

INVESTMENT PROJECT OF AN ENTERPRISE: ITS CONTENT AND METHODS OF EVALUATING ITS EFFICIENCY

ІНВЕСТИЦІЙНИЙ ПРОЕКТ ПІДПРИЄМСТВА: ЙОГО ЗМІСТ ТА МЕТОДИ ОЦІНЮВАННЯ ЙОГО ЕФЕКТИВНОСТІ

Usenko Yulia

Senior Instructor at Department of Management and Marketing,
Kyiv National Linguistic University

Danchenko Ludmyla

PhD in Economics, Senior Lecturer
at Department of Management and Marketing,
Kyiv National Linguistic University

Vasylenko Olena

Senior Instructor at Department of Foreign Languages,
Kyiv National Linguistic University

Усенко Ю.В.

старший викладач кафедри менеджменту і маркетингу,
Київський національний лінгвістичний університет

Данченко Л.Г.

кандидат економічних наук,
доцент кафедри менеджменту і маркетингу,
Київський національний лінгвістичний університет

Василенко О.Б.

старший викладач кафедри іноземних мов,
Київський національний лінгвістичний університет

The purpose of the work is due to the uncertainty and multiplicity of most scientific approaches to the study and evaluation of the investment design process as a tool for the implementation of the investment activity of the enterprise. The article deals with the economic content of the investment project as an instrument for the implementation of the investment activity of the enterprise, reveals its essential components, and summarizes the main theoretical approaches to evaluating the feasibility and efficiency of investment projects. The classification of the main types of innovation and investment activity of the enterprise is carried out; the degree of project sensitivity to risk is estimated, as well as formulas for the analysis of systems of discount and statistical indicators of net income, profitability index, internal rate of return, and index of profitability and payback period of investments are presented.

Key words: investments, innovations, investment project, investment project efficiency assessment, project sensitivity to risk.

У роботі розкриваються сутнісні складові інвестиційного проекту підприємства та узагальнюються теоретико-практичні підходи до методів оцінки його ефективності. Мета роботи зумовлена невизначеністю й множинністю більшості наукових підходів до пізнання та оцінки процесу інвестиційного проектування як інструменту реалізації інвестиційної діяльності підприємства.

Ми стверджуємо, що в методичному відношенні, необхідно розмежовувати категорії «інвестиції» та «інновації», які є взаємопов'язаними, але нетотожними. Основними видами інноваційної діяльності підприємства, що мають підтверджуватись патентами, є техніко-технологічні новації, новації по створенню нових товарів чи послуг, маркетингові новації, які полягають у нових методах діяльності підприємства на конкретному ринку, а також організаційні та управлінські нововведення. Фактично, ці інновації сприяють формуванню вагомих базових конкурентних переваг на традиційному чи новому ринках. У свою чергу, «інвестиції» за економічним змістом можуть трактуватись як довготермінові вкладання капіталу у розвиток основних виробничих ресурсів та відносин управління чи власності на рівні окремих підприємств

або окремих галузей. Інвестиції, які планує здійснити підприємство, незалежно від напрямку, нами трактуються як діяльність по реалізації інвестиційних проектів. Залежно від напрямку вкладання капіталів інвестиційні проекти поділяються на тактичні та стратегічні. Тактичні інвестиційні проекти в основному пов'язані із заміною застарілого обладнання, зниженням поточних виробничих витрат, розширенням ринкової ніші зі збільшенням випуску продукції. Стратегічні – результат нових підходів до управління і відповідних рішень із метою випуску нових продуктів.

З позицій масштабів нового виробництва, інвестиційний проект вирізняється високим рівнем обґрунтування ефективності (комерційної, технічної, фінансової, екологічної, інституційної тощо) за рахунок аналізу його параметрів на різних етапах життєвого циклу. Це аналіз системи дисконтних і статистичних показників чистого приведенного доходу, індексу доходності, внутрішньої ставки доходності, індексу рентабельності та періоду окупності інвестицій.

Ключові слова: інвестиції, інновації, інвестиційний проект, оцінка ефективності проекту, чутливість проекту до ризику.

Цель работы обусловлена неопределенностью и множественностью большинства научных подходов к познанию и оценки процесса инвестиционного проектирования как инструмента реализации инвестиционной деятельности предприятия. В статье рассматривается экономическое содержание инвестиционного проекта как инструмента реализации инвестиционной деятельности предприятия, раскрываются его существенные составляющие и обобщаются основные теоретические подходы к оценке целесообразности и эффективности инвестиционных проектов. Проводится классификация основных видов инновационной и инвестиционной деятельности предприятия, оценивается степень чувствительности проекта к риску, а также приводятся формулы для анализа систем дисконтных и статистических показателей чистого приведенного дохода, индекса доходности, внутренней ставки доходности, индекса рентабельности и периода окупаемости инвестиций.

