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IMPACT OF THE GLOBAL ECONOMY ON ENTREPRE-
NEURIAL ACTIVITIES

BACHELOR THESIS

Thesis supervisor: Ing. Zdeněk Konečný, Ph.D.

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Annotation: The bachelor thesis explores the topic of impact the worldwide economy on entrepreneurial activities. The purpose of the work is to show how different components of the global economy affect doing business. For the analysis was chosen the Czech McDonald's. The theoretical part describes such concepts as exchange rates, balance of payments, government support for businesses, the impact of coronavirus infection on the global economy, entry into the stock market, a franchise, and the financial health of an enterprise. The analytical part described McDonald's, its principles and history. Also, different exchanges were cited to compare McDonald's share prices in different countries, obligations, conditions and benefits were studied when buying a McDonald's franchise. In the thesis, the Czech McDonald's was described, its suppliers were studied, the influence of the exchange rate of different currencies on the price of goods and services. Also, foreign investments in the Czech Republic were taken into account. For a better understanding of the financial condition of the Czech McDonald's, a financial analysis was carried out. In proposal part improvements were suggested based on previous analysis.

Key words: global economy, exchange rates, the payment balance, franchise, McDonald's, state support during covid-19

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[2] MOFFETT, M. H., STONEHILL, A. I. and EITEMAN, D. K. Fundamentals of Multinational Finance. 4th edition. New Jersey: Pearson Education, Inc., 2012. ISBN 978-0-13-282991-5.

[3] PARBOTEEAH, K. P. and CULLEN, J. B. International Business: Perspectives From Developed and Emerging Markets. 2nd edition. New York: Routledge, 2018. ISBN 978-1-138-12241-3.

Other literature as recommended by the supervisor of the bachelor's thesis.

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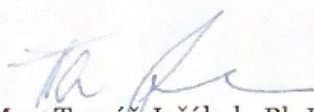
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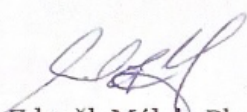
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author's handwritten signature

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INTRODUCTION

The activity of entrepreneurs depends very much on the world economy: on the country chosen for business, on the strength of its currency, on the investment attractiveness of the country and the amount of foreign investment coming into the country, on the state policy of regulating entrepreneurial activity in general and on the system of support from the state, from many external and internal fluctuation factors, in particular, pandemics and economic crises. Therefore, we can safely say that the topic “the impact of the global economy on entrepreneurial activity” is very relevant.

The purpose of the thesis is to study the influence of world economic factors on entrepreneurial activity (on the example of McDonald's Czech Republic).

The purpose of the theoretical part of the work is to study and describe such components of the world economy as exchange rates and the balance of payments of the state (the cointegration of the country's trade balance and the impact on changes in exchange rates were analyzed). Also, the work focuses on such economic areas as company shares, state support for entrepreneurship, franchising as a way to develop business in the country. The last part reveals the concept and specifics of financial analysis, its importance for the development of the enterprise.

The practical part is divided into two parts: analytical and proposal. The object of the study of the practical part was McDonald's in the Czech Republic.

The analytical part includes detailed information about the selected company and its key areas of activity, an overview and analysis of the exchange rate of the kroon to the euro/Polish zloty/Hungarian forint, analysis of suppliers. The indicators of export and import, the value of the company's shares, restrictions related to covid-19 were studied. The actions of the government of the Czech Republic to support business during the pandemic were also taken into account. Finally, a financial analysis of the enterprise was carried out.

The proposal part developed practical recommendations for improving McDonald's business activities based on previous analysis. The proposals focus on cutting costs and exporting McDonald's services to other countries.

During the writing of the thesis, the following methods were used: a descriptive method (actively used in the theoretical part of the thesis), methods of comparative and complex analysis (tabular and graphical tools were used), a system-structural method was used to analyze the main activities and financial indicators of the selected company.

I. THEORETICAL PART

1 DEFINITION OF BASIC TERMS

The theoretical part is devoted to topics which have influence in worldwide economy as exchange rates, balance of payment concept, state support for foreign trade, worldwide economy during covid-19, franchise and the financing of enterprise.

1.1 Exchange Rates

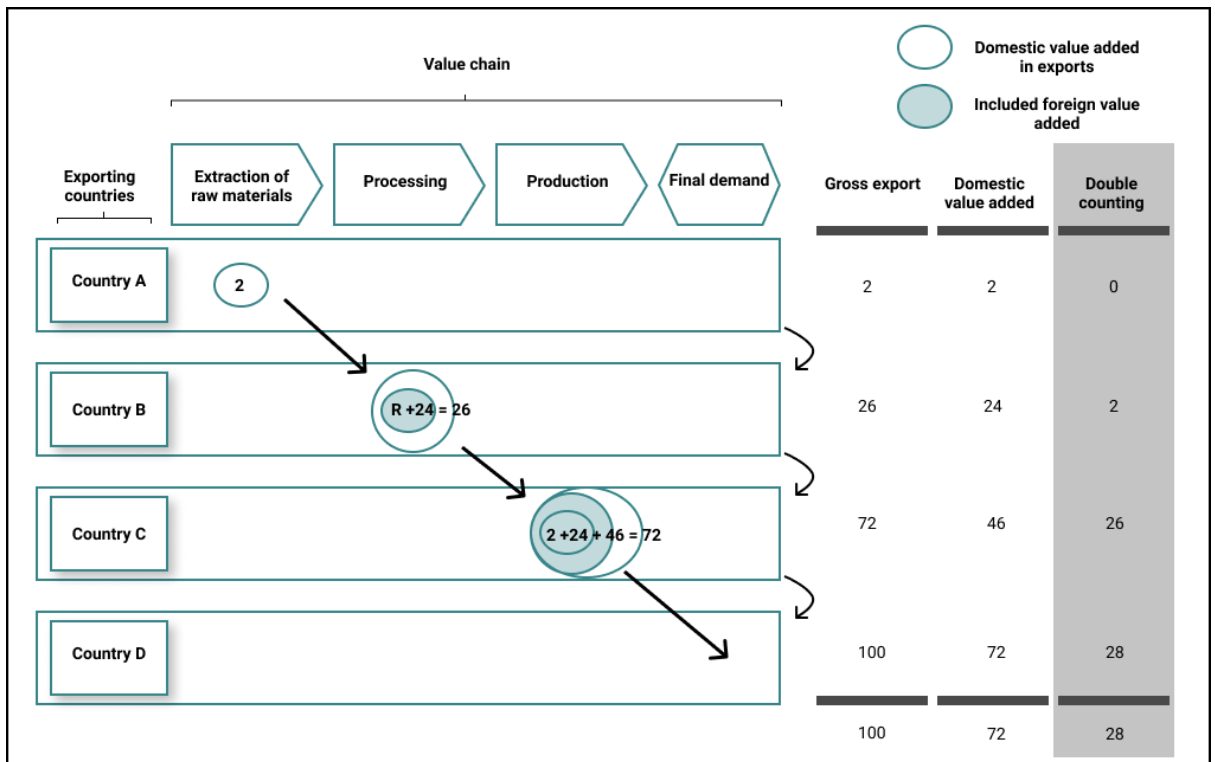
The exchange rate is the value of the monetary unit of one country, expressed in the money of another country. Any national monetary unit is a currency and acquires several additional functions and characteristics as soon as it begins to be considered from the standpoint of a participant in international economic relations.

In terms of material form, the currency is any payment document or monetary obligation expressed in a particular national currency used in international settlements (banknotes, treasury bills, checks, bills of exchange, letters of credit). These payment documents are bought and sold in the foreign exchange market. [1]

The exchange rate plays an important macroeconomic role since many economic indicators depend on its level and dynamics. Shifts in the exchange rate usually have an immediate impact on the level of domestic prices as a result of changes in the prices of imported goods in the national currency. This impact initially occurs through two channels: direct changes in the prices of imported final goods and services, as well as changes in the prices of goods and services produced domestically, the production costs of which include the costs of imported components. In addition, a change in the exchange rate affects the volume of exports, which can also affect the level of domestic prices: with an increase in exports, all other things being equal, prices for export goods within the country will rise, and with a decrease in exports, prices may fall. [2]

Following previous paragraphs, it can be concluded that the price of raw materials purchased by the company for subsequent production directly depends on the country's exchange rate and,

accordingly, value-added tax (VAT). How VAT works is described in Pic. 1, from which we see how gross exports and domestic value-added increase in countries participating in the supply chain. You can avoid high taxes by using only (or mostly) products of domestic manufacturers. The advantage of this method is not only saving on import VAT, but also transport, and accordingly simplifying the procurement and delivery process, which ultimately leads to keeping affordable prices. The disadvantage is the small selection and the lack of quality analogs. To maintain a balance, as well as maintain the quality and low price of the final product, the companies work with both foreign and local suppliers. The article of the Agroportal of Ukraine states that About 70 % of McDonald's Ukraine suppliers are Ukrainian companies, [3] they are in line with McDonald's global strategy to localize production and help develop local businesses and the national economy.



Pic. 1 How value-added trading works

Source: <https://studbooks.net/> / own processing

1.2 Factors affecting the formation of the exchange rate

The formation of the exchange rate is a multifactorial process. The factors influencing the formation of the exchange rate include:

- the state of the economy;
- inflation rate;
- the purchasing power of the currency;
- the level of interest rates and the yield of securities;
- the activity of foreign exchange markets;
- currency speculation;
- monetary policy;
- the state of the balance of payments;
- the degree of use of the national currency in international settlements. [4]

These factors determine the supply and demand of the currency. For example, the higher the inflation rate in a country in comparison with the inflation rate in other countries, the lower the rate of its currency, if other factors are not opposed. [4]

A more significant drop in the purchasing power of a country's monetary unit as a result of a general rise in prices, as compared to other countries, causes a decrease in its exchange rate. [5]

Relatively higher interest rates and yields on securities in a given country will lead, first, to an inflow of foreign capital into this country and, accordingly, to an increase in the supply of foreign currency, its reduction in price and appreciation of the national currency; secondly, to the flow of capital from the foreign exchange market to the deposit and securities market, a decrease in the demand for foreign currency, a decrease in its exchange rate and an increase in the national currency rate. As a result of lower interest rates and lower yields on securities, the exchange rate will decrease. [5]

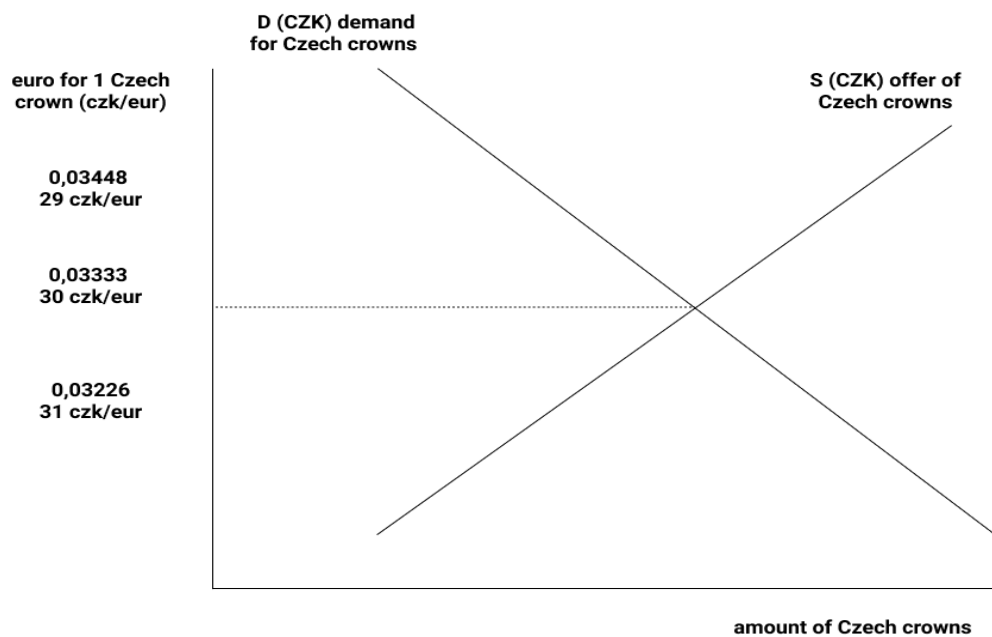
Based on the information above, we can conclude that an important factor when starting a business is the country and the strength of the national currency of this country. Picture 2 [6] shows the Czech crown foreign exchange market. The price of the Czech crown is displayed on the vertical axis. For example, the number 0.0333 means that the price of one crown is 0.0333 euros.

