, instead of 200 thousand crowns, as it was previously.
- Entry in the Trade registry can be performed by a notary - the procedure will be accelerated.
- A joint stock company is not required to have a Supervisory Board, introducing the more flexible Western model, when a joint stock company manages only the Board.
- In entrepreneurial Union now more weight, when making decisions, will have the vote of the Union's members with the most capital.
- The court may impose a fine for noncompliance. For example, the penalty interest for delayed finished work can be by the court reduced.
- With the consent of the parents and of the court, to commence business one can now be only 16 years old.

Next, a definite plus is the easing of the registration of subsidiary companies, as well as lifting restrictions on their number. Registration of a subsidiary in the Czech Republic eased after the entry into force of the Civil code in the new, 2014, year. Each firm in the Czech Republic is now at the start of the new business-project to register a subsidiary company, which will assume all risks associated with how to be a successful start-up.

Moreover, this risk is limited only by the size of the authorized capital of a subsidiary company. The number of subsidiaries is not limited, so each new business-project can supervise created for this subsidiary.

THERE WILL BE NO NEED OF THE JUDICIAL EVALUATION OF THE CONTRIBUTION OF THE FOUNDER

Registration of companies in the Czech Republic will become easier in the New year and for the reason that now there will be no need to rate the contribution of a judicial appraiser. More convenient still is the scheme, in which the assets of a firm can easily be transferred to a trading assets entrepreneur. We are talking here about the people who do business in the Czech Republic on the basis of their own company, having also licensed private entrepreneur. Therefore, a businessman should not be nade to estimate the value of the property, now this function to behave in accordance with the tax legislation will be held by an accountant in the Czech Republic. Such transfers between the firm and the private entrepreneur, who is also the owner of this company, will be allowed for a symbolic price.⁸

Private entrepreneur in the Czech Republic will now be better protected by the civil code, including when compensation is from its business activities. If the entrepreneur will prove what he has done everything possible to not have any damage, he shall be required to pay. The weak side is always right.

Small firms, in accordance with the new civil code, can defend their rights in negotiations with large companies, if it proves that are in a position of weakness. In disputable cases, it is the weaker party having the opportunity to prove the illegality of those provisions of treaties to be unprofitable or impossible.⁹

THE INSTITUTE FOR FAMILY ENTERPRISES ON THE PROTECTION OF THE POOR RELATIVES

The new civil code also introduces the institution of the family enterprise. By this is meantan entrepreneur who uses for the development of his or her business the labor of their family members. The Institute for family business is, first of all, delete site interests of these workers who are relatives of the owner. Family members involved in family

⁸ The Lisbon Special European Council: Towards a Europe of Innovation and Knowledge. March 2010

⁹ Science and Engineering Indicators 2006. National Science Board 2006 -Arlington, VA: National Science Foundation, vol.1.

businesses are entitled to the income of the company in accordance with their contribution. Relatives of the entrepreneur, involved in the family business, can define a policy and firm.

Before the new, 2014, changes, there were very few. And very soon, every resident of the Czech Republic will feel the advantages changes of the new civil code.

On materials of the Czech media

The preparation of annual financial statements of the company in the Czech Republic can surrender, digitization and transfer to the archive of the Trade Registry - from 100 Euro.

Czech Republic is unlike countries with high-risk turnover and countries with a high level of percentage of profit. To expect instant earnings, this country does not try to deceive and have grand illusions. The Czech Republic has fine long-term prospects and investments. If properly disposing of ones own capital in the Czech Republic much can be achieved, but, of course, it is better to consult a specialist. Not always can business experiences received, for example in the Ukraine or Russia with Kazakhstan can aid in helping to quickly implement the plans in the Czech Republic.

All is influenced by the specificity and if one wants the Czech mentality, way of life and business climate. Benefits can include the lack of bandits and state racketeering in the Czech Republic, as opposed to some countries, entrepreneurship of the foreigner emigrant is protected and sheltered by the Czech law. The law protects you from extortion and bribery, just work and get income with which to pay taxes. Income security is a brief definition of entrepreneurship in the Czech Republic.

It is difficult to get used to Russian businessman in the Czech Republic, who used to lay under the funds 1000% profit margin, conducting business in the Czech Republic under the minimum income, even with increased expenditure side of the budget. But however, our Russians from all CIS countries continue to go and continue to open their own business in the Czech Republic. Why? That question can be answered by several explanations, the main reasons and desires. Prime reasons to create your own business would include to legalize assets to UES, to open your own branch, a company which will be the stronghold of the new future life, to create a name for oneself and to give yourself the right to reside in the European community. For some Russians, the reason is to test himself in registration

own business and trying to become an independent business owner in Western Europe. The praiseworthy desire for self-realization of which the Czech Republic can be called a great place. With minimal start-up capital you can open the case and start small.¹⁰

The predictability of Czech business, planning, forecasting and economic stability provides the right to choose the Czech Republic. Reliability of legislation for foreign investors is the basis of business, which has long-term plans, not high but constant profit. Investment in the Czech Republic go to the strengthening of the Czech stability and state guarantees.

The organization of business in the Czech Republic is based on the principle of granting entrepreneurs, to the maximum extent possible, the freedom in conducting their affairs, comparable to the level of freedom in the countries of the European Union.

Two major documents hold sway over the business activities in the Czech Republic. These are the law «On entrepreneurship» and the commercial code of the Czech Republic. These documents define small enterprises as enterprises with the number of employees not exceeding 49 persons with a sales turnover during the last calendar year not exceeding 250 million CZK. At that, assets or property should not exceed 180 million crowns. These criteria were established in 2000, prior to that the status of small enterprises was defined by only one indicator - the number of employees. The staff of average of the companies should have been no more than 249 persons, inclusive.

A company can be small (only in case, if in its authorized capital stock share, owned by one or several legal entities that are not subjects of small business, does not exceed 25%). This norm «independent enterprise», adopted in the European Union, pertains to the vast majority of the countries of Central and Eastern Europe.

In the Czech Republic, similar to those in Russia by the way, there are two main forms of small business: individual entrepreneurs and companies with a limited liability. In addition, there are some other organizational-legal forms, a general partnership, a joint-stock company and also the European stock company.

Limited partnership's legal regulations are described in the Trading code of the Czech Republic. The exact control of the limited partnership follows from § 93 and following.

¹⁰ Ministerstvo prumyslu a obchodu. Online: <<http://www.mpo.cz/>>

A limited partnership is a combination of open partnerships and limited liability companies.

A close examination of the activity of a limited partnership should identify the following advantages: taxation complementarities, the minimum size of the Charter Fund, the relatively low cost of registration, the possibility to determine the amount of income between complementary and командитист in any combination, irrespective of the value of contributions in the articles of incorporation, the opportunity to get business visa, a small check-in times. At the same time, there are disadvantages, for example, the unlimited liability of complementaries. If one does not want to bear responsibility for the liabilities of the company, then a complimentary may be a legal entity registered in an offshore zone. All proceeds so received shall be taxed at a rate of 15%, but the responsibility will be borne by the offshore company, and not the complementary as a natural person.

Another types of business company is the commercial organization called the joint stock company. Exact control over the joint stock company is specified in section 154 and following.¹¹

The brand name of a joint stock company should contain the words «akciová společnost» (joint stock company), and frequently used abbreviations are «akc. spol.» or «a.s.». (Section 155 of the commercial Code the Czech Republic).¹²

A European company, a Societas Europea, or briefly SE) contains a number of benefits that makes it a potentially good alternative for the choice of the legal form for a newly formed company. The main goal of the European public Company is the simplification of the interaction between companies within Europe, the establishment of free flows of capital and the legal connection and legal forms of commercial organizations throughout the European Union.

¹¹ HIRCHHAUSEN C., WALLDE T. W. The end of "Transition" An institutional interpretation of Energy sector Reform in Eastern Europe and in CIS МОСТ-MOST Economic Policy in Transitional Economics 2010. Vol. 1 1.p.93-110.