Ключевые слова: инвестиции, инновации, инвестиционный проект, оценка эффективности проекта, чувствительность проекта к риску.

Formulating the problem. In the conditions of the proceeding structural adjustment of the Ukrainian economy, the problem of attracting investments for expansion and reproduction of fixed assets and production capacities of enterprises is extremely vital. It is the investment that plays a decisive role in reproduction processes in the enterprise, providing increased technical and organizational production.

Analysis of the latest research. The investment activity of a particular business entity, according to scientists, S. Aptekar, T. Benya, B. Danylyshyn, V. Fedorenko, and others, is multidimensional. It involves the search and development of investment projects, their rationale under economic, technological, environmental, social and other criteria, search and management of investment resources.

Formulating the goals of the article. Despite the great number of publications on investment issues, in real business practice, there is a lack of deep theoretical rationale for practical decisions, which in its turn leads to negative consequences in the activity of enterprises. The uncertainty and nebulousness of certain methods and approaches to cognition and evaluation of the investment design process in the conditions of a high level of deterioration of fixed assets at Ukrainian enterprises led to the need to consider the identified issues and the set forth main objectives of the current study.

In international practice, the plan for the development of the enterprise is presented in the form of a business plan, which is, in essence, a structural description of the enterprise's development. If the

project involves attracting investment, then it is traditionally called "investment project". Of course, any new project of an enterprise in one way or another relates to the attraction of new investments. In a broader sense, the project is a specially designed offer to change the activities of an enterprise that pursues a certain purpose.

According to the Law of Ukraine "On Investment Activity" investments are "all types of property and intellectual values that are invested in objects of entrepreneurial and other activities, which results in the creation of profit (income) or achievement of social effect." Thus, the investment activity is understood as "a set of practical actions of citizens, legal entities, and the state aimed at implementing investment" [1, p. 1, 2] At the same time, innovative activity is perceived by this law as one of the forms of investment activity, which includes the development, production, and implementation of fundamentally new types of equipment and technologies that are resource-saving and are intended to improve the social and economic situation.

It is quite widespread both in real practice and among scholars to understand the concepts of "investment" and "innovation" practically as synonyms. In certain literary sources, an almost identical interpretation of the content of investment and innovation projects can be found. For example, D. Stechenko notes that "from a commercial point of view, any innovative project can be regarded as an investment one aimed at getting profit" [2, p. 194]. The author emphasizes that in fact, the investment project is a plan (program) of specific business events or an entrepreneurial idea, the

realization of which requires investment. The fact that any innovation requires some investment for its development and implementation is true. However, not every investment is innovation. By the way, the other opposite may be a too narrow interpretation of innovations, when they are understood solely as technical innovations. Therefore, in our opinion, the correct in a methodological sense, there would be a clear distinction between the categories of "investment" and "innovation". For example, according to S. Mochernyi, innovations are always confirmed by patents. Among their main types, he, quite rightly, identifies: 1) technical and technological; 2) productive (creating new products or services); 3) marketing (new methods of activity in the market); 4) organizational (improvement of organizational management structures); 5) managerial (improvement of the enterprise management process) [3, p. 282]. In other words, we are talking about such changes in the activities of the company, which enable it to gain a significant competitive advantage in the traditional market or even provide prerequisites for creating new markets. As for the "investment" category, it is, without any doubt, is considered to be a long-term capital investment in the development of productive forces and property relations at the level of enterprises, firms, and individual industries [3, p. 271]. That is, especially in the context of reforming the national economy, investments and innovations are, of course, interconnected but not identical.

Based on the foregoing, in the most general form, the category "investment project" should be defined as a definite form and the main stages of development and implementation of investments. Accordingly, it can be assumed that the investments that the company plans to implement are always realized through investment projects.

The importance of analysing this tool for the implementation of investment activity of the enterprise in the modern conditions predetermined the main objectives of the study, namely: determining the economic content of the investment project and generalizing the main approaches to evaluating its feasibility and efficiency.