If entered directly, this value will mean that the price of one euro is 30 crown (value in brackets). Then the number of Czech crowns is measured along the horizontal axis.

The demand for crowns is created by Czech exporters of goods and services and by foreign investors, who buy Czech assets. If a car is exported from the Czech Republic to Germany, the German dealer must pay the Czech company in CZK, so he must first buy CZK, thereby creating a demand for Czech currency.[6]

Likewise, if a German citizen wants to buy shares of a certain Czech company, he must first receive crowns, which again creates a demand for Czech crowns. The lower the price of the Czech crown, the greater the quantity demanded. Therefore, the demand for Czech crowns has a declining course.

The crown's supply is created by Czech importers of goods and services and Czech investors buying foreign assets. If a Czech merchant imports French wine, he must first buy euros, that is, sells crowns, so that he can pay for that wine. Likewise, if a Czech bank wants to buy German government bonds, it must first buy euros for the crown. The higher the price of the Czech crown, the more its quantity supplied will be. Consequently, the Czech crown supply curve will rise.



Pic. 2 Currency market of the Czech crown
Source: Lectures of Vojtěch Jindra, ch. 9, p. 2

1.2.1 Devaluation and revaluation

Under the influence of the ratio of supply and demand, the exchange rate changes. First is needed to understand the definitions.

Appreciation - temporary strengthening of the exchange rate against one foreign currency.

Depreciation - temporary weakening of the exchange rate against one foreign currency.

Revaluation - one-time strengthening of the exchange rate against all other currencies.

Devaluation - one-time weakening of the exchange rate against all other currencies. [7]

The growth of the national currency exchange rate results in an increase in the prices of national goods in the world market, expressed in foreign currency, which leads to a decrease in their exports, the competitiveness of which is decreasing. At the same time, prices for foreign goods, expressed in national currency, are decreasing and imports of foreign goods are growing. An

increase in the national currency rate leads to an increase in the cost of national assets denominated in it relative to foreign assets. As a result, the outflow of capital abroad is increasing.

When the exchange rate of the national currency falls, the prices of national goods in the world market, expressed in foreign currency, decrease, which leads to an increase in exports, the competitiveness of which increases. At the same time, prices for foreign goods, denominated in national currency, become higher, as a result of which imports decrease, and national securities denominated in national currency become cheaper. They become attractive to foreign investors, which contributes to the inflow of foreign investments. The demand for the national currency on the part of non-residents will grow if the yield on foreign securities at a comparable level of risk is higher than abroad. In this case, the growth in demand for the national currency will contribute to the growth of its exchange rate. Otherwise, when the level of income on assets is higher abroad, the demand for foreign currency increases, and the national one decreases, and as a result, its rate falls.

The rise in prices due to the depreciation of the currency will lead to a change in real wage rates, because the imported goods will become more expensive for consumers, import will decrease and simultaneously export will increase. Through an increase in aggregate demand, enhances the effect of the exchange rate on the price level. In addition, these initial changes in domestic prices and wages usually lead to the effect of a secondary increase in the level of prices and wages, as production costs begin to change over time. When analyzing the impact of changes in the exchange rate on the price level in the country, it is necessary to keep in mind two circumstances. First, in modern conditions, prices are much more flexible upward than downward [2]. As a result, if depreciation of the exchange rate usually leads to an increase in prices within the country, then with an increase in the exchange rate, the decline in prices is weak or absent. Second, the relationship between domestic prices and the level of the exchange rate is significantly modified if a country experiences high inflation rates. With high inflation (especially with hyperinflation), the so-called "dollarization" of the economy takes place. Under these conditions, purchasing power parity is usually maintained very accurately: most prices are denominated in dollars (or other stable foreign currency) and then converted into prices in national currency by multiplying by the current market exchange rate.

Therefore, in conditions of high inflation, the prices of the domestic market directly and practically without a time lag follow the changes in the exchange rate. Changes in the nominal exchange rate also have a significant impact on various items in the balance of payments. The impact on imports is, as a rule, twofold: its price in the domestic currency changes, and its physical volumes change. How much increase (with an increase in the exchange rate) or decrease (with a decrease in the exchange rate) volumes of imports depends on the price elasticity of demand for imports. Consequently, this change will be different for each type of imported product. The price elasticity of demand for an imported product, in turn, depends on several factors: the elasticity of demand for the price of a given product in general; the share of imports in the total consumption of this product and price elasticity of demand for this good, produced by domestic firms. It should be emphasized that even if domestic producers can ensure import substitution, this cannot happen overnight, as it takes time to expand production. Therefore, usually, the elasticity of demand for imports is higher in the long run than in the short run. A change in the nominal exchange rate also affects the amount of revenue in national currency received by exporters, and thus creates incentives for changes in the volume of production for export. At the same time, for the volume of exports to change, the demand on the world market must change, i.e. the price should change. From this point of view, the impact of a change in the exchange rate on the value and physical volumes of exports depends on several factors: the elasticity of demand in the world market for a given product from other countries as same as the elasticity of supply to the world market for a given product, and on how much this industry depends on sales on foreign markets. The role of the time factor should also be noted here. The longer the time period, the more elastic the supply, i.e. the more producers can react to changes in the exchange rate and change the volume of supplies to the external market.

1.3 Balance of payments concept

The balance of payments can be defined as “a systematic financial statement that summarizes all economic transactions between residents of the country of origin and residents of other countries that took place over a period of time, usually one year” [8]

There are two types of international transactions recorded in the balance of payments:

1. Transactions that involve the export or import of goods and services and are therefore entered directly into the current account. [9]

2. Operations that involve the purchase or sale of assets. Assets are a form of ownership of material values: for example, assets can include money, shares, factories, government bonds, land, or rare postage stamps. The capital account of the balance of payments reflects all international purchases or sales of assets. The difference between the value of assets imported and exported by the country is called the balance of capital flows. [9]

The country's economic relations with other countries are an important aspect of its economic policy. Their study in most countries is carried out using the balance of payments. It shows how foreign trade developed during the reporting period, how much income was received from abroad, and how much was paid abroad. The balance of payments allows us to trace how foreign investments were attracted, foreign debt repaid, in what forms investments were made in the economies of other countries. The balance of payments shows how the central bank changed the level of its foreign exchange reserves.

In other words, one can outline that the balance of payments is a statistical report that systematically records economic transactions between residents and non-residents for a certain period of time for a given territory. The basic structure of the balance of payments includes current accounts, capital accounts, and financial accounts, which also include foreign exchange reserves. [8]

Thus, the balance of payments forms the key statistics according to which the country's foreign economic relations are assessed. This makes it possible to predict, especially in the short term, the market capacity of the respective country. It is an important indicator of changes in the exchange rate or pressures that could lead to an appreciation or depreciation of the national currency. Foreign exchange reserves deficits may also signal the imposition of foreign exchange controls on wages associated with the transfer of profits and dividends, royalties, or other restrictions for foreign investors. [10]

From the point of view of statistical reporting, the balance of payments performs the following functions: determining the competitive position and place of the state in the world economy; identifying and characterizing the country's currency position by determining the degree of stability of the national currency and assessing the activities of monetary policy bodies in the field of managing the country's reserves; identification of trends describing the financial situation of the country; influence on the forecast indicators of economic development; influence on the choice of forms and methods of implementation of financial and credit policy by public authorities. Each of the listed functions assumes that the balance of payments is a source of information for economic agents, which, based on the information received or the calculations performed, make certain decisions.[11]

1.3.1 The impact of the balance of payments on businesses

Since the exchange of currencies serves the operations reflected in the balance of payments, then through the export and import of goods, services, and capital, the balance of payments forms the size of the inflow and outflow of currency. By influencing the ratio of supply and demand of a currency, transactions reflected in the balance of payments affect the price or exchange rate of a currency. The interaction between the exchange rate of currencies and the balance of payments is as follows: firstly, the active trade balance contributes to an increase in the exchange rate of the national currency, since the demand for it from foreign importers increases, and secondly, the passive trade balance gives rise to a tendency for the fact that domestic importers are trying to sell it for foreign currency to pay off their external obligations. [12]

At the same time, the size of the influence of the balance of payments on the exchange rate is determined by the degree of openness of the country's economy. Thus, the higher the share of exports in the gross national product (the higher the openness of the economy), the higher the elasticity of the exchange rate to changes in the balance of payments. The exchange rate is influenced by the economic policy of the state in the field of regulation of such components of the balance of payments as the current account, capital account, and financial account. In turn, the state of the trade balance as the most important component of the balance of payments is

influenced, for example, by changes in duties, import restrictions, trade quotas, export subsidies, etc. With an increase in the positive balance of the trade balance, the demand for the currency of a given country increases, which contributes to an increase in its exchange rate, and when a negative balance appears, the opposite process takes place. The movement of short-term and long-term capital depends on the level of national interest rates, restricting or encouraging the import or export of capital. Changes in the balance of capital flows have a certain effect on the exchange rate of the national currency, which is similar in sign (“plus” or “minus”) to the trade balance. This connection is theoretically obvious, but the question of its practical confirmation remains relevant. [12]

An example of a connection between the state of the balance of payments and the price of a currency is the situation in foreign trade, which was observed in post-war Japan. After World War II, Japan, which had suffered significant destruction, began to pursue a policy-oriented towards rapid revival and economic growth. The government actively intervened in the development of the economy, trying to direct it towards more progressive and knowledge-intensive industries. In addition to this, the active position was taken by entrepreneurs who actively worked to create competitive firms, as well as the behavior of its workers, who had to be diligent in their work and loyal to the interests of their companies. All these factors have become the reason that the country has gained a competitive advantage in the global market. Japanese technology began to be sold to many countries, displacing the products of other manufacturers and, as a result, Japan's exports began to exceed its imports. The country began to receive more money than it was spending, as there was a surplus in the trade balance. Due to the fact that Japan's economic growth continued throughout the 1970-the 1980s, Japan constantly had a balance of payments surplus of 3-4% of GDP. [12]

Summarizing the above, it should be noted that the balance of payments has an indirect effect on enterprises. Due to the increase in the trade surplus, the demand for the currency of the country in question also begins to grow. Consequently, with an increase in the exchange rate of the national currency, production for small businesses in this country becomes cheaper, due to the cheapening of imported goods and lower costs of gasoline and transportation. This also

works in the opposite direction: with a depreciation of the national currency, imported goods increase in price, and production costs more.