¹² VIKHANSKIY O.S Strategic management: textbook for students and post-graduates of higher educational institutions on a speciality "Management" M: MSU, 2011

The legal basis of activities is served by the European Union Regulation on the regulation of European stock company, supplemented by national standards, individual States, and, of course most importantly, the national law on the implementation of a European joint stock company (3BEAO).

The Czech Republic is a part of the European Union, and throughout its territory, in addition to the national law, the EU laws takes effect. Some of the EU legal norms have a direct effect, and may not be duplicated in national law. These rules primarily affect areas such as product safety, consumer rights protection, etc.

One should also take into account various acts that can and will have great bearing on the regulation of entrepreneurial activity, besides the Civil and Commercial codes. These would include the following:

- The law «On entrepreneurship» no 455/1991 - živnostenský zákon.
- Resolution №142/1994 On the size of penalties and other sanctions for late payments according to the Civil code» - Nařízení vlády kterým se stanoví výše úroků z prodlení a poplatku z prodlení podle občanského zákoníku.
- The law «On pricing» # 526/1990, Zákon o cenách.
- The law On the Czech trade inspection» no 64/1986, Zákon o Ceske obchodní inspekci.
- The law " On lease and sublease of non-residential premises № 116/1990 - Zákon o nájmu apodnájmu nebytových prostor.
- The law «On accounting» №563/1991 - zákon o účetnictví. Recommended to use with Czech accounting standards.
- Resolution № 500/2002, about maintainingthe double-accounting method - Vyhláška kterou se provádějí některá ustanovení zákona č. 563/1991 Sb., o účetnictví, ve znění pozdějších předpisů, pro účetní jednotky, that are podnikateli účtujícími v soustavě podvojného účetnictví.
- The law " On taxes and payments» # 337/1992 – Zákon správě daní a poplatků.
- The law «On profit tax» № 586/1992 - «About daních z příjmů».
- The law «On provisions for determining the amount of the profit tax» - № 593/1992 - Zákon o rezervách pro zjištění základu daně z příjmů.

- The law «On VAT» № 235/2004, the Law «On value added tax» («Zákon About dani z přidané hodnoty»).
- The law «On transport tax» № 16/1993 - «Zákon About dani silniční».
- The law «On transportation (travel) expenses-No. 119/1992 - Zákon o cestovních náhradách.
- The law «About restriction of cash payments» # 254/2004 - Zákon o omezení plateb v hotovosti.
- The law «On consumer protection» no 634/1992 - Zákon o ochraně spotřebitele.
- Construction Law no 50/1976 - stavební zákon.
- The law «On securities» # 591/1992 - Zákon o cenných papírech.
- The law On misdemeanors» # 200/1992 Zákon o přestupcích.

Conclusions of Chapter 2

1. The most common form of the enterprise in the Czech Republic is a society with a limited liability " společnost s rucením omezeným (abbreviated as s. r.o.), as the most attractive form from the point of view of the ease of management and operations, taxation and accounting statements, as well as the legal support its activities.
2. Business or entrepreneurial activity of Russia can be organized in various forms: in the form of the businessman without the formation of the legal person or an individual entrepreneur in the form of legal persons.¹³
3. The basis of the legal environment of business in Russia is composed of the Constitution of the Russian Federation, codes, Federal laws, decrees of the President of the Russian Federation, decrees and orders of the Government of the Russian Federation, acts of the ministries and departments (decrees, orders, instructions and letters, instructions, orders, explanations, instructions and so on), acts of subjects of the Russian Federation and bodies of local self-government. The current Constitution of the Russian Federation, which was adopted by popular vote on 12 December 1993, establishes the fundamental basis of the socio-economic structure of society.

¹³ SUKHOV Formation of the national insurance market - a task government. Financial business. - 2011

4. The organization of business in the Czech Republic is based on the principle of granting entrepreneurs the freedom in the conduct of Affairs to the greatest extent possible, up to the level of freedom in the countries of the European Union. Business activities in the Czech Republic are regulated by two major documents: the law «On entrepreneurship» and the commercial code of the Czech Republic.

Chapter 3. A comparative analysis of the business of insurance companies in Russia and the Czech Republic based on the example of JSC «Rosgosstrakh» and «Ceska pojistovna»

3.1. Description and the analysis of activity of JSC «Rosgosstrakh» and «Ceska pojistovna»

Rosgosstrakh is Russia's largest insurance company, providing a wide range of insurance services to private individuals and companies to protect against a variety of risks. The group of companies «Rosgosstrakh» is an extremely large company, which includes several smaller companies.

Among those smaller companies are OAO «Rosgosstrakh», LLC «Rosgosstrakh», IC «RGS-Life», engaged in life insurance and non-state pension provision, as well as the LLC «RGS-Medicine», which serves the health/ medical insurance field.¹⁴

The group of companies «Rosgosstrakh» includes about 3000 agencies and insurance departments, as well as 400 claim centers, with almost 100,000 employees, which includes more than 65 000 agents.¹⁵

The main strategy and the long-term goal of JSC Rosgosstrakh is the development of insurance offerings so as to provide protection for the property interests of legal entities, enterprises and organizations of various forms of ownership, and citizens of the Russian Federation. As well they also offered insurance programs to foreign citizens and legal

¹⁴ M. KADYKOVA The insurance market. Finance. - 2009.

¹⁵ Sbírka zákonu České Republiky. Praha, 2010. C. 205. S.5011-5013.

persons, on a contractual basis, both in Russia and abroad in different spheres of their activities. All this is made possible for JSC Rosgosstrakh through the accumulation of the insurance payments and payments of the amounts of insurance liabilities and profits, founded on the basis of the voluntary agreement of legal entities and individuals pooling their funds by issuing shares.

To help maintain their success, Rosgosstrakh has a center for strategic research, which has, for the past 9 years, conducted various research projects, one of which is dedicated to consumers perceptions of insurance companies. The table below presents data from a recent survey conducted in may-June 2012. It provides data for various companies, who, in the course of the research, were able to gain a representative number of answers.

Table 2.

№	Company	Percentage Answer
1	Rosgosstrakh	32%
2	Rossno	10%
3	Ingosstrah	10%
4	Reso garantia	9%
5	VSK	4%
6	MAKS	4%
7	Renaissance Insurance	4%
8	Alpha Insurance	3%

Source: own processing

This index is the indicator of popularity, of the fame of the different brands of insurers. From this table, one can get an indication about the intention to use the services of insurers, as determined from the number of those who decided on the choice of a potential insurer.

In 2012 companies «Rosgosstrakh» attained a rating of «Expert RA (A++ very high reliability level), which speaks volumes about the financial sustainability and stability of the company. In 2011, the National Rating Agency (NRA) confirmed the individual reliability rating of «Rosgosstrakh» at «AAA» (maximum reliability).

Despite having almost one hundred thousand employees, Rosgosstrakh does not overlook those who have helped make it a success, one of the largest companies in the country. There is an old Russian saying, “if you pay people peanuts, you get monkeys“, and Rossgosstrakh has no use for those types. To recognize the most outstanding employees in the company, Rossgosstrakh has developed a system of corporate awards, not unlike many American counterparts.

Twice a year, awards are given for employees and agents for personal contributions in the implementation of various projects, goals and other achievements, with the potential to be named “Best employee of the year”.

Rosgosstrakh is the only company that offers a direct channel to insurance products that are in the portfolio of the insurance company.

Share capital as at 1 January 2012 amounted to 8 billion rubles.

Rosgosstrakh numbers among its clients about 25 million individuals and more than 240 thousand enterprises.

Rosgosstrakh has a portfolio of 55 different insurance products. These range from gas age to space age, from well-known programs of auto insurance to special insurance for the space industry. Their insurance products are available to any resident, or company, throughout the man settlements and cities of Russia.

One of the most serious tasks undertaken by the management of Rosgosstrakh, as with other insurance companies, is organizing the activities of all branches, services of the company, with a goal of ensuring its financial sustainability. It’s more than just the old theory of using “other peoples money”.