Presentation of the basic material. As we know, considering the purpose of investing the capital, investment projects are divided into tactical and strategic. Issues related to strategic projects include changes of ownership types and the nature of production, which encompass the release of new products, changes in sales channels, the transition to automated production, fundamental changes in approaches to the training of highly skilled professionals, etc. Tactical projects relate to the modernization of equipment, changes in the volume of products manufactured, and the improvement of product quality.

The most widespread strategic investment project in the western practice of entrepreneurship is the project of expansion of the enterprise with the purpose to manufacture new products. The latter

is the result of new approaches and decisions that may affect the change in the essence of the business itself.

Common tactical investment projects are:

Replacement of obsolete equipment as a normal process of continuation of the existing business on an unchanged scale. Such projects mostly do not require long-term and complex procedures of rationale and decision-making. Their multi-alternativeness, in our opinion, may appear in the event when there are several types of such equipment and it is necessary to substantiate the benefits of one of them.

Replacement of equipment to reduce current production costs. The purpose of such projects is to use more advanced equipment instead of a relatively less productive and outdated one. This type of projects involves a detailed analysis of the profitability of each project option since the technical efficiency of the equipment is not always the most efficient financially.

Increase in production output or expansion of the services market. This type of projects requires a detailed analysis of the commercial implementation of the project together with the rationale of the market niche, and the financial efficiency of the project as well.

Projects with the ecological load. Such projects include appropriate environmental analysis of alternative options from the standpoint of the ecological component of the production: the use of more advanced and expensive equipment, and hence an increase in capital costs, or the purchase of a cheaper one and increase in current costs.

Such classification of investment projects could be applied in domestic practice as well. At the same time, it is obvious that there is every reason to believe that from the standpoint of enterprise development, orientation and volume of full production, the investment project is distinguished by the high level of commercial processing. The latter requires the carrying out and implementation of a complex of multilevel analysis of the investment project. It will be worth noting that most experts on these issues do not have differences of opinion. They insist on the most detailed analysis of all parameters of the project, especially the strategic project for new production. Furthermore, in practical terms, in our opinion, at the level of economic activity of certain enterprises, the issue of the rationale of investment projects for production is directly related to the analysis of competitiveness factors of the enterprise. More precisely, with the identification of its level in domestic and foreign markets. We will note that detailed economic research of the above problems is already being successfully carried out not only by foreign economists but also by Ukrainian scholars I. Dolzhan-skyi, T. Zagornaya, and others.

Concerning the sequence of investment project analysis, and hence its rationale, first of all, we note that the success of an investment project

depends on the degree of the meeting of a potential investor's requirements that may differ from the generally accepted ones. Under such conditions, the stage of development of an investment project must precede the stage of preparation of investment offers. Only after their approval by the potential investor, the investment project is elaborated in detail, taking into account the investor's comments and wishes.

Summarizing the methodology for investment project evaluation, we state that it usually begins with the stage of the rationale of the prior expediency of investments, when an enlarged evaluation of the most important technical and economic parameters is carried out. The latter allows identifying the feasibility of developing a specific investment project and approximately assess its economic viability. The purpose of this stage is to prevent advance expenses and time on a prospectively loss-making project.

During the preliminary assessment, the main elements of which in general coincide with the following detailed assessment, the technical and economic rationale of the project is carried out. Its development begins with the formulation of the ultimate goal of the project, which is usually to meet the needs of the market in a particular product that in its turn should provide investors with a profit. Also, some possible ways to achieve this goal are determined roughly, that is, the multivariate approach of the project development in terms of selection of technology, equipment, production capacity, location, financing, terms of execution, and so on are considered.

The next step after forming the ultimate goal of the project is to calculate the estimated demand in a product that will be produced with the application of technological solutions incorporated in the project. At the same time, a general offer for the same or similar products manufactured by other companies is being predicted. In this way, the market "niche" and the possible demand in future products are determined both in the domestic and foreign markets.

After the estimated possible demand in new products over the years of the project implementation is calculated, the expected cash receipts from sales with the help of approximate prices for them over the years are calculated. Based on the planned annual production program, the options for the technical (technological) equipment of the production are selected and the production capacity of the enterprise is calculated.

The adoption of technological solutions with the help of which the project will be implemented allows determining approximately the cost of the project, considering long-term (capital investments), current (annual production) costs, as well as interest on the loan if the company anticipates it.

Thus, by roughly forecasting all the aforementioned costs and proceeds from the sale of products, it is possible to compare them over each year.

If it is obvious that the costs outweigh the proceeds, even taking into account the possible changes and correlations, then the project is defined as primarily unprofitable and it is no longer returned to.