1.4 State Support for foreign trade

Export promotion is one of the important directions of economic policy of any country. The Czech Republic is a small and very open economy [13], which means that exports are a very important element in the functioning of this economy. The economic crisis is causing, among other things, reduced pressure on both exports and imports, and the country's overall foreign trade is also slowing down. This phenomenon occurs not only in the national economy but also on a global scale since the crisis is gradually spreading to the whole world.

A very common response to a crisis is various protectionist measures to protect domestic economic agents from adverse external influences. Protectionist measures are naturally “toxic” for the further development of international trade and negatively affect the balance of trade flows between states. Thus, the economic crisis works to a large extent against the current liberal trends. Those countries that have a sufficiently large domestic market with a sufficiently strong domestic demand can compensate for a certain export deficit at the expense of domestic demand.

However, states that have to rely only on the outside world can be hit hard by the crisis. For these reasons, it is also more important to maintain domestic exports during the crisis, either by directly or indirectly supporting exporters themselves or by establishing trade relations (for example, at a bilateral political level) so that domestic producers feel the impact of the crisis as little as possible. Therefore, the state should, in particular, remove obstacles that, unfortunately, do not decrease, but increase during the economic crisis.

States must tackle these challenges most effectively given the limited public resources that are under even greater pressure during the crisis. There are several ways to stimulate exports. In addition to the numerous services provided by various national institutions, most countries also

open specific economic and trade missions abroad, whether diplomatic ones as part of embassies or foreign offices of various government agencies.

From this point of view, supporting export is one of the main components of the country's economic diplomacy. [14] The Czech Republic, even though it is a member state of the European Union, still has (like other member states) the right to create its pro-export policy, since nothing of the kind is part of the General Trade Policy of the European Union. However, at the same time, the Czech Republic must comply with certain international rules, which it voluntarily assumed.

The management of economic diplomacy in the Czech Republic depends on the cooperation of several key institutions [15], both state and non-state. In the area of export support, two ministries play a key role, the Ministry of Industry and Trade and the Ministry of Foreign Affairs, as well as the agencies CzechTrade and CzechInvest, and last but not least, the Czech Export Bank and Export Guarantee and Insurance.

The Competence Act [16] establishes the role of the Ministry of Foreign Affairs (MFA) as the central state administrative body of the Czech Republic in the field of foreign policy, within which it creates the concept and coordinates foreign development assistance and coordinates external economic relations. On the other hand, the Ministry of Industry and Trade (MIT) is the central government agency for trade policy, foreign economic policy, and foreign trade and export support. It is in the Law on Competence that the seeds of problems with the division of the agenda under consideration between the Ministry of Foreign Affairs and the Ministry of Industry and Trade can be seen. As is clear from the above, the relevant law as a generally binding legislative regulation does not allow for a clear interpretation of which department is responsible for economic diplomacy, including the aforementioned export support.

The legal separation of powers between the two ministries is particularly problematic. Differing political views on trade policy and diplomacy on the one hand and economic diplomacy (as

understood by the Ministry of Foreign Affairs on the other) culminated in early December 2010, when the Minister of Foreign Affairs announced the inter-ministerial agreements on cooperation in the field of external economic relations of 1998 and 2000. The Ministry of Industry and Trade has begun its negotiations with the Economic Committee of the Chamber of Deputies of the Parliament of the Czech Republic on cooperation in the field of foreign economic relations.[15]

Thus, MIT is currently sending diplomats to the trade and economic departments of the embassies (OEÚ ZÚ) of the Czech Republic abroad, and also systematically manages them. MIT organizes the so-called official participation of the state in foreign fairs and exhibitions directly for exporters. The Ministry of Industry and Trade is responsible for the entire state export support system in the Czech Republic, i.e. especially for financing and insurance of exports with state support, as well as for supporting small and medium-sized enterprises and individual entrepreneurs (SMEs).[15]

The biggest friction between both ministries is associated with different views on the instruments of foreign economic relations of the state. While the Ministry of Foreign Affairs considers economic diplomacy carried out by economic diplomats, especially at the level of bilateral and multilateral relations between states (mainly at the macro level), a key factor in supporting the economic interests of the state, the Ministry of Industry and Trade prefers trade diplomacy with direct contact with Czech companies and their foreign counterparts (rather, at the micro-level).[15]

Returning to the issue of exports in the Czech Republic, it is worth noting that in a press conference timed to coincide with the opening of the Meeting Point CzechTrade campaign, according to the Minister of Industry and Trade, Jan Mladek, 2016 was a record year for Czech exports - its volumes increased again, the number of successful cases of supporting Czech entrepreneurs abroad, a new Export Client Center was opened. It follows from this that despite the small economy, the Czech Republic actively supports and develops foreign trade.

1.5 Worldwide economy during Covid-19

Due to the COVID-19 pandemic, the global economy experienced a deep recession in 2020, accompanied by entirely new challenges. However, the shock from the SARS-CoV-2 coronavirus was more exogenous than the factors that caused the 2008 financial and economic crisis. If previous crises were caused by specific endogenous problems in the financial sector, then the recession during the 2020 pandemic had a main exogenous cause in nature. The spread of this highly contagious disease has had a devastating impact on economic activity in many parts of the world. There has been a significant reduction in travel and tourism, international trade has plummeted, and the functioning of global production chains has been severely disrupted. After all, uncertainty in the global money and capital markets has also increased.

The intense impact is mainly reflected in lower demand, which fell sharply in the first half of 2020 due to large-scale closures and heightened risk aversion. Fiscal and monetary policymakers sought to cope with the collapse in demand and high uncertainty while maintaining access to liquidity and ensuring favorable and stable financing conditions for interested market participants, i.e. households and companies. At the same time, the pandemic had a strong impact on price dynamics. In addition to weakening demand and economic activity, the decline in oil prices, which directly or indirectly affects all other economic activities, also led to lower inflation. However, the development is still very fluid and the duration of the recession is significantly affected by the prospects for a medical solution to the pandemic, especially for the rapid and sufficient vaccination of the world's population.

1.6 Franchise

The modern world economy is characterized by a high level of globalization and integration. State borders and significant differences between the economies of countries are becoming less visible and tangible. Internationalization and transnationalization contribute to the convergence of national economies, the formation of economic unions and a single economic space. Franchising contributes to the strengthening of economic ties between countries at this stage of their

development, since today it is involved in almost all areas of economic activity and is one of the most effective and democratic ways to go beyond national markets.

Franchising is a relationship in which one party transfers to another on a reimbursable basis its own means of individualizing goods, works or services (corporate style, trademark, etc.), business technology and other commercial information, the use of which by the other party will help strengthen market positions of goods, works, services and, as a result, an increase in the welfare of both parties to the transaction [17]. As a rule, the transferring party - the franchisor - is a well-known company, a manufacturer of popular brand goods, the receiving party - the franchisee - an entrepreneur or company.

International franchising is the creation and development of a franchise system abroad. Such global brands as MacDonalds, Hilton, Baskin Robbins, Milavitsa, World Gym, Subway, act as a vivid example of international franchising.

There are following types of international franchising:

1. Commodity, the essence of which is to grant the franchisee the right to sell or produce goods under the franchisor's trademark. An example of such a franchise is the fashion brand H&M (Sweden). This company is already actively developing in the Russian market, opening stores in various cities of our country on the basis of franchising. Buyers of this franchise get buyers of products [18];

2. Production franchising involves a form of business development in which the franchisor, under a commercial concession agreement, grants the franchisee the right to manufacture and sell goods with raw materials provided by the franchisor. That is, the production and sale of goods is carried out under the trademark of the franchisor. The franchisor also provides the franchisee with information about marketing, how to sell and distribute the product. Production international franchising is most often found in the field of catering. An example of a production franchise is KFC. The company's products are produced according to a certain technology, which is attractive to consumers, and this is what determines the popularity of franchising [18];

3. Service franchising is the provision of services under a certain system of the franchisor and under its brand. Examples of service franchising are credit card service, car service, and hairdressing. [18]

Statistics show that of all newly created enterprises in the world, 85 % finish their activities within the first five years, and those who work under a franchise scheme – 14 %. International franchising operates in more than 140 countries around the world. Evidence of this is the number of brands that develop their networks through franchising. The leader is the USA, where such largest franchisors as McDonald's, Subway, Pizza Hut, Burger King, Radio Shack operate. In Europe, Germany is the leader with 530 franchisors and 22 000 licensed franchisees. In the role of an outsider is Denmark, which is known for a rather limited market for franchise networks. However, there are favorable countries for the application of the franchise system, due to easy access to the Scandinavian countries. The United States, Canada, Japan, Australia, France, Germany and the United Kingdom are the world's largest exporters of franchising transactions [19]. In Western Europe, franchising is less common than in the US, as its share in the retail turnover is 30 %. In total, about 4 500 franchise networks and 180 000 franchisees operate in the EU countries, their annual income is over 150 billion US dollars. The leaders of the franchising business in Europe are the UK, Germany and France. Franchising activities in the UK are actively developing. The total number of people employed in the field of franchising is 621 thousand employed in 2017 and brought over £ 15.1 billion to the UK economy. It is thanks to the international franchise that the British economy has grown by 46 % over the past 10 years. Franchising in Germany is growing at a faster rate than the country's economy has been for many years. Today, this method of organizing a business has won about 10 % of the German market [20].

Based on all of the above, in the context of the global crisis, franchising is a safer way to do business. Due to the popularity of the franchisor's firm and the technology already in place, the franchisee's firm has all the knowledge and strategies it needs to enter the market.

1.7 Stocks

There are three motives for which companies enter the stock market:

- attraction of financing for business development and scaling;
- market valuation of the business;
- an opportunity for founders or investors to sell their share of the business at the market price. [21]

Get funding. The company goes public and offers private investors to buy its shares. For example, he puts up a 50% stake in the form of 5 million shares, each of which is sold for 100 crowns. If all the company's shares are bought, it will receive 500 million crowns and will be able to spend this money on business development, such as entering new markets, research or buying equipment. [21]

Assess the business. The value of all the company's shares that are listed on the stock exchange is called the company's market capitalization. It shows how much the market is valuing a company based on stock transactions.

Market capitalization does not always match the real state of affairs in the company. Sometimes investors give a value based on expectations, for example when they assume that a company will turn a profit in the future, or vice versa, they manipulate the market to reduce the value of shares. Then the valuation of the company may be overestimated or underestimated.

But in any case, market capitalization shows how much you can sell a stake in a company more accurately than other methods, such as expert assessment or income calculation. [21]

Get out of business. Issuing shares gives investors and business owners the opportunity to sell their stake and exit the business. For example, an investor at the idea stage invested 10 million crowns in a startup in exchange for a 40 % share, two years later the company began to bring a stable profit, and the investor wanted to leave the business because he thought that the market value of the company reached its peak. He can find another investor to sell him the whole share, or go public and sell his 40 % in small parts, shares to a large number of investors.

