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**A GENERAL ASSESSMENT OF THE RUSSIAN VENTURE COMPANY'S
EQUITY ACCORDING TO ITS FINANCIAL STATEMENT:
A UKRAINIAN METHODOLOGY OF ANALYSIS**

***Abstract.** The article presents a general description of the equity of the Russian Venture Company for 2017-2018 according to its financial statement on the basis of the latest achievements of the Ukrainian methodology of financial analysis.*

***Keywords:** equity, share capital, retained earnings.*

In today's Russian economy development, the issues of the development of the national innovation system are of particular importance. However, there has been a decline in its innovative position in recent years due to the lack of financial resources in the innovation field. A possible way out of this situation is the creation and effective use of venture capital structures. It is important to study the financial position of venture capital companies according to their financial statement. Analysis of the company's equity occupies a central place in the study of its financial position.



Important issues are studying the equity of Russian companies using modern Ukrainian financial analysis techniques, hence the relevance of the chosen subject of research.

The aim of the article is to study the equity of the Russian Venture Company (RVC) according to its financial statement on the basis of the latest achievements of the Ukrainian methodology of financial analysis.

According to the RVC official website and the annual financial statement, we will provide a general assessment of RVC's equity for the year 2018 [1]. In our analytical research we will use the latest achievements in the Ukrainian methodology of financial analysis, which have been tested in the Russian Federation, Belarus, Kazakhstan and Monaco [2 - 9].

Central to the study of equity are the balance sheet as the main information base on the financial position of the company and the equity change statement supplemented by the Notes to the balance sheet and the statement of financial performance [1].

It should be noted that the site contains data of RVC's balance sheet as of December 31, 2018, December 31, 2017 and December 31, 2016, and those of the equity change statement – for 2017 only.

It is also important to note that, according to the National Accounting Standard № 1 “General Requirements for Financial Statements”, there are the following forms of financial statements Ukraine:

- Form № 1 – “Balance (Statement of financial position)” (its corresponding Russian form is entitled “Balance Sheet”);
- Form № 4 – “Equity statement” (its corresponding Russian form is entitled “Equity Change Statement”).

As we can see, the Ukrainian financial statement forms are more precise in matching their purpose.

Let us analyze the dynamics of the composition and structure of the equity capital of RVC JSC according to its balance sheet liability.

In our previous publications, we analyzed the dynamics of the composition and structure of RVC's economic assets (balance sheet assets) and their sources of funding

(balance sheet liabilities) according to the 2018 balance sheet. Equity analysis according to the financial statement is rather a controversial issue.

The place of RVC's equity in the sources of funding in 2016-2018 is shown in Table 1.

*Table 1***The place of RVC's equity in the sources of funding in 2016-2018**

Sources of funding	On 31.12.2016	On 31.12.2017	On 31.12.2018	Difference (+,-)	
				between 31.12.2017 and 31.12.2016	between 31.12.2018 and 31.12.2017
Total capital (balance currency), thousand rubles Of it:	36 646 691	40 703 695	38 148 981	+ 4 057 004	- 2 554 714
Equity and its equivalent capital (capital and reserves) :					
- thousand rubles	36 081 246	36 244 776	35 938 988	+ 163 530	- 305 788
- % of the total capital	98	89	94	- 9	+ 5
Debt capital (long-term and short-term liabilities):					
- thousand rubles	565 445	4 458 919	2 209 993	+ 3 893 474	- 2 248 926
- % of the total capital	2	11	6	+ 9	- 5

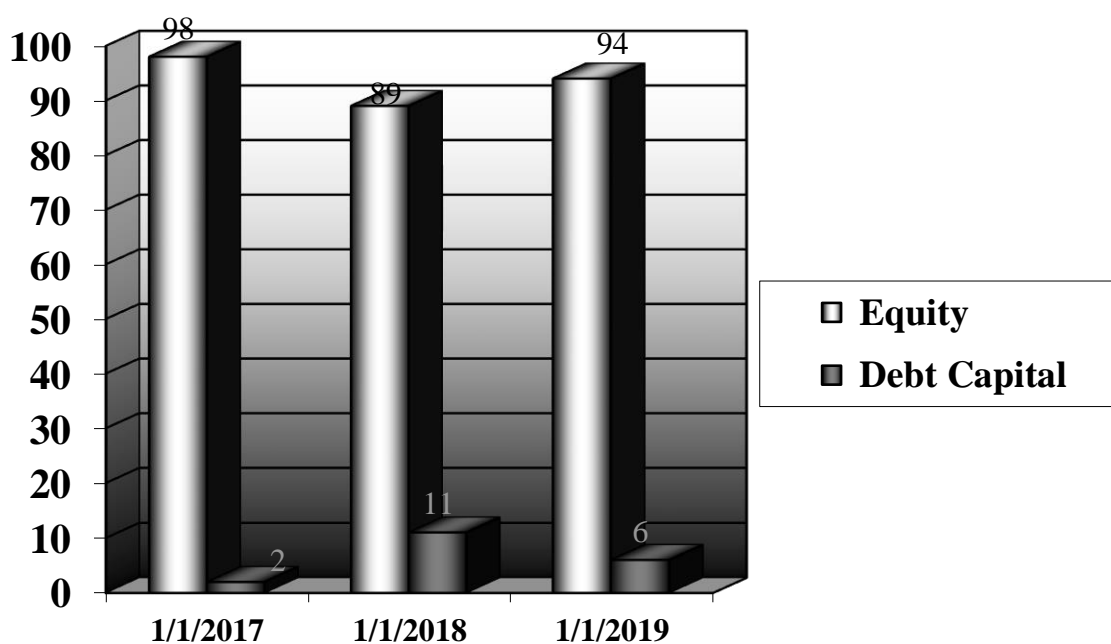
The total funding of RVC JSC for 2017 increased by 4 057 004 thousand rubles (11%). This was due to a significant growth of debt capital by 3 893 474 thousand rubles (689%, almost 8 times) and a slight increase in equity and its equivalent capital by 163 530 thousand rubles (1%).