In the event when a preliminary rationale of the effectiveness of the project showed that it is likely to be profitable, it is worth moving to the second stage of the development of the investment project, i.e. to a detailed evaluation of its feasibility. The latter implies an expanded rationale for the efficiency of the investment project in the final calculations and is a rather complicated procedure that requires the involvement of specialists from various industries: marketers, financiers, technical and economic experts, leading specialists of specific units of the enterprise. Since it is a relatively labour-intensive process with a large amount of rationale, it can also be carried out with the involvement of specialists from organizations or companies that have experience in developing similar projects (for example, the Research Economics Institute of the Ministry of Economy of Ukraine, Ukrainian Association of Project Management, Association "Ukrconsulting" and others).

A detailed technical and economic evaluation, which is carried out at this stage, should prepare conclusions that will serve as a basis for rationale of the project and in making a final decision on its development. The following aspects of the project, such as marketing, raw materials supply, resources, financial issues, etc. should be elaborated in detail as well. The final result of the rationale is a certain document for presenting the project to a potential investor.

It should be noted separately that particular attention during the detailed evaluation of the investment project effectiveness is required by an analysis of marketing factors. According to special research reports, over 75% of commercial failures in world markets are due to marketing mistakes. When developing a particular investment project, it is very important to study the expected demand for new products. In the first place, it is necessary to determine what market it will be targeted at domestic, export or a combination of them and who will sell the new products (own company or a third-party company, according to a contract concluded). Thus, the aggregate commodity market should be considered not only taking into account the needs of domestic buyers but the evaluation of external opportunities of sales in other countries in the process of export supplies as well.

At the same time, for the development of forecasts of the possible demand in traditional goods, the following data may be used: data on present consumption and the rate of its change during the period; orderly data on-demand in different market segments; data on the dynamics of demand in the past and its impact on future demand. In case of necessity of forecasting of the conjuncture of new products, for the implementation of which special information and special methodological

approaches are needed, market specialists are involved. Thus, since the analysis of the market conjuncture of new commodity affects the size of manufacture, its production capacity and the annual program, the study of the possible demand in the offered product is indeed one of the most important issues of the feasibility rationale of the project.

Summing up, we emphasize that, undeniably, an investment project as an investment offer and as an instrument for realizing the investment needs of a functioning enterprise should be developed and substantiated in a certain sequence of stages and using appropriate methods.

With the purpose to rationally manage investment activity of the enterprise, investment projects should also be evaluated according to certain performance indicators. Regarding this, a study of literary sources on the problems of investment activity of enterprises, a detailed study of existing examples of their application in the investment activity of domestic enterprises, the coverage of which is deliberately left by us outside the material outlined, allows for some generalizations.

Firstly, the rationale of the effectiveness of real investment projects should be based on the harmonization of investment costs, on the one hand, and the amounts and payback period, on the other one. This is a general principle for the formation of a system of effectiveness evaluation indicators, according to which the results of any activity should be compared with the costs of their implementation. Concerning investment activity, this principle is realized by comparing the direct and the return flow of investment capital.

Secondly, an assessment of the number of investment costs should cover the entire set of used resources connected with the implementation of the project. In the process of assessment, all direct and indirect expenses of funds (own and borrowed), tangible and intangible assets, labour and other types of resources should be considered. As the current practice shows, in most cases, the assessment of investment costs does not reflect the indirect costs connected, for example, with the preparation of the project for implementation, the formation of the required amount of investment resources, monitoring the project implementation, etc. This, to a certain extent, complicates the comparison of results of the evaluation of the real effectiveness of alternative investment projects.

Thirdly, the assessment of the payback period should be done based on the net cash flow indicator. This indicator is formed from the sum of net profit and amortization deductions during the operation of the investment project. When conducting different types of evaluations, this indicator can be considered as the average annual, as well as a differential for separate periods of the investment project operation.

Fourthly, in the process of assessing the number of investment costs and net cash flow should be

brought to their present value. At first glance, it seems that the investment costs concerning net income are always shown in the present value format. In real practice it is not so – the investment process in most cases is not simultaneous but there are several stages. Therefore, all paid successive amounts of investment costs must be brought to the present value.