In this part of the thesis, the factor of attracting funding is important. Through the issuance of shares, the company can receive additional financing for development. [21]

However, with the issuance of shares, the company also has risks and limitations:

- Unsuccessful placement: the company can expect to sell shares for 1000 million czech crowns, and sell for 500 million czech crowns;
- Delisting and forced buyback of shares: if a company is unprofitable or violates the requirements of the exchange, its shares can be removed from the exchange - this is called delisting, and the company will have to buy back those shares that are already in the hands of investors. Forced share buybacks can ruin a business;
- Disclosure: the company is required to publish financial statements, and when making decisions, be guided by a strategic plan. Competitors get the opportunity to monitor the performance, transactions, debts of the company and use this information for their own purposes;
- Publicity: the actions of the company affect the value of its shares. Including scandals, rumors and events from the life of business owners;
- Loss of control: if one investor has 10 % of the shares, he will be able to veto the decisions of the board of directors, however, this may not affect the development of the company if it is not supported by other investors [21];
- Transparency: the company can no longer pay salaries in envelopes or try to evade taxes through grey schemes.

Do not forget that trends in the global economy affect the business of specific companies and largely determine the behavior of investors. A vivid example is the situation with the coronavirus, which put pressure on the entire stock market. Against the background of uncertainty and general panic, investors began to get rid of risky assets - as a result, the shares of many companies fell to record losses. A variety of industries have been hit: from tourism and air travel to metallurgy and oil refining.

1.8 The Financing of an enterprise

The financial condition of an enterprise is a set of economic and financial indicators that characterize the ability of an enterprise for sustainable development, including the ability to fulfill its financial obligations.

The financial condition of the enterprise - the level of balance of individual structural elements of the assets and capital of the enterprise, as well as the level of efficiency of their use. Optimization of the financial condition of the enterprise is one of the main conditions for its successful development in the future. At the same time, the crisis financial condition of the enterprise creates a serious threat of its bankruptcy. [22] To avoid bankruptcy, firms conduct financial analysis.

1.8.1 Financial analysis

Financial analysis is a type of economic analysis related to the study of the financial results and financial condition of the organization.

The subject of financial analysis are the financial results and financial condition of the organization (enterprise). The financial results of the organization include profit indicators that reflect the features of its economic activities and are presented in the financial statements (operating profit, earnings before taxes, profit/loss from financial operations). At the same time, the financial condition is understood as the ability of the organization to finance its activities. It is characterized by the availability of financial resources necessary for the normal functioning of the organization, the expediency of their placement, intensity and efficiency of use. The financial condition is the end result of all economic activities of the organization. Its key characteristic is solvency. [22]

The object of financial analysis are the financial aspects of the economic activity of the organization. The information base of financial analysis is the accounting and financial reporting data of the organization. There are two types of financial analysis [22]:

- external financial analysis;
- internal financial analysis.

They have different purposes and different users of analytical information. The purpose of external financial analysis is to assess the rating (external) of the organization, financial stability, solvency and reliability, i.e., to reduce the degree of risk of interaction between this organization and its counterparties. Users of analytical information in this case (external users of analytical financial information) are divided into two groups [23]:

- users with a direct financial interest;
- users with indirect financial interest.

Users of the first group provide (are going to provide) credits and loans to the organization or make (are going to make) investments in this organization. Their goal is to obtain the maximum return on the financial resources invested in the organization. This explains the direct interest in the financial results and financial condition of the organization. This group includes creditors, as well as potential investors. Users of the second group do not have such close monetary relations with the organization as users of the first group. Their interests are varied. This group includes tax authorities (including federal, municipal), financial authorities (including budgetary and audit control systems), business partners, employees of the organization and trade unions, local authorities, regulatory authorities (stock exchanges, securities authorities), buyers and the general public, financial advisors, statistical authorities. [23]

The purpose of internal financial analysis is to consider the state of the organization's financial resources, give an internal assessment of its rating and identify financial reserves, and ultimately ensure effective liquidity management of the organization. The users of analytical information in this case (internal users of financial information) are the administration department of the organization and its owners.

The purpose of financial analysis (both external and internal) is achieved in the course of solving a number of analytical tasks, which in the most general form can be formulated as follows:

- Perform an analysis of the financial results of the organization;
- Evaluate the property status of the organization;
- Assess the financial stability of the organization;
- Assess the solvency and liquidity of the organization;
- Calculate and analyze the indicators of business activity of the organization;
- To carry out a comprehensive assessment of the financial condition of the organization;
- Offer a set of recommendations aimed at improving financial results and improving the financial condition of the organization;
- Predict the financial results and financial condition of the organization. [23]

II. PRACTICAL PART

2 ANALYTICAL PART

For the analytical part of this work, there was selected a subsidiary of McDonald's, located in the Czech Republic.

McDonald's is an American food service corporation, the world's largest chain of fast food restaurants operating on a franchise system. At the end of 2018; 37 855 restaurants operated under the McDonald's brand, of which 35 085 were franchised. The corporation is included in the Fortune 500 list of the largest US companies (in 2022, 157th place). The company's headquarters is located in the Chicago suburb of Oak Brook.

2.1 General information about McDonald's

Country-U.S.

Industry-Food Services

CEO - Christopher J. Kempczinski

Company Type - Public

Revenues (\$M) - \$23 223 (2021)

Profits (\$M) - \$7 545 (2021)

Market Value (\$M) - \$190 241 (2021)

Employees- 200 000 (2021)

2.1.1 History of McDonald's

1940 - The company was founded by brothers Dick and Mac McDonald (the first restaurant opened in San Bernardino, California); [24]

The history of McDonald's shows how fast the restaurant grew. Just four years after opening McDonald's, Ray Kroc has increased the number of restaurants by 100.

1948 - Formulated the principles of the concept of "fast food"; [24]

1954 - Ray Kroc acquired the right to act as the exclusive franchise agent from the McDonald brothers;

1955 – Ray Kroc opened his first McDonald's in Des Plaines, Illinois (now a corporate museum);

1959 - The number of restaurants opened by Kroc exceeded a hundred;

1960 – Renamed McDonald's System, Inc., to McDonald's Corporation; [24]

1961- Ray Kroc bought all rights to the company from McDonald's for \$ 2.7 million;

1961 - the first University of Hamburgerology was opened, an educational institution to train personnel for the food industry, primarily for work in the McDonald's system. There are 8 such universities in the world: in Chicago (USA), Tokyo (Japan), Sao Paulo (Brazil), London (UK), Munich (Germany), Shanghai (China), Sydney (Australia) and Moscow (Russia);

1965 - The company went public by listing its shares on the New York Stock Exchange;

1967 - was opened the first restaurant abroad in Canada;

1968 - The Big Mac was introduced to the market and the thousandth restaurant was opened;

1969 - The five billionth hamburger was sold;

1973 - Restaurants began selling breakfast cereals;

1980s - McDonald's accounted for a quarter of the breakfast cereal market;

1983 - McDonald's had become the world's second largest retailer of chicken [24];

1990s – Foreign operations brought in more than a third of the company's revenue, the company was represented in 58 countries, the most significant was the presence in Japan, Canada, Germany, Great Britain, Australia and France [25];

1988 - The 10 000th restaurant was opened;

1996 -The 20 000th restaurant was opened;

1997- The number of restaurants exceeded 23 000, of which 12 500 were in the United States.

2.1.2 Principles of McDonald's

Unique philosophy

Ray Kroc had a goal to build a restaurant system that would be known for high food quality and consistent cooking techniques. He wanted to serve burgers, fries and drinks that would taste as good in Alaska as they did in Alabama.

To do this, he chose a special path: to convince both franchisees and suppliers to agree with his sight and work not for McDonald's, but for himself, along with McDonald's. He encouraged the slogan: "In business for yourself, but not by yourself." His vision was built on the uncomplicated concept of a chair with three legs: one leg is a McDonald's franchise; second, McDonald's suppliers; and thirdly, McDonald's employees. The chair was as solid as the three legs that made up its base. [25]

However, Ray Kroc wasn't the first entrepreneur who used a franchise model to expand the business. The prototype of the modern franchising system is considered to be the Singer sewing machine sales and service system. The founder of the world-famous Singer Sewing machine company, Isaac Singer, became the founder of modern franchising. Beginning in 1851, the Singer firm entered into a written franchise agreement with distributors of goods, the agreement transferred the right to sell and repair sewing machines in a certain territory of the United States.

System first

In the first place, Kroc promoted a systematic approach. So while many of McDonald's most famous items, such as Filet-O-Fish, Big Mac and Egg McMuffin, were created by franchisees, McDonald's operating system required franchisees to adhere to McDonald's core principles of quality, service, cleanliness and value. [25]

The roots of quality

McDonald's passion for quality meant that the ingredients were tried, tested and perfected to match the operating system. Kroc shared his philosophy for the future of McDonald's and selling his early suppliers on future volumes. He was trusted and the restaurant prospered.

Ray Kroc was looking for partners again and managed to create the most integrated, efficient and original supply chain in the food industry. These supplier relationships have flourished for decades. A lot of McDonald's suppliers in operation today first started their business by shaking hands with Ray Kroc. [25]

2.1.3 McDonald's Products

McDonald's offers essentially a single menu, although there are geographic options to suit the preferences and tastes of local consumers. In addition, McDonald's tests new products on an ongoing basis. McDonald's menu includes:

- Meals - hamburgers and cheeseburgers, Big Mac, Quarter Pounder with Cheese, Filet-O-Fish, several chicken sandwiches, Chicken McNuggets, wraps, french fries, salads, oatmeal, McFlurry desserts, sundaes, soft serve cones, pies;
- Drinks - soft drinks, shakes, coffee, McCafé beverages and other beverages.

Besides, the restaurants sell a number of other products during limited events. McDonald's restaurants in the U.S. and many international markets offer a full or limited breakfast menu. Breakfast offerings may include Egg McMuffin, Sausage McMuffin with Egg, McGriddles, biscuit and bagel sandwiches and hotcakes. [27]

2.1.4 Competitive environment

McDonald's restaurants compete with global, national, regional and national food retailers. The corporate competes on the basis of price, convenience, service, menu variety and products quality in a exceedingly highly fragmented worldwide restaurant industry.

In assessing the Company's competitive position, management analyzes statistics collected by Euromonitor International, the leading source of market data for the international restaurant industry. The Company's main competitors, referred to as the Informal Eating Out ("IEO") segment, are the subsequent categories of restaurants as defined by Euromonitor International: Quick Service Restaurants, Casual Full Service Restaurants, Outdoor Stalls, Kiosks, Cafes, 100% Delivery Providers takeaway, specialty coffee shops, cafeterias and juice/smoothie bars. The most known competitors are KFC and Burger King. The IEO segment excludes establishments that primarily serve alcoholic beverages and full-service restaurants other than regular restaurants. [27]

According to Euromonitor International, the global IEO segment consisted of approximately 9 million outlets and generated \$1.3 trillion in annual sales in 2017, the latest year for which data is available. The restaurant business of McDonald's Systemwide accounted for 0.4% of these outlets and 7.1% of sales in 2017.

Management also sometimes compares McDonald's to the entire restaurant industry, including the IEO segment defined above and all other full-service restaurants. According to Euromonitor International, there are approximately 19 million outlets in the restaurant industry, with annual sales of \$2.5 trillion in 2017. The McDonald's Systemwide restaurant business accounted for 0.2% of these outlets and 3.7% of sales. [27]

Thus, McDonald's has a strong competitive position in the international market, which is also shown in the table:

Table 1. Competitiveness of McDonald's

Years	Number of outlets in the restaurant industry (in millions)	Amount of McDonald's outlets (in percents)	Total amount of annual sales (in trillions dollars)	Amount of sales in McDonald's (in percents)
2017	19	0,2	\$2.5	3,7
2018	20	0,2	\$2.7	3,6
2019	20	0,2	\$2.6	3,8

Source: McDonald's annual report for years 2017-2020 from Euromonitor International

Based on the table, a comparison was made of the growth rates, as well as rate of increase in the restaurant industry for the specified period. The growth rate shows the intensity of changes in a process in relation to its initial (basic) value.