This is, of course, where the special role is given to economic services, leading and planning the activity of the insurance company through income and expense items; oversight of cash flow, accounting, studying and calculating reserve funds. Also, analyzing the implementation of the planned indicators; studying both the received insurance

payments and payouts and okonchilsya contracts, and the provision of financial flows of the insurance company.¹⁶

Ceska pojistovna, a.s. - is the largest insurance company in the Czech Republic, providing a wide range of insurance services in the field of life insurance and other types of insurance. It has for many years held the title of the largest insurer in the market of financial services of the Czech Republic, and one of the ten largest insurance companies in Europe. In 2012, its share of the Czech market (on the collected premiums) amounted to 39,2%, composed of life-insurance - 42,3% and non- life - 37,4%. Ceska pojistovna has more than 700 representative offices of the company operating throughout the country.

Ceska pojistovna basically targets the provision of personal insurance of private individuals as well as medium and large legal entities for the insurance of the industrial and business risks of the entities.

In 2012, the net profit of Ceska pojistovna amounted to USD 115 million, and its authorized capital amounts to 306 million. Ceska pojistovna, in addition, has maintained an excellent liquidity position to help it fulfill its obligations to its clients.

Nearly 20 years ago, Ceska pojistovna formed the Financial group, tasked with offering potential clients a full range of financial services, not limited only by one insurance. The group today is made up of:

- One of the oldest and the biggest Czech investment companies KIS a.s. Kapitalova investicni spolecnost Ceske pojistovny.
- One of the largest pension funds Penzijni fond Ceske pojistovny, a.s.
- Marketing company, CP DIRECT pojistovna, a.s.
- Universal leasing company CP Leasing, a.s.
- Leading Internet Bank eBanka, a.s.
- The company lending to individuals Home Credit a.s.
- A company for voluntary medical insurance viaf Ceska pojistovna ZDRAVI.
- A company which specializes in life insurance Ceska Zivotni, a.s.

¹⁶ BELL D. Die nachindustrielle Gesellschaft. Reingek bei Hamburg, 2009. -New York: Bais Books.

- A company based in the the Slovak market in the field of life, and other, types of insurance Ceska pojistovna-Slovensko, a.s.

Ceska pojistovna desires to give clients and potential clients high quality services, throughout the filed of finance, human resources, new technologies, sales channels and other similar fields. Through these various offerings, there is a goal to develop cross - sales. A long term strategy is creating the Financial group with a strong position not only in the domestic market but also, potentially, in other countries of Central and Eastern Europe.

The consolidated assets of Financial Group-Ceska pojistovna exceeded 2.38 billion, with a client portfolio in excess of 15 million contracts.

3.2. Main details and nuances of strategic management in JSC «Rosgosstrakh» and «Ceska pojistovna»

The function of the organization JSC «Rosgosstrakh» is implemented by creating a special organizational structure (figure 1), due to Rosgosstrakh beinga holding company.

The Management of the Group of companies "Rosgosstrakh" comes via the Holding company "Rosgosstrakh". The latter takes on and defines the directions of strategic development as a whole, and follows through to the individual units. The whole system works under unified corporate management standards, and applies up-to-date, universal, insurance technologies.

Management of the company flows out of that the General meeting of shareholders, the general meeting being the arbiter of the management of the company. All important decisions, matters are referred to the competence of the General meeting the shareholders are no bypassed by the Board of Directors and Executive bodies of the Company.

The rights of shareholders, including sharing in the management of the Company and sharing the profits, as well, include having access to information about the company,

including Board of Directors-approved internal documents of the Company, corporate behaviour and regulation on the information policy.

As with most any business, Rosgosstrakh feels that it is only as good as the people that make up its large and diverse personnel. Maintaining the quality of agents, support staff, office personnel, training and corporate culture, is one of, if not the most, important functions of management, which largely leads to the success of the activity. The company Rosgosstrakh feels that this activity is very effectively put in place it has a human resources policy which includes the policy in the field of recruitment, policies, training, and policy development for workers. It has a special system of incentives, made up of both material and moral incentives, which allow its personnel to share in the success in the company.

The basic material incentives in JSC «Rosgosstrakh» are wages, bonuses, additional payments, and vacation pay. Two times a year, the salaries of employees are reviewed and subject to change, though a change is not necessarily a 'given'.¹⁷

The employees of JSC «Rosgosstrakh» are conditionally split into two groups.

1. Employees who have a set salary, generally on the high side (set salaries are for the heads of structural units and the most highly qualified employees). For this category of staff there is no stipulation in the individual allowance, performing, in essence, the function of «fork». Motivated, great-performing employees can be, through the review process, attaining raises on the agreed-on salary.

2. Employees with a basic salary according to the staff schedule. For this category of staff in the staffing table there is an individual Supplement. It should be explained that this premium performs the function of a «fork» of the official salary and offers also the opportunity to increase the salary of the employee (a bypass of TC, where the «fork» not available).

¹⁷ Framework Programme (2010-2012). 1513/2002/EC of the European Parliament and the Council of 27 June 2012

The second type of material incentives are premiums (payments linked to production results).

Thus, the goal of the company «Rosgosstrakh» at the level of the material motivation of employees includes the following:

1. to increase the involvement of employees in achieving the positive results of activities (directly linking material income of the employees with specific financial results);
2. to help form the creation of an aura of healthy excitement and competition (motivation should not be anonymous);
3. to promote the «natural selection» employees (the«survival of the fittest, as it were» - so that there remains in the company only the competitive, goal-oriented people who are able to achieve concrete results. At the same time, unprofitable sales staff should be let go and replaced by more driven people;
4. to enhance the efficiency of the units (through increasing sales volume, attracting new clients etc);
5. to hold onto the current clients, to improve the quality of their service.¹⁸

In addition to the above, there is a system of individual bonuses, generally to reward those employees who attract new customers.

In the Rosgosstrakh system of functions of management, a special place is reserved for the function called 'control'. This function in the system of Rosgosstrakh is implemented by a special Department of planning of and tracking sales. This unit has a quite successful track-record. This function is realized through on-site visits by the staff of the Department of monitoring and analysis to sales agencies, departments in the many different regions.

Thus, the main functions of management, as visualized and implemented by the company «Rosgosstrakh» is: goal-setting, planning, organization, motivation and control. The function of goal setting is implemented through the mission statement, the vision and goals of the company. JSC «Rosgosstrakh» has the General goal of the strategic and complex

¹⁸ H. SERGEEV Features of promotion of insurance companies. Almanac "Laboratory of advertising, marketing and public relations". - 2012.

tactical goals, some of which are quite complicated. The planning function is implemented by using the strategic planning of the company, which comprises the main and top priority areas for development. The organization activity is carried out by the company management, which establishes the organizational structure and makes the most important management decisions, as well as pursuing a policy of delegation of authority. One of the most important and outstanding functions realized by JSC «Rosgosstrakh» is the function of motivation. For its realization the special division was created, which develops personnel policy, including the policy of boosting motivation, a primary component of any sales-oriented business anywhere.¹⁹

The ability of Ceska pojistovna to maintain the leading position in the Czech market in the life insurance sector and in the sector of property insurance, is denoted through its being assessed by the two leading rating agencies, Moody's and Standard & Poors, which recognize the financial stability of the company. In 2001, one of the leading rating agencies, Fitch IBCA, gave Ceska pojistovna a rating of A, and a long term financial strength rating of BBB.

Ceska pojistovna is currently the only insurance company in the Czech Republic which has an interactive rating. An interactive rating means that the rating Agency receives detailed inside information about the insurance company. There is also another type of rating system on the market, called rating, which is based exclusively on publicly available information.