Accordingly, changes occurred in the dynamics of RVC's total capital structure of the RECs, with the share of equity significantly prevailing: 98% on December 31, 2016; 89% on December 31, 2018 and 94% on December 31, 2018. The share of the

debt capital in the structure is: 2% on December 31, 2016; 11% on December 31, 2017 and 6% on December 31, 2018.

We should note that the data at the end of the previous reporting period is also the data at the beginning of the next reporting period. So, we can view them as the data on January 1, 2017, on January 1, 2018 and on January 1, 2019 respectively (Fig. 1).

The data presented in the first section of the liability of the Russian balance sheet form can be clearly described as equity (Fig. 1).



In the Ukrainian balance sheet, we can see a clearer grouping of funding sources by their origin and their corresponding reflection by section.

The situation with funding sources changed fundamentally in 2018. The total funding of RVC JSC for 2018 decreased by 2 554 714 thousand rubles (6%) (Table 1), which was due to a significant reduction in debt capital by 2 248 926 thousand rubles (50%) and the decrease in equity and its equivalent capital by 305 788 thousand rubles (1%). In general, such dynamics of funding sources in 2018 is viewed as negative because of their overall reduction.

Consider RVC's equity in more detail. An estimate of the dynamics of RVC's equity composition and structure for 2017 according to the balance sheet is shown in Table 2.

Table 2

Dynamics of the composition and structure of RVC's equity in 2017

№	Kinds of equity	At the beginning of the year		At the end of the year		Difference (+, -)	
		thousand rubles	proportion, %	thousand rubles	proportion, %	thousand rubles	proportion, %
<i>A</i>	<i>B</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1	Share capital	30 011 321	83	30 011 321	83	-	-
2	Reserve capital	681 925	2	681 925	2	-	-
3	Retained earnings	5 388 000	15	5 551 530	15	+ 163 530	-
4	Total equity	36 081 246	100	36 244 776	100	+ 163 530	*

During 2017 the total equity increased by 163 530 thousand rubles, which was only due to the increase of the retained earnings by 163 530 thousand rubles, with the other components unchanged. The share capital holds the largest share in the total equity – 83% both at the beginning and at the end of 2017. According to the Notes to the balance sheet and the statement of financial performance [1], we can see that the increase in equity was due to the increase in the amount of retained earnings.

The retained earnings increased during 2017 at the expense of the net income in the amount of 276 558 thousand rubles. However, remuneration the amount of 8 486 thousand rubles was made from the net profit and payments in the amount of 104 541 thousand rubles were made from the trust fund. Thus, the retained earnings increased by 163 530 thousand rubles (276 558 thousand rubles – 8 486 thousand rubles – 104 541 thousand rubles).

Point 6.8 of the “Equity characteristics” of the Notes to the balance sheet and the statement of financial performance says that the source for a company's equity



formation are share capital, reserve capital and retained earnings. An increase of the share of the company's own funds in the formation of its property through any of the above sources contributes to its financial stability [1]. It is such positive changes that can be observed in 2017. They testify to the strengthening of RVC's financial stability by increasing the amount of its equity.

An estimate of the dynamics of RVC's equity composition and structure for 2018 according to the balance sheet is shown in Table 3.