Indicator growth rate = indicator value for the current year / indicator value for the previous year * 100

Rate of increase = Indicator growth rate – 100 %

Thus, the indicator growth rate for 2018 will be = 20 millions/19 millions * 100 % = 105 %

And the rate of increase will be = 105 % - 100 % = 5 %

Also, the indicator growth rate for 2019 will be = 20 millions/20 millions * 100% = 100%

And the rate of increase will be = 100 % - 100 % = 0

Based on the calculations, it can be concluded that in 2018 the number of establishments in the gastronomy industry increased by 5 % compared to the previous year.

However, in 2019, all indicators remained the same, which could be caused by the economic stagnation.

In McDonald's Q4 2021 report, the key points are:

- revenue increased by 13 % to 6 009 billion dollars, against the consensus forecast of 6 030 billion dollars;
- global sales increased by 12,3 %, which is much better than market expectations – 10,7 %;
- operating profit in the fourth quarter added 12 % to \$2 397 billion, and if you do not take into account one-time factors that were in the fourth quarter of 2020, then by 23 %;
- net earnings per share increased by 18 %, from 1,84 to 2,18 dollars.

The company's development forecasts for 2022, which were presented in January 2022, following the release of the company's report on activities for the 4th quarter of 2021.

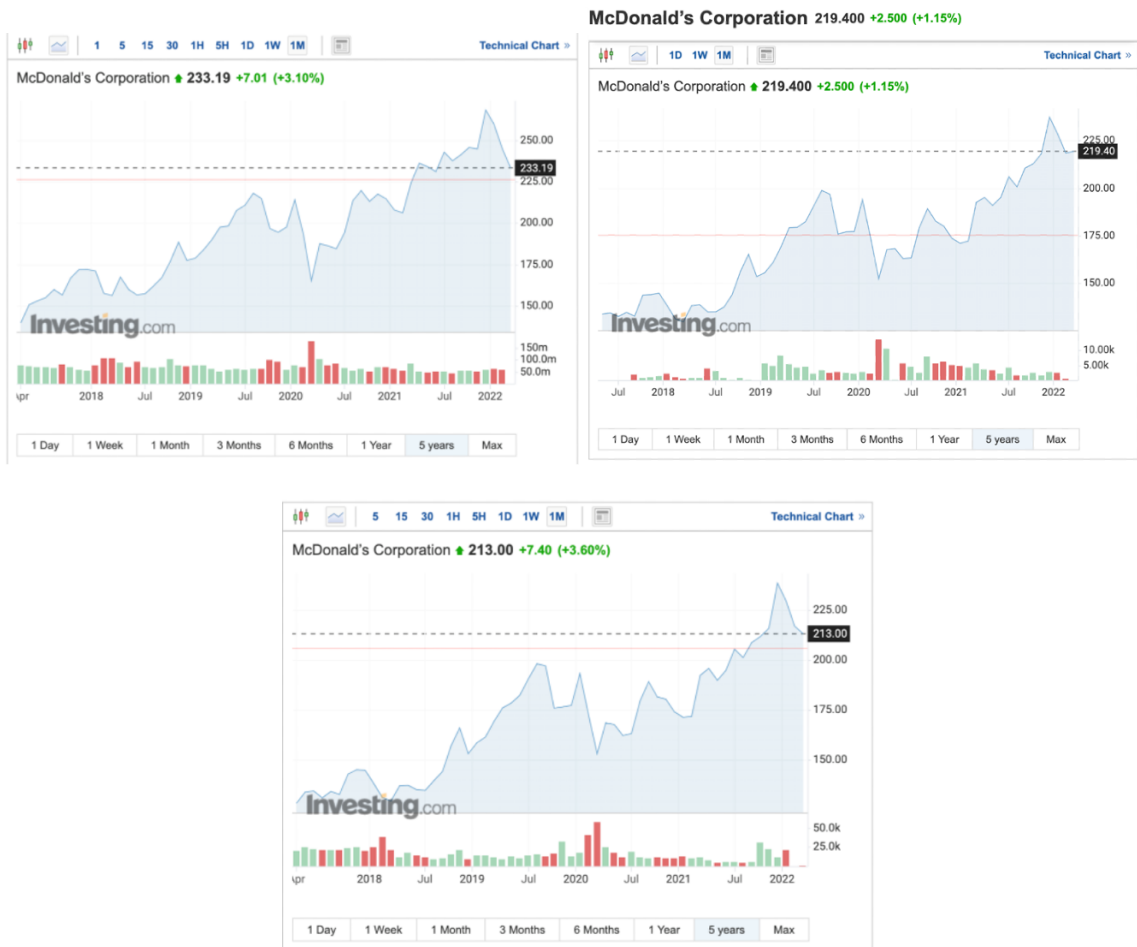
Growth of restaurant chain: McDonald's plans to open more than 1 800 locations worldwide this year, 500 under its own management, 1 300 franchised. This would result in a 1,5 % increase in total sales in constant currency, as well as selling, general and administrative expenses at the level of 2,2-2,3 % of revenue.

The company expects its operating margin to be 40 %. The company plans for McDonald's to spend between \$2,2 billion and \$2,4 billion in capital expenditures in 2022, of which 50 % will

be used to open new restaurants in the US and international markets, and about 40 % to modernize existing ones.

2.2 McDonald's Stocks

Below are charts of McDonald's stocks for last five years.



The left side – Pic.3 the trend of Mcdonald's stock prices at the New York Stock Exchange (in USD).

The right side – Pic. 4 the trend of Mcdonald's stock prices at the Vienna Stock Exchange (in EUR).

The bottom one – Pic. 5 the trend of Mcdonald's stock prices at the Frankfurt Stock Exchange (in EUR).

Source: <https://www.investing.com/>

All three graphs show almost similar values, with the exception of 2018, where each exchange experienced growth and decline in different ways. Since 2018, stocks have seen almost

continuous growth until 2020. Due to the global pandemic, shares have fallen to record levels for the past three years - the price per share was 150 euros (or \$ 160), instead of the usual 200. The latest decline (in 2022) for each exchange occurred differently: In New York, the figures approached 233 dollars (210 euros), on the Vienna Stock Exchange the indicator became equal to 219 euros and on the Frankfurt Stock Exchange 213 euros, respectively. Taking into account the circumstances in the world, the shares of all companies suffered a decline in February, therefore, in general, McDonald's shares can be noted as steadily growing. For McDonald's, this means an increase in capital, respectively, the ability to redirect these investments to improve existing branches, advertise or open new branches.

2.3 McDonald's Franchising

Financial requirements for franchisees:

- Total investment: approx. CZK 19 - 25 million, equity ratio 40 %;
- Deposit: 15 000 USD;
- Entry fee: 45 000 USD;
- Royalties: 5 % (of sales);
- Marketing fee: from 5 to 6 %;
- Rent from 14 % - 20 %. [28]

Basic characteristics of McDonald's franchises

The franchisee personally undertakes to take part in all the processes of his institution, from management decisions to cooking. This is necessary for a stable quality level in the provision of all services to the client.

All franchisees take part in the charitable activities of the McDonald's network. This includes participating in network-wide programs such as supporting local youth football teams, helping children with disabilities, and more.

The conditions for buying a franchise business provide a convenient way to pay. The first installment will be only 25 % of the total cost, and business training is paid in full at the time of the start of classes, and is fully refundable at the end of the training.

Terms of buying McDonald's franchise

Since a large and respected company cannot afford to sell the right to open everything in a row, there are certain conditions. This is important to observe.

There are certain requirements for an entrepreneur who wants to buy a franchise, such as:

- general business experience;
- business management skills;
- availability of experience in the field of catering;
- good credit history;
- sufficient number of discoveries;
- a business plan for this business has been prepared;
- interview in the company. [29]

The company's business model involves maintaining market share through franchising - about 80 % of all establishments under the McDonald's brand operate under the franchise scheme. Another feature of the company's business model is the mass nature of the main product - that is, the main income is generated through a quantitative rather than a qualitative approach. This, in particular, is indicated by low labor productivity and profitability of key business indicators - revenue per person does not exceed \$60,000 on average, and gross margin is less than 40 %.

Aid for franchisants

- Operation manual, training in operation lasting about 10 - 12 months;
- Operational consulting;
- Management consulting;
- Financial advice;
- Marketing support;
- Support is provided throughout the franchise relationship.

2.4 Changes in McDonald's activities during covid-19

As a result of COVID-19, during 2020 there have been numerous instances of government restrictions on restaurant opening hours, restaurant capacity limits in most countries, and, in some cases, forced closures of eateries, especially in international managed markets. These restrictions, which were introduced in 2021, affect most of the company's key markets outside the US, especially those with fewer restaurants. The company expects some restrictions in various markets while the COVID-19 pandemic continues.

Since the outbreak of COVID-19, McDonald's has tightened a number of hygiene measures at its Czech locations, including more frequent disinfection of hands and touching surfaces in the kitchen and as little contact as possible when serving food through a window. When working with food raw materials, strict hand hygiene is observed at regular intervals, and workers also have disposable gloves available.

“The health and safety of our employees and customers is our top priority. Therefore, we are pleased that, despite the difficult situation in the market for protective equipment, we were able to provide a sufficient number of sheets for our employees in the distribution and restaurant activities. from the very beginning,” says Tomasz Rogacz (ExCEO for McDonald's CR) of McDonald's. Restaurant kitchen and shop window workers use about 1,400 pieces of protective equipment per day.

2.5 Mcdonald's in the Czech Republic

McDonald's restaurant chain is the largest operator of fast food restaurants in the Czech Republic. The first restaurant in Czechoslovakia was opened by McDonald's on March 20, 1992 in Vodičkova Street, Prague. The first leader of this McDonald's was Ing. Karel Suk (former director of the Hotel Vladimír in Ústí nad Labem), who owns another primate - got the first franchise restaurant. The current director of McDonald's CR and SK is Dan Camp.

Under this brand, 100 restaurants were operated here in June 2019 in major cities, near highways (with the McDrive window, where it is not necessary to leave the car - some of these branches are open non-stop) and in shopping centers mostly within the so-called Food Court (places where more establishments are concentrated and the customer chooses food according to taste). In the Czech Republic, the vast majority of restaurants are run by franchisees. About a third of all restaurants are in Prague.

- More than 5 000 people work at McDonald's in the Czech Republic;
- More than 60 % of restaurants use electricity from renewable sources;
- The waste generated in the restaurant is sorted into nine fractions, which are transferred for processing or disposal. For example, even used oil is processed into a biological component of motor fuels or other technical products;
- Charging stations for electric vehicles can be found in some restaurants. The expansion of their network is also planned.

2.6 The impact of exchange rates on McDonald's operations

Nowadays McDonald's in Czech Republic has 31 suppliers which are shown below. The first table shows Czech suppliers.