Ceska pojistovna has received one of the highest ratings. Such a high rating reflects, in particular, a stable financial position going back for many years, adequate capital, excellent liquidity and a strong position in the marketplace, plus the fact that Ceska pojistovna has become part of the Holding company Generali PPF Holding, which operates in several countries of Central and Eastern Europe (Fig.1).²⁰

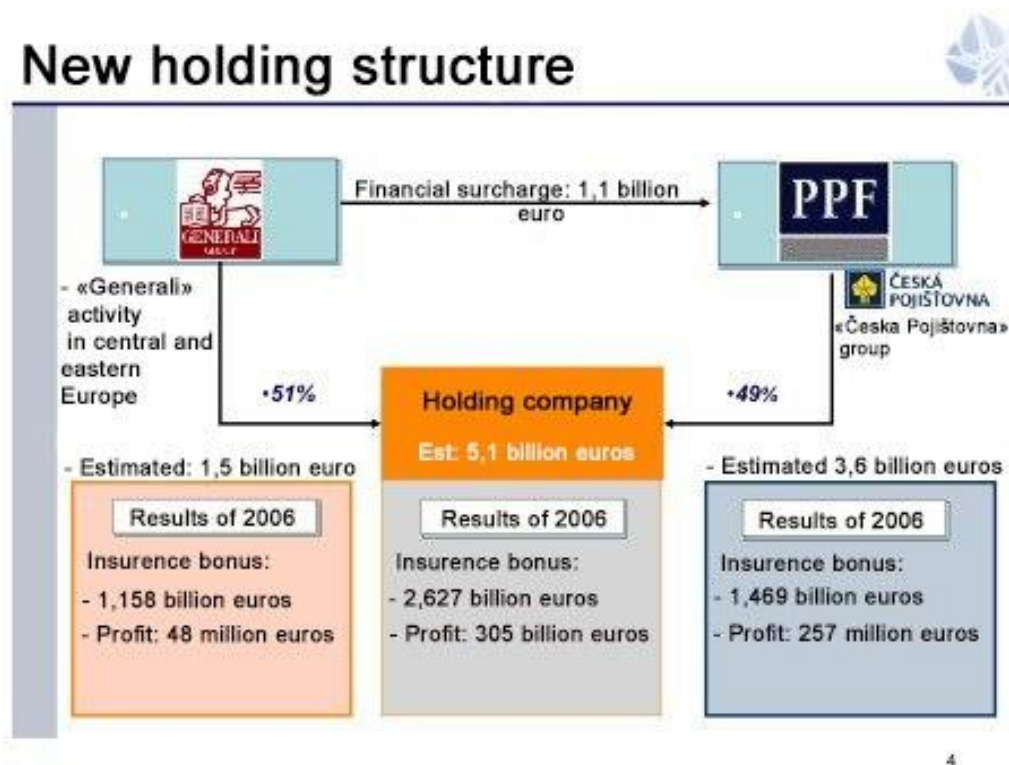
¹⁹ ARKHIPOV A.P., FEDOROV T.A. Management of the insurance company in conditions of crisis of solvency. Finance. - 2010.

²⁰ ARKHIPOV A. Efficiency of insurance activity. Finance. - 2009

- The becoming part of the holding company will boost the development strategy of both companies on one of the most attractive insurance markets in the world, and forms a strong underpinning for greater expansion in the region and neighboring countries.
- The new joint venture («JV»), is 51% owned by Generali Group and 49% of PPF Group. The PPF Group is a company operating in the financial sector: the sector of insurance through the company Ceska pojistovna, a leading insurance company in the Czech Republic is also developing a network of companies in the field of consumer finance in five countries.
- Proceeding from the data of the financial statements for 2006, the annual volume of insurance premiums for JV exceeded € 2.6 billion with a built-in value of an € 2.3 billion and more than 9 million customers in 12 countries.
- In addition to assets made Generali in a Joint venture, Generali would pay PPF Group €1.1 billion in cash, to achieve a 51% stake in JV
- Petr Kellner, the main shareholder of the PPF Group, was included in the list of the Board of Directors of Generali, which was considered at the annual meeting of shareholders of the company.
- Sergio Balbinot, co-Director Assicurazioni Generali appointed Chairman of the Council of Director of joint venture. Ladislav Bartonicek, Chairman of the Board of Directors of Ceska pojistovna, appointed CEO of the joint venture.
- According to the agreement Ceska pojistovna Group is estimated at €3.6 billion and assets Generali's CEE in €1.5 billion
- In 2008, the deal will increase earnings per share Generali 2.2% standard IFRS and 2.1% on EV standard²¹
- The new JV will unite all insurance assets Generali and PPF Group in Central and Eastern Europe and provided unprecedented penetration to the markets of 12 countries: Czech Republic, Slovakia, Poland, Hungary, Romania, Ukraine, Russia, Serbia, Slovenia, Croatia and Kazakhstan.

²¹ TRUSOVA N.M The insurance market and improving the functioning of its subjects. 2004.

Figure 1.



This cooperation has become useful for the Ceska pojistovna Group in the commercial, cultural and strategic plan. The association with Generali was a logical step in the development of the Ceska pojistovna Group and an excellent chance to gain a leadership position in the insurance market of Central and Eastern Europe, as well as creating a platform for the development of the CIS market.²²

The new Joint Venture of brings the dynamism and a deep knowledge of the local market by PPF for further growth (Fig.2).

²² OECD Economic Surveys: Reviews of Foreign Direct investment Czech Republic, OECD, 2014.

Figure 2.



Today strategic direction comprise the following items:

The use of strong brands Generali and Ceska pojistovna give a new, stronger position to the leaders of the region

- Combining the powerful position of Generali in the real-time management and food distribution network, and local know-how of the Ceska pojistovna Group
- Adapting to the new possibilities for the Group in the field of cross-selling of insurance and savings products to provide the customer with more options, as well as capture a greater share of the market.
- Increase the value of the company through the strategic, geographical and cultural component, which both companies have introduced through the new JV
- The use of synergy effects through the application of best practices in the field of IT, settlement of claims, supply and reinsurance²³

Management of Generali and PPF Group (Fig. 3):

²³ HORSTKOTTE H. "The insurance system in the Czech Republic" Problems of the theory and practice of management, 2012.

Figure 3.

Managing the new holding



- **GENERALI and PPF are uniformly present in the board of directors of the new holding**
- **LADISLAV BARTONICEK - CEO of the new holding company, previously a board member of the financial group PPF and chairman of company «Ceska pojistovna»**
- **PETR KELLNER - member of the Board of Directors of the world holding Generali and principal shareholder, which owns a controlling stake in the group PPF**
- **SERGIO BALBINOT - Chairman of the Board of Directors of the new holding company, formerly CEO of «Assicurazioni Generali»**

PPF Group N.V. is a financial company, 95% controlled by Mr Peter Kellner, a Czech businessman who has taken on and completed a great number of successful projects. PPF Group is registered in the Netherlands, in which is located its main office. The major decisions undertaken by the PPF group take place in the office Amsterdam PPF Group N.V.

PPF was founded in 1991 and in 1996 it acquired a minority stake in Ceska pojistovna in the framework of the program of privatization. Gradually PPF has acquired full control of Ceska pojistovna and carried out a successful transformation of the company, which was previously controlled by the state insurer, providing for growth and profitability of the company.

Along with maintaining a strong position on the Czech market, Ceska pojistovna commenced, from the ground up, an activity in Slovakia, and now is currently the 3rd largest insurer there. As well, it has opened up activities in Russia, where it rates in 5th

place in the classic life insurance market. In 2007, the company started up operations in Ukraine and Kazakhstan.²⁴

Figure 4.



For 2013 we can note a number of positive aspects, as a result of the above-mentioned cooperation (Fig.4)²⁵

3.3. Main financial indicators of JSC «Rosgosstrakh» and «Ceska pojistovna»

The financial activities of an insurance company are estimated on the basis of the analysis of its financial results. Three elements make up the financial results of an instance

²⁴ A European initiative for growth Investing in Networks and Knowledge for Growth and Jobs-Final Report to the European Council, 2014

²⁵ Statistical Abstract of the United States. Washington. 2001. P.506

company's activities, namely the financial results of its insurance operations, the financial results of its investment activities and those financial results that come from activities

In the results of the analysis of the financial statements of an insurance company there can be estimated:

- The current financial condition of the company;
- Prospects for, and the rate of its growth;
- Its Financial stability, security;
- The availability to it of financial resources, and their efficient use.