Table 3

Dynamics of the composition and structure of RVC's equity in 2018

№	Kinds of equity	At the beginning of the year		At the end of the year		Difference (+, -)	
		thousand rubles	proportion, %	thousand rubles	proportion, %	thousand rubles	proportion, %
<i>A</i>	<i>B</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1	Share capital	30 011 321	83	30 011 321	83	-	-
2	Reserve capital	681 925	2	695 753	2	+ 13 828	-
3	Retained earnings	5 551 531	15	5 231 915	15	- 319 616	-
4	Total equity	36 244 776	100	35 938 988	100	- 305 788	*

During 2018 the total equity reduced by 305 788 thousand rubles, which was due to the decrease of the retained earnings by 319 616 thousand rubles despite the increase of the reserve capital by 13,828 thousand rubles. The share capital holds the largest share in the total equity – 83% both at the beginning and at the end of 2018. The share of the retained earnings equaled 15 % both at the beginning and at the end of the year, with the share of the reserve capital being also unchanged –2 %.

It is worth noting that the structure of the equity remained unchanged over time as of December 31, 2016 (January 01, 2017), December 31, 2018 (January 01, 2018) and December 31, 2018 (January 01, 2019) (Fig. 2).

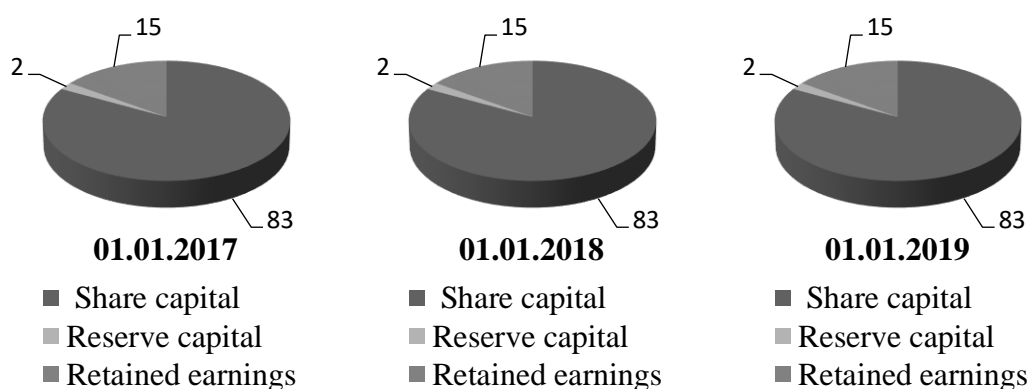


Fig. 2. Dynamics of RVC's equity

The decrease in equity and its equivalent capital in 2018 is explained, according to the “Balance”, by the decrease in retained earnings only, with the reserve capital increased. The authorized fund contributed by the government is unchanged in the amount of 30 011 321 thousand rubles.

Point 6.8 of the “Equity characteristics” of the Notes to the balance sheet and the statement of financial performance says that on December 31, 2018, the company's authorized fund was formed in the amount of 30 011 321 thousand rubles and it was composed of 300 113 207 ordinary registered book-entry shares with a par value of 100 (one hundred) rubles each. As of December 31, 2018 100% of the company's shares are owned by the Russian Federation represented by the Territorial Office of the Federal Agency for State Property Management in Moscow [1].

The decrease in retained earnings for 2018 is related to the distribution of profits for the previous year, the loss for the reporting year, and the allocation of funds for targeted financing [1].

In general, such dynamics of the company's own funding sources in 2018 is viewed as negative because of their overall reduction.

However, the company is financially stable. The coefficient of financial independence (autonomy, concentration of equity) amounted to: on December 31, 2016 – 98%, on December 31, 2017 – 89%, on December 31, 2018 – 94%. These are very high figures, which indicate the financial independence of RVC.



RVC will support Russian technology entrepreneurs in the priority areas: biomedicine, energy, advanced manufacturing technologies, new materials, development of component base, quantum technologies, and digital technologies in the appropriate fields [10].

Thus, the results of the study allow us to make the following conclusions:

- the total funding of RVC JSC for 2017 increased by 11%, which was due to a significant increase in borrowed capital by 689% (almost 7 times) and a slight increase in equity and its equivalent capital (only 1%);

- the situation with funding sources changed radically in 2018. On the contrary, the total financing of RVC JSC decreased by 6%. This was due to a significant 50% reduction in borrowing capital and a 1% decrease in equity and its equivalent capital. In general, such dynamics of the company's funding decrease in 2018 is negatively evaluated;

- the decrease in equity and its equivalent capital in 2018 is explained by the decrease in retained earnings only, with the reserve capital increased. The authorized fund contributed by the government is unchanged in the amount of 30 011 321 thousand rubles.

- the equity structure did not change over time, remaining the same on December 31, 2016, December 31, 2017 and December 31, 2018. The share capital held the largest share in the total equity – 83%. The share of the retained earnings was 15 %, with the share of the reserve capital being invariable – 2 %;

- the decrease in retained earnings for 2018 was related to the distribution of profits for the previous year, the loss for the reporting year, and the allocation of funds for targeted financing;

- RVC is a financially sustainable company.

Future research will focus on deepening the study of financial sustainability and the evaluation of its performance indicators according to the financial statement of venture companies using the latest achievements of the Ukrainian methodology of financial analysis.

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