Table 2. Mcdonald's Suppliers – Czech Republic

Supplier	Product
Schubert Partner a.s.	eggs
Sweet Delight	McCafé desserts
Vandemoortele	McCafé desserts
Plzensky Prazdroj a.s.	beer
Savencia Fromage & Dairy	cheese specialties
Kitl	fruit lemonade
LaLorraine	McCafé desserts, croissants
Le&Co	pork ham
Meggle / Rajo	milk, cream
Nestlé	McFlurry sprinkles
HAVI Logistics s.r.o.	logistics services
Emco	McCafé desserts
Coca-Cola	carbonated drinks, juices

Source: mcdonalds.cz - our suppliers/own processing

In the second table is recorded foreign suppliers (from Slovakia, Hungary, Germany etc.).

Table 3. Mcdonald's Suppliers – foreign countries

Supplier	Country of origin	Product
Aryzta	Poland	buns
Bama Europa	Poland	fruit bags
Bartling GmbH	Germany	packaging
Develey GmbH	Germany, Poland	sauces, pickles
Eisberg	Poland	lettuce, onions
Erlenbacher	Germany	McCafé desserts
Farm Frites	Poland	fries
Friesland Campina	Belgium	milk for milkshakes and ice-cream
Hessing / Slovatys	Slovakia	fresh vegetables and fruits
Hochland	Germany	grated cheese
Huhtamaki Food Service	Poland	packaging
OSI Food solutions	Germany	pork
OSI Food solutions	Hungary	veggie pancake
OSI Food solutions	Hungary	chicken
OSI Food solutions	Poland	beef
Savencia Fromage & Dairy	Hungary	cheese specialties
SEDA	Italy	packaging
Schreiber Foods	Germany	sliced cheese
Walter Rau	Germany	oil

Source: mcdonalds.cz - our suppliers/own processing

Again, the tables show that in total the Czech McDonald's has 31 suppliers:

- 41,9% Czech
- 22,5% Polish
- 9,6% Hungarian
- 32,2% suppliers from other EU countries (Belgium, Germany, Italy, Slovakia)

Obviously, all import deliveries come from the European Union due to EU membership (with the absence of all customs barriers) and geographical proximity. Among them, 32,2 % of the EU countries are with the euro currency (Italy, Germany, Slovakia, Belgium). That is, the company is heavily dependent on the euro exchange rate, since in order to acquire these deliveries, the Czech McDonald's needs to make crown-euro conversion transactions. In addition, with the

appreciation of the euro against the crown, this will affect the cost of import deliveries and, accordingly, the cost of McDonald's products.

The table below shows the change in the exchange rate of the euro, forint and zloty against the crown over four years. These currencies were chosen due to the fact that Hungary, Poland and other European countries are the suppliers of goods for McDonald's CR.

Table 4. The exchange rates (in CZK)

Currency unit		Average exchange rates			
		2015	2018	2019	2020
European Monetary Union	1 EUR	27,28	25,64	25,62	26,44
Hungary	100 HUF	8,81	8,04	7,90	7,53
Poland	1 PLN	6,53	6,02	5,97	5,95

Source: Statistical yearbook of Czech Republic, exchange rates of major currencies

As can be seen from the table, since 2015, the Czech crown has appreciated against the Polish zloty and the Hungarian forint, which means that deliveries from these countries have become cheaper than they were in 2015-2019. At the same time, the Czech crown has depreciated against the euro: its value in 2020 is 26.44 crowns, which is certainly lower than in 2015, but at the same time, significantly higher than in 2019.

Based on the exchange rate indicators for several years, it can be assumed that deliveries from Hungary and Poland are more profitable than deliveries from the EU countries, where the currency is the euro. However, modern difficulties (since February 2022) also cause an increase in

prices in the EU for gasoline and gas, which also leads to an increase in McDonald's transport and logistics costs and, accordingly, the cost of products.

Do not forget about the different cost of fuel in different EU countries, which also affects transportation costs and, accordingly, the final price of the product. The table below shows fuel prices in supplying countries. For clarity, the highest prices are highlighted in yellow, and the lowest in green:

Table 5. Diesel prices in supplying countries

Country	Price in Diesel (EUR)
Czech Republic	1,86
Poland	1,55
Hungary	1,38
Germany	2,17
Slovakia	1,61
Italy	2,12
Belgium	1,88

Source: <https://www.tolls.eu/fuel-prices> / own processing

According to this table, the most disadvantaged supplier countries in terms of fuel prices are Germany and Italy.

Also, in logistics, the distance between countries plays a significant role. The approximate distance (from main city to main city) is shown below:

- Czech Republic - Poland 464.4 km
- Czech Republic - Hungary 498.3 km
- Czech Republic - Germany 506.1 km
- Czech Republic - Slovakia 525.0 km

- Czech Republic - Italy 1,376.6 km
- Czech Republic - Belgium 1,006.9 km

Thus, in terms of distance, Italy (1376 km) and Belgium (1006 km) are the most disadvantaged suppliers.

Do not forget about different prices from suppliers from different countries. Unfortunately, information about prices on the websites of McDonald's suppliers is not disclosed, therefore, an analysis of the average price in the supplier countries for certain products was carried out. Below is a table based on the collected data:

Table 6. Comparison of inputs prices in different countries in 2022 (in czk)

Product/Country	Belgium	Germany	Slovakia	Czech Republic	Poland	Hungary
Milk (0.25 liter)	<u>5,66</u>	5,56	4,40	4,60	3,62	4,21
Eggs (12 pieces)	63,96	58,22	52,18	<u>40,57</u>	52,58	38,21
Apples (0.30 kg)	16,64	17,74	<u>10,19</u>	10,57	5,74	9,54
Banana (0.25 kg)	10,13	10,07	<u>9,10</u>	7,53	6,39	7,51
Oranges (0.30 kg)	17,30	15,23	<u>11,72</u>	11,59	8,70	10,10
Tomato (0.20 kg)	11,08	4,55	<u>14,45</u>	12,92	10,39	10,78
Onion (0.10 kg)	2,95	2,17	1,89	1,93	1,63	2,01
Lettuce (0.20 head)	5,39	5,65	4,81	5,10	3,74	4,54
Chicken (0,15 kg)	33,12	25,72	19,19	22,01	13,74	<u>15,63</u>
Local Cheese (0.10 kg)	29,00	<u>29,34</u>	19,92	19,51	13,29	15,71

Source: www.numbeo.com/ own processing

The cheapest offers from the list are highlighted in green, the actual countries supplying this product are highlighted with underlines. There are recorded no Italian prices, because of

McDonald's CR does not buy any food from Italy. Based on the data collected, it can be concluded that among all supplier countries, Poland stands out with the lowest prices.

Analyzing the data above, a number of the following conclusions can be drawn. Firstly, Poland is the most profitable supplier country. Since the Czech crown is stronger than the Polish zloty, the currency exchange will not bring big losses. At the same time, fuel in Poland is one of the cheapest, which means that logistics costs will be lower than in Germany, Slovakia and even in the Czech Republic. The small distance between the Czech Republic and Poland also remains an important factor.

At the same time, Belgium and Italy are the most unprofitable suppliers. The crown weakens against the euro, both countries are quite far away and have high diesel prices.

2.7 Payment balance in Czech Republic

This chapter explored trade balance and direct investments in Czech Republic.

2.7.1 Trade balance

In the Attachment 1 there is presented export to and import from European countries with EU currency (with the exception of Malta, Estonia and Cyprus, because there are no data from these countries) just as Poland and Hungary.

Here is a table based on calculations from Attachment 1:

Table 7. Trade Balance of the Czech Republic 2018-2020 with selected countries (in millions of czech crowns)

Countries	2018	2019	2020
Eurozone			
Export	1 221 672	1 237 660	1 148 900
Import	1 776 263	1 775 474	1 614 003
Trade balance	-554 591	-537 814	-465 103
Poland			
Export	229 531	233 496	228 708
Import	293 102	296 094	286 442
Trade balance	-63 571	-62 598	-57 734
Hungary			
Export	110 618	122 360	117 017
Import	88 400	89 469	94 970
Trade balance	22 218	32 891	22 047

Source: Statistical yearbook of Czech Republic, foreign trade in goods in territorial division

The calculations in the table show that during the period 2018-2020, exports from the Czech Republic mostly decreased, imports too. The largest reduction occurred in 2020 compared to 2019. One of the reasons that influenced this dynamics was trade restrictions due to the global pandemic.

The trade balance over these years was negative, but there is a trend to increase. The negative indicator may be characterized by an increase in imports of services to the Czech Republic. From the fact that exports have declined, it can be talked about a downward trend in demand for the Czech currency from foreign buyers (importers of Czech products).

However, trade balance for Hungary is positive. This suggests that more Czech goods are supplied to Hungary than Hungarian goods to the Czech Republic.

After analyzing the dynamics of the exchange rate of the euro against the czech crown, as well as the dynamics of the trade balance and export-import operations in the eurozone, the

following conclusion can be drawn: over the period 2018-2020, the Czech crown destabilized against the euro, and the depreciation of the Czech crown against the euro is clearly visible. The trade balance of the Czech Republic with the eurozone countries is characterized as a negative balance, showing that imports exceed exports, with imports falling steadily, while exports from the Czech Republic increased in 2019 and decreased in 2020. Exports in 2018 from the Czech Republic to the eurozone countries amounted to 1,221,672 crowns, the exchange rate of the crown against the euro was 25.64. In 2019, exports amounted to 1,237,660 crowns, while the exchange rate of the crown to the euro was 25.62. In 2020, Czech exports to the eurozone countries amounted to 1,148,900 crowns, while the exchange rate of the crown in 2020 was 26.44 crowns. This dynamics proves the key thesis that an increase in exports leads to a strengthening of the national currency, and vice versa, a decrease in exports leads to a weakening of the national currency.

Poland's trade balance is characterized as negative and has been declining over the period under study. The exchange rate of the Czech crown against the Polish zloty shows the strengthening of the Czech crown. At the same time, the trade balance tends to increase, which is possible, and shows the growth of the Czech crown against the Polish currency.

The trade balance of Hungary is positive, characterized by significant fluctuations. However, despite this fickle dynamics, the exchange rate of the Czech crown against the Hungarian forint is increasing every year (since 2018, the Czech crown has been constantly strengthening its position against the Hungarian currency).

Characterizing the dependence of the trade balance of the Czech Republic and the exchange rate, it is difficult to confine ourselves to the analysis of only these parameters. Exports, imports and the exchange rate also depend on many other external (political, socio-economic) and internal (national) factors.

2.7.2 Foreign direct investment

The values about foreign investments into Czech Republic from eurozone and two other countries are recorded in the table below. The values related to individual members of eurozone are recorded in attachment 2.

Table 8. Foreign direct investment into Czech Republic (in million czech crowns)

Country	2019			2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Poland	1 191,1	837,3	-353,8	-1 934,6	8 533,1	10 467,7
Hungary	618,1	7 822,7	7 204,5	-2 063,9	6 382	8 445,9
European Monetary Union	-6 075,8	15 021	21 096,8	-724,9	629,2	1 354,1

Source: statistical yearbook for the Czech Republic (2021 year) / own processing

Explanatory notes:

Assets - investments from the Czech Republic

Liabilities - investments to the Czech Republic

Net – difference between investments to and from the Czech Republic

The table shows that the Czech Republic in 2019-2020 consistently receives investments from the studied partner countries. This fact allows us to characterize the Czech Republic as investment-attractive. The status of an investment-attractive country has a positive effect on the national currency (may lead to its appreciation).