For a financial analysis there is required the basic, initial information. The main source of information about financial activity of the enterprise is its accounting statements, balance sheets.

The main purpose of the financial analysis is to acquire a small number of key (the most informative) parameters, giving an objective and accurate picture of the financial condition of the company, with its profits or losses, changes in the structure of the assets and liabilities for settlements with debtors and creditors.

Table 3.

Company Criterion	JSC «Rosgosstrakh»	Ceska pojistovna
Profitability 2012-2013 year		
1. Profitability of insurance operations in the ruble equity (RAC), %	24,6	41,8
2. Profitability of insurance operations on the ruble insurance premiums (RBC), %	7,8	19,4
Net profit,	4 449 780	58 000 000 000 CZK

thousand rubles		(10 443 538 thousand rubles.)
Business activity:		
- turnover of assets	0,52	2,3
- turnover of equity	0,23	4,9
- the turnover of invested assets	0,11	3,9
Accounts payable	3 421 007	12 634 221
The specific weight of the equity capital in the company's activity	0,41	3,28

Source: own processing

3.4. The results of a comparative analysis and the resulting proposals for improving the activity of JSC «Rosgosstrakh» and «Ceska pojistovna»

The net profit of JSC «Rosgosstrakh» in 2013 reached 4 449 780 thousand rubles, that is the highest level during the last four years. The great financial and economic indicators achieved by the Company are, firstly, due to properly pursued by the tariff policy and the implementation of the rehabilitation Plan by the Company's financial position for the year 2013.

The above financial result came about also as a result of the following income and expenses:

The income from Rosgosstrakh's insurance and financial and economic activity in 2013 amounted to 25 953 098 thousand rubles, including:

Table 4.

Insurance premiums under contracts of direct insurance and coinsurance	12 782 690 thousand rubles;
Remuneration and bonuses for reinsurance agreements	1 153 thousand rubles;
Compensation risks ceded in reinsurance	11 312 thousand rubles;
The release of insurance reserves	574 278 thousand rubles
Income from investing activities -	751 20 158 thousand rubles
Other income	153 098 thousand rubles
Expenses for 2013 amounted	21 503 318 thousand rubles including:
Insurance payments on transactions of direct insurance and coinsurance	20 294 240 thousand rubles;

Source: own processing

Table 5.

Insurance premiums on risks ceded in reinsurance	1 116 760 thousand roubles;
Indemnity for risks of received reinsurance	289 026 thousand rubles;
Deductions to the reserve of preventive measures	6 502 thousand rubles;
Expenses on conducting insurance operations	754 977 thousand rubles;
Expenses from investment activity	254 20 715 thousand rubles;

Management expenses	378 046 thousand rubles;
Other expenses	564 988 thousand rubles

Source: own processing

In analyzing the profitability of the two companies in question, it is necessary to calculate the profitability of the insurance organization and its return on capital.

The profitability of the insurance organization - the ratio of the annual amount of the profit to the annual amount of payments.

We will analyze the key indicators of the profitability of the insurance organization, using such factors as:

- The loss ratio, which is calculated by the formula

$$K_7 = \frac{OS-DOW}{SRP}$$

Where OS - paid losses, thousand rubles;

DOW reinsurers' share in paid losses, thousand rubles;

SRP - insurance premiums, commissions and bonuses, RUR

This coefficient reflects the share of paid losses in insurance and the income increase in this ratio shows the increase in the loss ratio of the insurance company, on the reduction of profitability;

- The coefficient of the share of reinsurers, which is calculated by the formula:

$$K_8 = \frac{PP}{SRP}$$

Where PP is a prize to be transferred to reinsurance, thousand rubles;

SRP - insurance premiums, commissions and bonuses, RUR

This coefficient reflects the share of reinsurance in insurance operations of the company. The increase of this indicator shows the increase in reinsurance operations in the company and is a charge for risk;

- The cost, which is calculated by the formula:

$$K_9 = \frac{WFD}{SRP}$$

where WFD – is cost of doing business, thousand rubles;

SRP - insurance premiums, commissions and bonuses, RUR

This factor reflects the share of the expenses of the insurer in the insurance and an income increase in this ratio indicates a decline in profitability, reduction of economic efficiency of investments;

- The coefficient level of investment income, which is calculated by the formula:

$$K_{10} = \frac{DI - RI}{SRP}$$

where DI is investment income, thousand rubles;

RI - investment expenses, thousand rubles;

SRP - insurance premiums, commissions and bonuses, RUR

This factor reflects the level of income of the insurance company from the investment of temporarily free funds received from insurance activities.

The increase of this ratio shows the increase in the profitability of the insurance company from investments and hence about the increase of the profitability of the insurance company;

- The coefficient of efficiency of investment activity, which is calculated by the formula

$$K_{11} = \frac{DI - RI}{IFV}$$

where DI is investment income, thousand rubles;

RI - investment expenses, thousand rubles;

IFV - investments and financial investments, thousand rubles

This ratio shows the proportion of income derived from investment funds and an increase in this ratio indicates the increased efficiency of investment projects and the increase in profitability;

- Summarizing the profitability ratio of the insurance organization, which is calculated by the formula

$$K_{12} = 1 + K_{11} - (K_8 + K_9 + K_{10})$$

This factor reflects the results of the insurance and investment activities of the insurance company, and its value should be $K_{12} > 0$;

- The return on equity is calculated by the formula

$$K_{13} = \frac{Pb}{Sk}$$

where Pb is balance-sheet profit, thousand rubles;

SC - own capital of the company, thousand roubles

This index characterizes the efficiency of the use of the capital of the insurance company;²⁶

- The profitability of the insurance activities is calculated by the formula

$$K_{14} = \frac{Pb}{WFD}$$

where Pb is balance-sheet profit, thousand rubles;

WFD - cost of doing business, thousand rubles

²⁶ Analysis of the existing state of Research development and innovation in the Czech Republic and a comparison with the situation abroad, 2011/ Office of the Czech republic Government, R&D Council.

This ratio characterizes the efficiency of the insurance company.

For the convenience of analysis, all calculations made unite in the table.

Table 6. Analysis of the financial ratios of the insurance organization²⁷

Coefficient	2012г.	2013г.	Change
1	2	3	4 (3-2)
$K_7 = \frac{OS-DOW}{SRP}$	-0,53	-0,51	0,02
$K_8 = \frac{PP}{SRP}$	-0,34	-0,25	-0,09
$K_9 = \frac{WFD}{SRP}$	-0,16	-0,17	-0,001
$K_{10} = \frac{DI - RI}{SRP}$	0,08	0,10	0,02
$K_{11} = \frac{DI - RI}{IFV}$	0,07	0,15	0,08
$K_{12} = 1 + K_{11} - (K_8 + K_9 + K_{10})$	0,06	0,18	0,12
$K_{13} = \frac{Pb}{Sk}$	0,22	0,32	0,10
$K_{14} = \frac{Pb}{WFD}$	0,14	0,18	0,04

Source: own processing

²⁷ Innovation and Technology Transfer. Special Edition. EC. November 2010

We conclude the loss ratio is negative for the year 2013 and is 0,51. The increase of the coefficient shows the increase in the loss ratio of the insurance company, on the reduction of profitability.

The coefficient of the share of reinsurers equal at the end of 2013 -0,25. An increase in this indicator shows the increase in reinsurance operations in the company and is a charge for risk.

The coefficient of expenditures by the end of 2013 is negative and was observed on the level of -0,17. The increase of the coefficient indicates a decline in profitability, reduction of economic efficiency of investments.

The factor in the level of income of investment activity is equal to 0.1. The increase in this ratio shows the increase in the profitability of the insurance company from investment and hence about the increase of the profitability of the insurance company.

The coefficient of efficiency of investment activities increased compared with the beginning of the year by 0.08 and amounted to 0.15. An increase in the ratio indicates the increased efficiency of investment projects and the increase in profitability.

In summarizing, the return on equity increased by 0.12 and at year end amounted to 0.18. The ratio must be greater than 0.

The return on the capital of insurance organizations increased, at year end it was 0,32. The return on equity has also increased and amounted to 0.18, demonstrating the effective use of capital.

Due to the financial recovery of the insurance company for the reporting year, profitability indicators are improving. That testifies to the efficient use of capital of the company.

The business activity (turnover) of an insurance organization is the economic characteristics of the insurance company, which shows the effectiveness of the organization, the efficient use of its resources. The levels of business activity of a particular organization reflect the different stages of its life and show the degree of adaptation to the rapidly-changing market conditions, the quality of management.

An analysis of the financial indicators of the business activity (turnover) of the insurance organization, namely:

- asset turnover, calculated by the formula:

$$K_1 = \frac{SRP}{A}$$

where SRP is insurance premiums, commissions and bonuses, RUR;

And assets, thousand rubles;

- turnover of equity is calculated by the formula:

$$K_2 = \frac{SRP}{SK}$$

where SRP is insurance premiums, commissions and bonuses, RUR;

SK - own capital of the company, thousand rubles;

- the turnover of invested assets, calculated by the formula:

$$K_3 = \frac{DI}{IFV}$$

where DI is investment income, thousand rubles

IFV - investments and financial investments, thousand rubles

The higher the turnover, the higher the business activity.

For clarity, there are combined the business indicators in table 7.

Table 7. Analysis of the financial ratios of the insurance organization

Coefficient	2012 г.	2013 г.	Change
$K_1 = \frac{SRP}{A}$	0,51	0,52	+0,01

$K_2 = \frac{SRP}{SK}$	0,12	0,23	+0,11
$K_3 = \frac{DI}{IFV}$	0,09	0,11	+0,02

Source: own processing

In such, from the analytical table it can be seen that the coefficient of turnover has increased slightly and amounted at the end of the reporting year to 0,52. Turnover of equity increased by 0.11 and at the end of the year to 0,23. Also the turnover of invested assets increased by 0.02 and constituted 0.11.

All indicators of business activity for the reporting year increased, that testifies to an increase of the business activity of the insurance company, and an effective use of resources, equity and effective management of the company.²⁸

Summing up, we can say that the share of the Company in the Russian insurance market increased and amounted, as of 2013 to 0,42 %, including on voluntary insurance (except life insurance) - 0,21 %. The prime direction of the activity of the Company has been the servicing of a mass of the segment of individuals, primarily in these fields of insurance: property, domestic property, from accidents and diseases, and voluntary motor insurance. The income from insurance and financial and economic activities in 2013 amounted to 25 953 098 thousand rubles. Expenses in 2013 amounted to 25 394 438 thousand roubles. By the end of 2013 the balance sheet total decreased from the beginning of the year, 339 264 thousand rubles and amounted to 10 653 289 thousand rubles. To a greater degree, the reduction in the balance sheet was due to a reduction in the share of re-insurers in the insurance reserves, which is associated with the termination of operating at the beginning of the year contracts transferred reinsurance.

At the end of 2013, investments occupy 58 %, in the structure of assets, the share of reinsurers in insurance reserves 14 %, receivables 19 %, funds 9 %, other assets amount to about 1 %. By the end of 2013 insurance reserves account for 41 % of total liabilities,

²⁸ BEVAN A.A., ESTRIN S. The determinants of Foreign Direct Investment in Transition Economies, Williams Davidson Institute № 342, October 2000, P. 2651

accounts payable - 32 %, capital - 6 %, short-term borrowings - 16 %, long - term borrowings-1 %, other liabilities less than 1%.

Table 4 presents the structure of the liabilities of the balance of JSC «Rosgosstrakh» as of 31.12.2013 and its dynamics in comparison with the beginning of the year. Changes in comparison with the beginning of the year have passed, almost all the articles, however, the greatest impact on the value of the liabilities provided insurance reserves towards reduction and short-term borrowings and loans to increase it.²⁹

Table 8. Dynamics of the structure of liabilities of JSC «Rosgosstrakh»

	On 31.12.2012	On 31.12.2013	The change for the period
Capital and reserves	604 936	1 049 914	444 978
Insurance reserves	6 247 670	4 346 792	-1 900 878
Long-term borrowings and loans	169 353	85 631	-83 722
Short-term borrowings and loans	674 641	1 713 594	1 038 953
Accounts payable	3 260 949	3 421 007	160 058
Reserves of preventive measures	27 714	28 240	526
Deferred liabilities tax	7 288	8 111	823
Deferred income	2	-	-2
Total liabilities	10 992 553	10 653 289	339 264

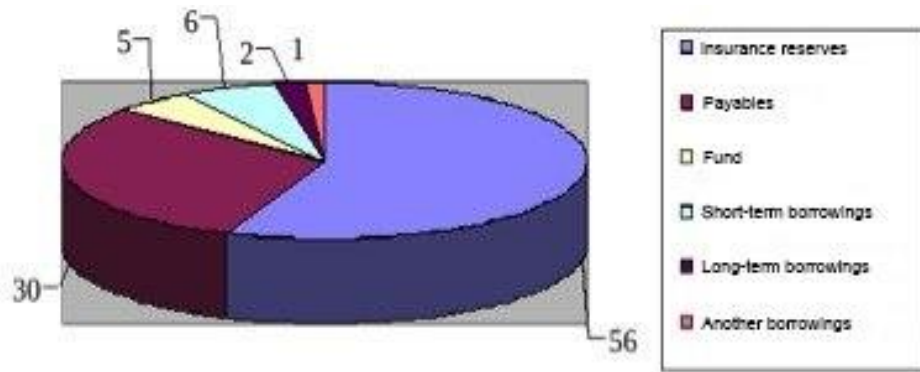
Source: own processing

A visual representation of the dynamics of the structure of the liabilities is reflected in the diagram below.³⁰

Figure 5. The structure of liabilities for 2012³¹

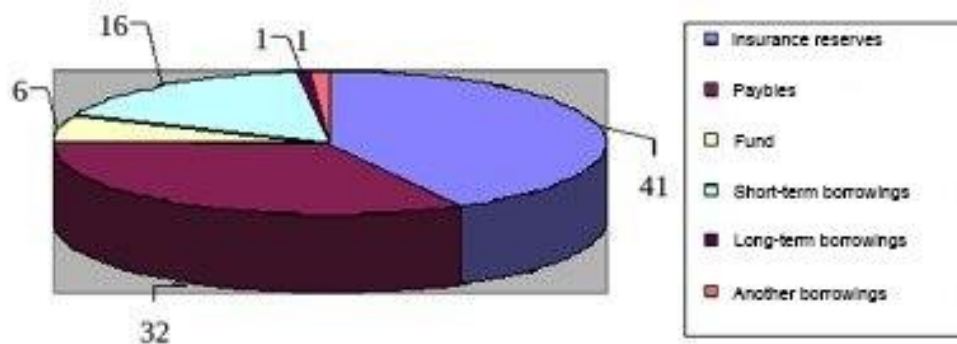
²⁹ SPLETOUKHOV Y.A State regulation of insurance activity. Auditor.-2009

³⁰ Working together for growth and jobs. A new start for the Lisbon strategy.02 Februaryv 2014



- insurance reserves;
- payables;
- equity;
- short-term loans and borrow;
- long-term borrowings;
- other loans and credits.

Figure 6. The structure of liabilities for 2013



- insurance reserves;
- payables;
- equity;
- short-term loans and credits;
- long-term loans and credits;
- other loans and credits.

³¹ Towards a European Research Area Science, Technology and Innovation Key Figures 2011. Luxembourg: Office for Official Publications of the European Communities, 2014. P.54.

A reduction of insurance reserves by the end of 2013 occurred primarily due to a release of the provision for unearned premium reserve loss. The release of the RPP is connected with the termination of operating at the beginning of the year contracts of insurance and reinsurance. Release RU connected with the improvement of statistics of payments, which has a positive effect on the current loss ratio of insurance operations, in this connection the need for existing at the beginning of the next year the amount of the allowance is reduced.