2.7.3 McDonald's – sales and purchasers

McDonald's cz provides/purchasers services to/from different countries:

Table 9. Purchases with related parties (in czk)

Connected person	Description of business transactions	Year 2018 (in thousands of CZK)	Year 2019 (in thousands of CZK)	Year 2020 (in thousands of CZK)
McDonald's Corporation (USA)	IT fees, other services, DHM	16 783	14 391	8 850
	License fee 5% of sales of all restaurants in 2020. Against performance: Support, use of the brand, development of new products	252 656	280 734	253 443
McDonald's Slovakia	Re-invoicing of services	247	30	29
McDonald's Franchise GmbH Austria	Re-invoicing of services	-	73	1
Advertising company Mcdonald's Prague	Marketing contributions, news, small advertising material	26 733	7 071	-
McDonald's Polska Spolka Poland	Contract costs to Mr. T. Rogacz	6 292	4 279	358
Total:		302 711	306 578	262 681

Source: annual report by McDonald's CR s.r.o. / available in justice.cz

Expenses with McDonald's Corporation (USA) - payment of royalties in the amount of 5% of total sales are directly related to the total income of the Czech McDonald's and directly affect profits. These conditions are fixed in the franchise as an obligation of the franchisee. It may be noted that these calculations may depend on fluctuations in the exchange rate of the Czech crown and the dollar.

For the rest of the expenditure items presented in the table, it is difficult to distinguish a correlation with the exchange rate, since the services provided to the Czech McDonald's most likely had a cost at fixed rates, and marketing-related services were paid directly in Czech crowns, since they were located within the country (domestic transactions).

Table 10. Sales with related parties made in 2018-2020

Connected person	Description of business transactions	Year 2018 (in thousands of CZK)	Year 2019 (in thousands of CZK)	Year 2020 (in thousands of CZK)
McDonald's Slovakia	Invoicing services - consulting services, marketing services, remodeling services, legal services, employee training, McMoney goods, etc.	12 613	12 175	8 253
McDonald's Corporation USA	Pre-invoicing of services	-	23	11
McDonald's Franchise GmbH Austria	Pre-invoicing of services	174	-	-
Advertising company McDonald's Prague	Legal services, bookkeeping, renting, teaching, controlling, tax consulting. Small advertising items, etc.	3 957	4 551	4 166
McDonald's System of the CR Prague	Accounting, interest on the loan	34	128	132
Total		16 778	16 877	12 562

Source: annual report by McDonald's CR s.r.o. / available in justice.cz

In this table, the sale of services to McDonald's Slovakia can be singled out as a key position. This cash flow should be included in the export of services (in the country's balance of

payments). Since there is a decrease in the export of these services, which affects the depreciation of the Czech crown.

As for McDonald's, its contribution to the state of the trade balance of the Czech Republic (according to the available reporting data of the company) is as follows: 681 thousand crowns.

These purchases are mainly related to the import of services (re-invoicing for services, accounting, legal services, rent, consulting services, etc.)

2.8 McDonald's Financial Analysis

In the Attachments 3 the largest change among the elements of the financial statements / balance sheet occurred in the indicator "current liabilities" (line 3 of the table), which is expressed in a decrease in short-term liabilities in 2020 compared to 2019 (by 34.9%). This reduction in short-term liabilities indicates a decrease in the volume of the company's operating activities.

In other respects, the changes were not so significant.

In 2020, compared to 2019, there was a decrease in almost all indicators presented in the Attachment 4, including the net profit indicator, which decreased by 30.6% in 2020 compared to 2019. It can be assumed that these reductions are associated with anti-COVID restrictive measures. Labor productivity almost doubled in 2020, but this is due to a reduction in the number of employees.

Below is presented the table with indicators for assessing profitability, financial stability and liquidity.

Table 11. Indicators for assessing financial stability

The name of indicator (in thousand crowns)	Standard value	2019	2020	Absolute deviation (+/-) 2020 by 2019	Relative Deviation (+/-) ,% 2020 by 2019
Return on assets of fixed assets (S/AC)	As high as possible	1,08	0,85	-0,22	-20,9
Ratio of financial independence (autonomy)	>0,5	0,932	0,952	0,019	2,1
Financial stability ratio	≥0,6	0,944	0,963	0,019	2,0
Debt to Equity Ratio	<1,0	0,060	0,039	-0,021	-35,3
Long-term borrowing ratio	...	0,0126	0,0119	-0,0007	-5,2
Labor productivity, thousand crowns/person	As high as possible	8 884,9	16 290,0	7 405,1	83,3
Average annual cost of fixed assets	As low as possible	1 147 891	1 147 891	0	0,0
Current Ratio	1,5-2,5	5,639	7,930	2,291	40,6
Assets turnover	1,6-3	1,793	1,551	-0,242	-13,5

Source: annual report by McDonalds CR s.r.o. / available in justice.cz, own processing

Based on data on the coefficient of financial independence, which shows the share of the organization's assets that are covered by equity, that is, non-borrowed. In accordance with the data

in the table, both in 2019 and 2020, this indicator is consistently high and meets the standard ($> 0,5$).

The financial stability ratio exceeding the value of 0.9 indicates the financial independence of the company. In 2019, this coefficient is 0,944, while in 2020 it is 0,963. With such values, McDonald's is characterized as a solvent company in the long run.

The ratio of debt and equity in 2020 decreased compared to 2019 (by 35,3%). Based on the normative values, in 2019 the indicator showed the optimal value, as it shows that the company is effectively using both credit and its financial assets, the entity is stable and solvent. However, in 2020 this figure is 0,039, which may indicate inefficient management. Perhaps this is due to restrictive anti-COVID measures.

In general, the economic content of profitability indicators reflects the profitability and efficiency of the company. The return on assets of the Czech McDonald's in 2019 was 1.08, while in 2020 it was 0.85. A decrease in this indicator indicates a possible decrease in the efficiency of using the company's assets or the accumulation of excess unused assets in the company.

Despite such positive conclusions from the financial analysis, the dynamics of McDonald's financial performance is still negative, and most likely this trend will continue in the coming quarters due to the negative exchange rate differences. Therefore, we can definitely say that if the company's management fails to reverse this trend, then it will not be possible to realize even a part of the growth potential either in the medium or even in the long term.

2.9 Government Support

In view of the wave of the covid-19 epidemic and the associated emergency measures of the Ministry of Health, the Czech government has embarked on another phase of support for those sectors of the economy, entrepreneurs and sole proprietors and employees affected by the SARS-CoV-2 coronavirus epidemic.

One of the government support programs for business was the antivirus program. The Antivirus contribution is provided to the employer exclusively to offset the costs of paying the employee's compensation (and the premiums paid from it) if this compensation was paid to the employee for the duration of an important personal obstacle to work on the part of the employee, if quarantined or isolated. , resp. if wage compensation has been paid for the duration of the obstacle to work on the part of the employer pursuant to § 207, § 208 or § 209 of the Labor Code. The allowance shall not be granted to reimburse an employee's salary paid during the holiday period.

Antivirus saved jobs at a time when they were most endangered. It managed to avert an earthquake in the labor market and keep record unemployment low. A total of 1,073,133 employees were supported through Antivirus, and each of them was paid a wage compensation on average over more than 4 months thanks to the Ministry of Labor and Social Affairs. The program has helped to maintain jobs for 37 % of employees working in the private sector.

The second state support program is COVID - Nepokryté náklady.

The Ministry of Industry and Trade (MIT) will relaunch the subsidy programs COVID - 2021 and COVID - Nepokryté náklady (Uncovered Costs). The government has approved the resumption of support for entrepreneurs in connection with the deteriorating epidemic situation. It aims to help companies and the self-employed overcome the difficult period when trade and services must be curtailed due to Covid-19. Entrepreneurs will be able to receive assistance from the COVID - 2021 and COVID - Uncovered costs programs if their turnover has decreased by 30%. Compensation will be paid for the relevant period from 1 November to 31 December 2021.

As before, the MIT prepared assistance in cooperation with business organizations and the ministries concerned. It is a way of restoring previously proven programs, knowing that it is necessary to help as soon as possible in order for companies and self-employed people to cope with the difficult situation. Along with the support, the ministry is also continuously updating the MIT website, where, among other things, an information guide to coronavirus is available.

Due to McDonald's recorded a decrease in sales about 21 % (2020), the Ministry of Industry and Trade did not support McDonald's by this program.

3 PROPOSAL PART

Based on the financial analysis, it can be seen that McDonald's net profit in 2020 decreased, as did the return on assets. To increase the total sales revenue, as well as increase the company's profit, it is necessary to optimize the company's costs (the desire to reduce costs), which will ultimately lead to an increase in the profitability of sales.

General suggestions for increasing the profitability of sales:

1. Reducing the costs and expenses of the company (find a room with a lower rent, optimize production, reduce the cost of transporting goods and storage, purchasing goods at lower prices.)
2. Promotion, advertising, marketing (in many countries, McDonald's restaurants have a children's corner, which attracts customers with young children to choose McDonald's. Suggestion: opening children's corners in Czech McDonald's)
3. Work on the service. Profit growth very much depends on the quality of the services provided (for example, McDonald's allows you to order food through a self-service kiosk, but there is no option to pay in cash. Suggestion: add cash payment function).

As part of the work, point 1 on reducing the company's costs will be analyzed in more detail.

A comparative survey of prices for goods and services showed on average that prices for products in Poland are lower. This part presents a plan for a Czech McDonald's restaurant chain to change some suppliers.

As seen from McDonald's Suppliers Table, McDonald's delivers milk from Belgium (Friesland Campina). In the official website Friesland Campina is no information on prices, however it is managed to find the price for one liter of milk from this supplier in the online store. Given that McDonald's purchases large volumes of goods, it is likely that the price for McDonald's for a single product will be less than in online stores for a general audience. Therefore, it should be recalled that all calculations are approximate, based on information that is in the public domain.

Therefore, the cost from one liter Campina Milk is 1,49 euro, which are 36,49 crowns (current exchange rate as of 04. 07. 2022). At the same time, polish supplier Łowicz suggest milk for 16,10 crowns (3,05 PLN) per liter. The Łowicz milk is cheaper roughly for 2,2 times.

About Łowicz

The company processes over 390 million liters of milk annually from 3,400 family farms. A wide range of products allows you to sell products for export, to large retail chains, wholesalers of dairy products and the HORECA segment. Łowicz constantly invests in modern production lines and technologies. [30]

Offer

Friesland Campina producers pasteurized milk with different fat content (0,5%, 1,5%, 3,5%). Moreover, belgium supplier suggest another dairy product as butter, cheese, condensed milk, buttermilk, mozzarella, yoghurt, quark, ingredients, and semi-finished products for producers of infant nutrition, the food industry and the pharmaceutical sector.

At the same time, the offer of polish Łowicz includes ultra-pasteurized milk and cream, cheeses ripened both in the form of traditional blocks and portions, slices or pieces of various weights, cottage cheese, quark, fermented milk products (kefirs, buttermilk, yogurt) and powdered milk. The portfolio of the cooperative includes a wide range of lactose-free products, as well as products for vegans and vegetarians under the brand "Without Deca Milk".[30]

Quality

Friesland Campina sets high quality standards for its products. They work with the quality and sustainability programme Foqus planet. The program contains over 200 requirements for hygiene, quality, food safety, animal welfare, sustainable production and outdoor grazing. These requirements apply to all of our members because the program is mandatory for everyone. [32]

However, Łowicz is not inferior in quality. Firstly, the supplier provides milk free from GMOs. Secondly, the official confirmation of the Quality Management System level is the IFS (International Food Standard) certificate issued by the promotion certifying TÜV NORD and the HACCP System. [30] Based on this, it can be talked about the high quality of the products of this supplier.