Table 9. Structure of insurance reserves of JSC «Rosgosstrakh»

	On 31.12.2012	On 31.12.2013	The change for the period
Reserves for life insurance	114	-	-114
Reserves unexplored prize	1 880 016	965 006	-915 010
Loss reserves	4 151 105	3 275 884	-875 221
Other insurance reserves	216 435	105 902	-110 533
Total insurance reserves	6 247 670	4 346 792	1 1001 895

Source: own processing

By the end of 2013, the company increased the volume of accounts payable. In connection with this, reduction of reinsurance operations decreased and the amounts payable on such transaction. An increase of the accounts receivable under some articles is of a purely technical nature, connected with a system of settlements by results of work in the reporting period.

Table 10. Structure of accounts payable of JSC «Rosgosstrakh»

	On 31.12.2012	On 31.12.2013	The change for the period
Accounts receivable insurance, coinsurance	562 028	206 087	-355 941
Payables to employees	9 830	1 107	-8 723
Payables to state non-budgetary funds	733	250	-483
Taxes payable	1 877	1 650	-227
Other creditors	2 638 771	3 195 899	557 128
Accounts payable	3 260 949	3 421 007	160 058

Source: own processing

The reduction in the size of insurance reserves, formed at the beginning of the year, as well as the increase in investment income had a positive impact on the volume of the profits of the company for the reporting period, which increased the amount of equity at the end of the year more than 1.7 times compared with the beginning of the year.

Thus, by the end of 2013, the liabilities structure also changed, namely, the insurance reserves reached the end of the year 41 % of total liabilities, accounts payable - 32 %, capital - 6 %, short-term borrowings - 16 %, long - term borrowings-1 %, other liabilities less than 1%. The greatest influence on the value of the liabilities for provided insurance reserves goes to towards reduction and short-term borrowings and loans to increase it term borrowings and loans to increase it.

It is necessary to analyse the main indicators of financial stability of the insurance organization for the years 2012 and 2013, namely:

- the coefficient share of equity capital in total capital amount of the company, which is calculated by the formula:

$$K_{18} = \frac{SK}{KK}$$

where SK - ownership capital of the company, thousand rubles;

KK - capital of the company, thousand roubles

This coefficient shows the share of ownership capital of the company in the total amount of funds advanced in its activities or the provision of insurance company own capital, the higher the coefficient, the higher the financial strength and stability of the insurance company;

- the coefficient of the share of insurance liabilities in the company's capital, which is calculated by the formula:

$$K_{19} = \frac{CP}{KK}$$

where CP - insurance reserves, thousand rubles;

KK - capital of the company, thousand roubles

This coefficient shows the availability to the insurance company of insurance reserves or it reflects the volume of insurance operations of the company;

- the coefficient of the share of non-insurance liabilities in the company's capital, which is calculated by the formula:

$$K_{20} = \frac{O}{KK}$$

where O - insurance liabilities, thousand rubles;

KK - capital of the company, thousand roubles

This ratio shows the share of non-insurance liabilities in the whole capital of the company. The growth of this ratio indicates the strengthening of dependence of the insurance company from creditors, decrease of financial sustainability;

- the coefficient of sufficiency of own capital for coverage of insurance liabilities, which is calculated by the formula:

$$K_{21} = \frac{SK}{CP - PCR}$$

According to the results of 2013 the share of life insurance claims to the received award is 84,9%; reserve life insurance 70,1%; cost of doing business, 19,8% . If you increase the amount of the insurance premium, i.e. when there is a larger coverage of insurance services to the population, based on statistical data of several years the probability of the occurrence of the insurance event decreases, i.e. for the share of insurance payments received the payments are reduced. Reserve increases in proportion to the incoming payments, the cost of doing business, by increasing the volume increased only by paid commissions and royalties on it.

Other expenses: compensation, salary of full-time employees, labour payment of workers is not listed membership, sinking funds, household and office expenses, rent, payment for public services, travel expenses, advertising expenses, operating expenses are almost constant or depend on the volume slightly, therefore the share of the cost of doing business on the ruble received payments decreases.³²

Thus, we conclude that when increasing the volume of payments for life insurance contracts, this type of activity of the company could break even.

Insurance other than life insurance in the company received income in the amount of 71633 thousand rubles

³² Establishing a Diversified, Creative Work System Conforming o the "Trend Toward a Service Economy"Key Points of the Report", September 6, 2011

The share of expenditure in these types of insurance to the amount of the received payments is:

- insurance payments - by 22.7%;
- insurance reserves - by 0.9%;
- the provision of preventive measures - 6,0%;
- cost of doing business, to 31.8%.

The increase in the volume of payments for these species will also lead to a decrease in the specific weight of expenses per 1 ruble payment.

The profit and loss statements of the insurance organization is 9858 thousand rubles, or (-475,8% of total earnings), the total profit is 14.3%.

In such a way that the profits of the firm are a result of correctly organized investment policy, most of the income is derived from investments.

Conversely, a company can increase profits by increasing the volume of insurance services. The sum of insurance premiums by types of insurance other than life insurance in the company formed from the amount of insurance premiums on complex technical risks 5173 thousand rubles; mass insurance 32695 thousand rubles.

In connection with the stated above, we can identify the following strengths of the Russian insurance company «Rosgosstrakh»: компетентность, powerful financial resources, a good reputation from customers, a well-known leader in the marketplace, creative strategist in the functional areas of the organization, time-tested management.³³

However, one must also take into consideration the negative sides: the shortage of management talent and ownership debt problems, the lack of Nemtoi types of key qualifications and компетентности, poor monitoring of the implementation process of the strategy, the gap in research and development, with a very narrow product line.

In my opinion, to increase the profit of this company, you must perform the following steps: enter new markets or market segments, increase diversity in related products, adding

³³ EBRD Transition Report 2002 p. 67

related products, vertical integration, take advantage of complacency among competing firms, and take into account the acceleration of market growth.

For further growth of insurance operations of the insurance company «Ceska pojistovna» you must:

- increase the value of own capital. The increase in own funds and promotes the expansion of investment activity of the company, as it gives an opportunity to invest in more risky, but also significantly more profitable financial instruments;
- strive to reduce the cost of insurance operations;
- expand the range of services on the insurance market;
- offer new insurance program, more favorable than that of competitors;
- expand investment activities;
- manage the Finance of the company more efficient budgeting.

Thus, examining the main financial indicators of JSC «Rosgosstrakh» and «Ceska pojistovna», one finds the justification hypothesis has a fundamental role in this work: «Doing business in Russia is significantly different from doing business in the Czech Republic. The main differences are observed primarily in strategic management and toward investment.»

Conditions for doing business in the Czech Republic and in the Russian Federation differ significantly, because the investment climate in the Czech Republic is considered one of the best in Europe. It comes as no surprise that a huge number of Czech companies are registered by the citizens of different European Union countries.

The largest number of firms in the Czech republic with foreign capital represent citizens of Holland. We must understand that the most prosperous country in Western Europe and its citizens do not randomly chose the Czech Republic for investments and doing business in the Czech Republic. Over the past two years, the enterprise market of the Czech Republic actively markets to potential new businesses from the United States, interest in the Czech Republic is not accidental, the strong economic and political position on the Czech market in the world is confirmed by the economic analysts over the last ten years.

The location of the Czech Republic is both versatile and convenient for business throughout the countries of Western Europe. Its economic policy is fairly predictable and transparent for investors with any direction of investments and types of investment. The stability of the national currency, guaranteed by the Central Bank of the Czech Republic, and its rejection of the use on the territory of the country of the Euro suggests that the Czech economy is stable and strong, both for internal, and for external investors.

The national currency of the Czech Republic is the Czech crown, which is pretty stable against other currencies. The Czech Republic has signed a contract with a large number of countries about the absence of double taxation.