Transportation

Łowicz is located near the city of Lodz. The residence of Mcdonald's in Czech Republic is located in Prague, Radlická 740/113c. Knowing this, it can be calculated approximate distance which is 705 km. An average, car needs around 30 or 40 litres of diesel every 100 km. That means that for 705 km car needs 245 litres. As was written in "Diesel prices in supplying countries" table, the cost for diesel in Poland is 1,55 euro per liter. Thus, the amount of diesel for 705 km will be about 379 euro.

To compare, the residence of Friesland Campina is in Amersfoort, The Netherlands. The distance between this and Mcdonald's residence is 855 km. In Belgium diesel costs 1,88 euro per liter, which is 559,3 euro on one way.

As a matter of fact, transportation in both directions will cost 1 118 euro to Friesland Campina and 758 euro to Łowicz. Taking into consideration, that McDonald's receives milk deliverers twice a month, delivers from Belgium will amount about 2 236 euro per month and delivers from Poland will about 1516 euro per month.

Also, be aware of the exchange rate. The Czech crown appreciated against polish zloty for the last three years. On the contrary, Czech crown depreciated against euro, this means that choosing a company in a country with a national currency other than euro (in this case polish zloty) will be more profitable and as result cheaper.

To sum up, there is recorded a small table with benefits of switching to a polish supplier:

Table 12. Comparison of suppliers from Belgium and Poland

	Current supplier (Friesland Campina)	Suggestion Supplier (Łowicz)
Amount	36,49 czk per liter	16,10 czk per liter
Distribution	2 236 euro per month	1 516 euro per month
Exchange rate	1 eur = 26,44 czk, euro is growing	1 pln = 5,95 czk, crown is growing

Source: own processing

This small step could help to Czech McDonald's save about 8 640 euro (about 210 thousand crowns, exchange rate for 13. 02. 2022) on distribution in year. In a year Czech McDonald's orders about 6 million liters of fresh milk. Delivery milk from Belgium will cost 218 million crowns against 96,6 million crowns delivery from Poland. Referring to the milk price, choosing Poland supplier will save 121,4 million crowns.

Also, in addition to the above-mentioned proposals for increasing profitability, we can single out a strategy for modernizing the branches of the Czech Republic for the long-term development of McDonald's and increasing profitability. Given that McDonald's shares have recently been on the rise, the parent company has a lot of capital for investment activity, in particular for investments in the modernization of existing branches and investments in the creation of new branches in the network.

As can be seen from Table 11 (analytical part), the profitability of McDonald's decreased at the time of 2020 compared to 2019. One of the options for increasing the profitability of sales for

the Czech McDonald's is the provision (export) of services, in particular consulting services, marketing services, remodeling services, legal services, employee training, etc.

At this stage, Czech McDonald's has experience in providing similar services to McDonald's in Slovakia.

The following is a list of suggested countries for the export of marketing and the above services:

- Belarus;
- Serbia;
- Lithuania.

These countries were selected because McDonald's prices in Belarus, Serbia and Lithuania are relatively low by local standards. At the same time, McDonald's is quite popular in the above countries, however, due to the small number of establishments, marketing and the level of service are not as developed as in the Czech McDonald's. Therefore, with the support of the Czech McDonald's, Belarusian, Serbian and Latvian McDonald's could increase profits, service level and reconstruct some establishments.

1) Belarus

There are 25 McDonald's restaurants in the Republic of Belarus (while the Czech Republic has 110 restaurant branches). [33]

For the Belarusian McDonald's, a deal of this kind is, of course, a winning one. For example, during covid-19 all restaurants were opened and the sales probably did not decrease compared to other European countries. Firstly, one of the services provided is training for employees. Employee training can provide better service and usually an influx of visitors. A separate problem is the lack of knowledge of English by employees and the inability to serve guests from abroad. Secondly, the Czech McDonald's also provides marketing services that can help in the development of the Belarusian McDonald's.

2) Serbia (25 restaurants)

3) Lithuania (17 restaurants)

In general, McDonald's restaurants in Serbia, Lithuania and Belarus have similar goals: to expand the number of branches, improve profitability, provide better service, attract more visitors.

Therefore, for the Czech McDonald's, which needs to increase profits, this economic operation can serve as an excellent solution. By providing export services to the above countries, the Czech McDonald's increases its income and, accordingly, increases its profit, which positively affects the profitability of the company as a whole.

This package of services brought Czech McDonald's 8253 thousand crowns in 2020. It is not known which services would be relevant for Belarus, Serbia and Lithuania at the moment, however, the probable income from this operation could triple and amount to 33,012 thousand crowns.

CONCLUSION

The purpose of the thesis work was to study the influence of the factors of the world economy on entrepreneurial activity (using the example of McDonald's), so this work can be assessed as successful.

The paper carried out a theoretical review of the influence of world economics factors on entrepreneurial activity, in particular, the possible consequences of the influence of factors such as exchange rates, balance of payments, government support, franchise, company shares, covid-19, and the effectiveness of financial policy were studied. These factors were identified as priority factors influencing entrepreneurship in the modern world economy.

The practical part of the thesis was a comprehensive review and analysis of McDonald's in the Czech Republic. The following areas were analyzed: general historical background of business development, the system of franchising, the dynamics of the company's shares on different exchanges, the balance of payments and trade balance of the Czech Republic and the role of McDonald's in the formation of this balance, assessment of existing suppliers, changes in the company's activities in the context of a global pandemic, the role state and support for entrepreneurs. Diagnostics of the company's financial condition led to the conclusion that the company needs to optimize the company's costs (the desire to reduce costs), which will ultimately lead to an increase in the profitability of sales.

As a result of the review of McDonald's activities, recommendations were made to improve the activities of McDonald's in the current conditions of the global economy.

The key conclusions of the analytical part of the thesis are: a comparative analysis of existing and potential suppliers for the cost of goods; transportation costs, taking into account the cost of distance and the cost of gasoline; exchange rates. Based on the results of the comparative analysis, it was concluded that it is effective to replace some of the suppliers with other suppliers on more favorable terms.

In the proposal part, it was proposed to replace the Belgian supplier Friesland Campina with the Polish Łowicz, and potential countries importing McDonald's services (Belarus, Serbia, Lithuania) were also proposed. The proposed recommendations can improve the activities of

McDonald's in the Czech Republic, increase the company's profitability and increase profits, as one of the main criteria for successful entrepreneurial activity.

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LIST OF ABBREVIATIONS

VAT - Value-added tax

MIT - Ministry of Industry and Trade

MFA - The Ministry of Foreign Affairs

SMEs - Small and medium-sized enterprises

IEO - Informal eating out

IFS - International Food Standard

ATTACHMENTS

Attachment 1. Trade Balance of the Czech Republic 2018-2020 with selected countries (in millions of czech crowns)

Country	Export			Import		
	2018	2019	2020	2018	2019	2020
Belgie	73 476	73 294	70 313	58 076	61 143	53 594
Ireland	23 279	18 284	18 325	18 580	16 340	16 319
France	181 952	188 688	167 079	117 955	117 598	106 443
Italy	135 036	130 557	125 319	158 126	159 218	148 521
Greece	8 259	8 744	8 501	5 424	6 450	6 324
Lithuania	12 320	13 159	12 283	7 885	8 902	7 797
Finland	20 629	19 341	18 382	11 036	11 451	10 669
Germany	1 131 963	1 145 816	1 093 795	927 412	916 915	816 712
Netherlands	125 978	126 233	128 192	88 117	91 552	91 053
Slovenia	19 601	20 256	20 043	17 120	17 027	16 099
Austria	157 723	156 076	142 175	107 849	107 781	97 526
Latvia	5 764	5 591	6 312	2 631	2 588	2 063
Slovakia	321 382	334 015	325 626	191 777	175 351	161 044
Portugal	12 472	13 673	11 597	10 073	10 879	9 920
Luxembourg	5 306	5 699	6 683	5 031	3 333	3 106
Spain	118 495	124 050	88 070	66 291	68 946	66 813
Poland	229 531	233 496	228 708	293 102	296 094	286 442
Hungary	110 618	122 360	117 017	88 400	89 469	94 970

Source: Statistical yearbook of Czech Republic, foreign trade in goods in territorial division

Attachment 2. Foreign direct investment in the Czech Republic (in million czech crowns)

Country	2019			2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Belgie	-2 087,6	13 948	16 035,5	-24 669,3	14 533,2	39 202,4
France	962	5 775,9	4 813,9	6 051,6	-2 213,4	-8 265
Italy	1 048	8 036,1	6 988,0	1 394,7	6 107,3	4 712,6
Kypr	-504,3	14 506,7	15 011	-134,3	8 049,6	8 183,9
Germany	-7 899	-31 169,8	-23 270,7	-16 952,2	-12 356,0	4 596,2
Netherlands	-4 416,3	11 984,8	16 401,1	3 912,8	-12 585,5	-16 498,3
Slovenia	317,5	-541,7	-859,2	-880,6	629,2	-251,4
Austria	-1 841,8	51 045,8	52 887,6	4 037,2	21 114,2	17 077
Slovakia	-2 024,9	1 615	3 640	290	10 536,7	10 246,7
Hungary	618,1	7 822,7	7 204,5	-2 063,9	6 382	8 445,9
Luxembourg	5 025,2	85 070,3	80 045,1	1 265,6	24 509	23 243,4
Spain	1 210,1	3 265,4	2 055,3	1 591,3	1 618,1	26,8
Poland	1 191,1	837,3	-353,8	-1 934,6	8 533,1	10 467,7
Hungary	618,1	7 822,7	7 204,5	-2 063,9	6 382	8 445,9

Source: statistical yearbook for the Czech Republic (2021 year)

Attachment 3. Financial condition indicators

№ п/п	Indicators (thousand crowns)	2019	2020	Absolute deviation (+/-) 2020 by 2019	Relative deviation (+/-) (%) 2020 by 2019
1	Non-current assets,	1 484 221	1 510 816	26 595	1,8
2	Current assets	688 625	629 924	-58 701	-8,5
3	Own capital	2 025 246	2 036 992	11,746	0,6
4	Long-term liabilities	25 495	24 314	-1181	-4,6
5	Short-term liabilities	122 105	79 434	-42671	-34,9
6	Balance sum	2 172 846	2 140 740	-32106	-1,5

Source: McDonald's annual report 2020 / own processing

Attachment 4. Key indicators of financial and economic activity

№	The name of indicators	Years		Deviation (+;-)	
		2019	2020	Absolute 2020 by 2019	Relative (%) 2020 by 2019
1	Sale (revenue) of goods and services (S), thousand crowns	1 235 005	977 401	-257604	-20,9
2	Cost of sold goods, works, services (C), thousand crowns	662 156	478 042	-184 114	-27,8
3	Accounts receivable (AR), thousand crowns	6004	6095	91	1,5
4	Accounts payable (AP), thousand crowns	32395	30091	-2304	-7,1
5	Net profit (NP), as of December 31, thousand crowns	391456	271 583	-119873	-30,6

Source: McDonald's annual report 2020 / own processing