Profits received through businesses in the Czech Republic may be through the adopted law distributed and expatriated outside the Czech Republic without any restrictions. The laws on entrepreneurship and accounting statements in the Czech Republic are very close to Western standards and do not prevent the conduct of activities. Existing legislation of the Czech Republic guarantees the protection of all forms of property, including patents, copyrights, trademarks.

The Czech Republic is a full member of the organization on the protection of investments, which is included in a grouping of the IMF.

Agreements signed with a number of major economies indicate that each party will permit and will consider investments and associated activities of residents of the second party without discrimination, and ensure the full protection and security by law.

Questions of investing and doing business are directly linked to the question of legitimate business and registration of a joint stock company or a limited liability company.

Conclusions to Chapter 3:

1. The share of the Company, Rosgosstrakh, in the Russian insurance market has increased and amounted, as of 2013 to 0,42 %, including the share of voluntary insurance (except life insurance) - 0,21 %. The main direction of activity of Rosgosstrakh has been to service

a great share of the segment of individuals, primarily in the field of insurance of property, domestic property, from accidents and health problems and voluntary motor insurance.

Rosgosstrakh's income from insurance and financial and economic activities in 2013 amounted to 25 953 098 thousand rubles, while their expenses in 2013 amounted to 25 394 438 thousand roubles.³⁴

The most prominent strengths of the Russian insurance company «Rosgosstrakh»: include

- competence;
- powerful financial resources;
- a positive reputation among customers, and potential customers;
- market leadership;
- an inventive strategist in the functional areas of the organization;
- proven management.

Weaknesses would include the following:

- Due to its size,, the ongoing need to find and develop management talent and depth ownership problems;
- lack of Nemtoi types of key qualifications and competence;
- inadequate monitoring of the implementation process of the company's strategies;
- lagging in the field of research and development;
- a very narrow product line.³⁵

2. On today the strategic direction are the following items:

The use of strong brands Generali and Ceska pojistovna enabling a new position as leaders in the region:

- Combining the powerful position of Generali in real-time management and the food distribution network, and the local know-how of Ceska pojistovna Group.

³⁴ Economic Environmental and Social Statistics и OECD Science, Technology and Industry: Scoreboard 2012.

³⁵ YULDASHEV R., SHAPLYKO D. On financial resources and solvency of the insurance company. Insurance.-2006

- Adapting to the new possibilities from the forming of the Group via cross-selling insurance and savings products so as to provide the customer with more options, as well as capture a greater share of the market.
- Increasing the value of the company through various newly ingrained strategic, geographical and cultural components, which both of the company have now been able to access through their new joint venture.
- Taking advantage of the benefits of synergy effects through the application of best practices in the field of IT, the settlement of claims, supply and reinsurance.

Ceska pojistovna has been able to maintain the leading position on the market as in the life insurance sector and in the sector of property insurance. This position is denoted by the rating agencies Moody's and Standard & Poors, which recognize the financial stability of the company and is an essential advantage of this insurance company.

Disadvantages of the insurance company «Ceska pojistovna»:

- A lack of growth in modern market conditions conducting business in the sphere of the insurance investment activity of the company, as it gives an opportunity to invest in more risky, but also significantly more profitable financial instruments;
- The apparent lack of desire to lower the cost of insurance operations;
- A rather limited range of services offered on the insurance market;
- The failure of new insurance programs, more favorable than that of competitors;
- Incomplete volume of the expansion of investment activity.

3. Having examined the main financial indicators of both JSC "Rosgosstrakh" and "Ceska pojistovna», finds its justification in the hypothesis that was a fundamental role in this work. Doing business in the Czech Republic and the Russian Federation differs substantially. Examining the system of business development in the Czech Republic, it should be noted that conditions for doing business in the Czech Republic and the investment climate in the Czech Republic is considered one of the best in all of Europe. It comes as no surprise that there is a huge number of companies registered in the Czech Republic by citizens of different countries of the European Union.³⁶

³⁶ RUBIN A. Insurance activities in the enterprise management system.-Krasnodar.: 2009

Considering the basis of their activities, the different strategies and economic instruments, products and volumes of their implementation, and ways of development and improvement, the insurance companies investigated in this paper have common objectives, in particular:

- Become a benchmark for reliability and quality of service for clients in the financial sector, to become the market leader.
- To have and maintain the highest standards for its staff and to be known and respected for the quality of the management of people and processes.
- To have a high standard as being a great employer, a great place to work, for the employees in the financial industry.

Conclusion

As stated earlier in the text of this work, it studies some of the main problems and tasks connected with an analysis of two business insurance companies, one in Russia and the other in the Czech Republic at OJSC «Rosgosstrakh» and «Ceska pojistovna».

The purpose of this undergraduate work was to analyze and compare the methods of strategic and financial management in Russia and the Czech Republic, which was achieved by using as the basis an analysis of the insurance companies of JSC «Rosgosstrakh» and «Ceska pojistovna».

Also, in this work, there was formulated a hypothesis, which is defined by the introduction and by the methods of research has been proven.

The paper discussed the issues concerning the basics of doing business, the legal aspects of doing business in Russia and the Czech Republic and the comparative analysis of the business of insurance companies in Russia and Czech Republic at OJSC «Rosgosstrakh» and «Ceska pojistovna».

1. It is shown that by exploring the development of business in Russia and the Czech Republic one can come to the conclusion that doing business in these countries varies, the main differences are observed primarily in strategic management and toward investment.
2. It is revealed that in the development of the Russian insurance market there are certain positive trends. However, it should be noted that the life insurance industry is developing at a fast pace, compared with the risks types of insurance. Long-term life insurance could solve many problems, the most important of which are: greater social stability in the society and the attraction of investment resources into the national economy. This indicates that the development of long-term life insurance requires appropriate financial and economic support from the state.
3. There are many specific features of formation of investment resources in the insurance company. Under the investment resources, it means the totality of funds that are at the

disposal of the insurance company, which are used or can be used by the insurer to invest to acquire investment income.

The initial stage of the formation of investment resources, the basic element, is private capital that from various sources such as owners, initial share offerings, etc.

To the other part of investment resources of the insurance company, it refers to debt capital and loan capital. Capital employed represents the cash received as an insurance premium and accumulated by the insurer at the time the insurance contract. Insurance companies generate through these funds insurance reserves. Insurance reserves temporarily can be used by the insurer as an investment source. It should be noted that insurance reserves are the main investment source of the insurance organization. Borrowed capital includes payables and debt capital - Bank credit. Insurance companies rarely resort to Bank credit, and it is used primarily for purposes not associated with investing.

Thus, sources of the investment resources of the insurance company are their own capital and borrowed capital. The latter predominates in the capital structure of the insurance company.

4. As in Russia, the Czech Republic has two main forms of small business: individual entrepreneurs and the society with a limited liability whose development takes place in the countries with favorable conditions.

5. The main obstacle for the development of small and medium business in the Czech Republic is a low level of capitalization, associated with significant difficulties in accessing commercial credits. Almost 90% of SMEs in these countries are struggling to obtain a loan due to a lack of collateral opportunities. For SME loans, banks charge higher interest rates on loans than for large enterprises, as the banks feel the SMEs are riskier propositions.

6. On the basis of the analysis it revealed that the structure of business of the Russian insurers differs from the structure of the Czech insurers. The published date of statistics of the companies was used to help reveal the differences..

Using published data of statistics in the work of the established policy of insurance companies.

7. During the research it was shown that investment activity along with insurance activity requires a fairly competent management. Also, the investment business of an insurance company should be rather strictly regulated by the state.

On the basis of comparison of the Russian and Czech legislation it shows that Russian lawmakers largely repeat what they have learned from foreign experiences and this is a positive trend. However, there are also differences.

It should be noted that indicators of investment activity, along with other indicators, such as the assessment of insurance activity, estimation of insurance reserves, solvency ratios and other indicators are analyzed by the special organizations that make up the ratings of insurance companies. In addition, as has been stressed in this work, investment activity can compensate for the losses incurred in the course of insurance activities, which is a strong argument in favor of a well thought out investment policy.

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