Following the presented generalizations while selecting the methodology for rationale of the investment projects effectiveness, we came to the conclusion that the most accessible and, at the same time, systematic and logical-sequential one can be considered the methodology set forth by domestic economists I. Blank and N. Gulyaeva taking into account the approaches common in western practice. Under this methodology, the indicators for the rationale of the real investment projects' effectiveness depend on the method of considering the time factor while assessing the investment costs and payback investment flow and are divided into two independent groups: discount and statistical. Here, indicators for assessing the effectiveness of real investment projects based on discount methods of calculation are defined based on the present value of the main parameters of implementation and operation of projects in the future. Conversely, while using statistical evaluation methods, the procedure for discounting of net cash flow under the project is not carried out.

Following the mentioned above, to the discounted methods of calculating the rationale of the efficiency of real investments, scientists quite rightly, in our opinion, include the indicators of net present income, the index of profitability, and the internal rate of return. To indicators based on statistical calculation methods, I. Blank and N. Gulyaeva suggest to include the profitability index and the payback period of investments. The content of the indicated methods of estimating the indicators is formalized in mathematical models used by the authors. They reflect the existing connections between independent and dependent variables.

Thus, the index of the net present income is calculated as the algebraic sum of the present values of all elements of the net cash flow from investments, which consists of investment costs and return cash flow from the operation of the project:

$$NCF = \sum_{i=1}^n \frac{NPI_i}{(1+d)^i}, \quad (1)$$

where NPI – is the amount of net present income from the investment project in the course of investment;

NCF – is the amount of net cash flow from investments over the 1st period of the investment lifecycle;

i – number of periods of the lifecycle of investments;

d – discount rate.

We emphasize that the value of the indicator of net present income may serve as a basis for comparison, as well as a criterion of admissibility while making decisions about a possible choice. In this case, the positive values of the NPI guarantee the receipt of income from the project implementation and increase of the value of the enterprise. If the NPI values ≤ 0 , the investment project, respectively, should be rejected. In the case of the availability of several alternative projects, the advantage should be given to the project with a higher value of the net present income.

The index of return is characterized by the ratio of the present value of the return net cash flow from the investment and investment costs for the project. It can be calculated under the formula:

$$IR = \frac{\sum_{i=1}^n \frac{RNCF_i}{(1+d)^i}}{IC}, \quad (2)$$

where IR – index of return on investment project;

RNCF_i – the return net cash flow in the i-th period of the lifecycle of the investment project;

IC – the amount of one-time investment costs of the project;

n – number of periods of the lifecycle of investments;

d – discount rate.

The index of return evaluates the return on investment in net cash flow. An investment project is defined as acceptable when the value of the index is greater than one. In practice, among alternative projects that logically exclude each other, the one whose return index is greater is chosen.

The last discount indicator of the effectiveness of an investment project in the proposed method is the internal rate of return, which characterizes the level of return of the project, which ensures the return on investments made over the entire period of its operation. For this purpose, the internal rate of return is used as a discount rate when calculating the indicator of net present income, and its value is equal to zero:

$$NPI_{(irr)} \sum_{i=1}^n \frac{NCF_i}{(1+IRR)^i} = 0, \quad (3)$$

where NPI – is net present income from investment at a discount rate at the level of the internal rate of return of the project;

NCF_i – is a net cash flow from investments in each period;

IRR – internal rate of return of investment project;

n – the number of periods of the investment lifecycle.

The use of the internal rate of return is broad enough as based on it a decision on the acceptance of an investment project is made. If the specified indicator for the investment project exceeds the investment capital costs or the level of profitability

of the operating assets or financial profitability of the enterprise, then such a project is considered beneficial for implementation. If it is necessary to compare alternative investment projects, the advantage is given to that one with a higher internal rate of return.

The profitability index, which is based on statistical methods of project evaluation, allows determining the level of efficiency of operating activity of an enterprise.

In particular, it can be calculated under the formula below:

$$IP = \frac{NI_{inv}}{IC}, \quad (4)$$

where IP – index of profitability of an investment project;

NI_{inv} – annual average net investment income;

IC – investment costs.

It is worthwhile to emphasize, and by the way, I. Blank and N. Gulyaeva also emphasize that the given index, however, does not fully characterize the efficiency of investments. This is due to the fact that, firstly, investment income is an integral part of the return net cash flow from investments (depreciation deductions from capital assets introduced are not taken into account in the evaluation), and secondly, when calculating it, the influence of the time factor is not taken into account and no comparison of the cost characteristics of the net investment returns and investment costs is ensured.

However, as noted, the value of the index of profitability serves in practice as an indicator of the operating activities of the enterprise. When forming financial resources at the expense of own and borrowed funds, the value of this index should exceed the coefficient of profitability of operating assets. If the financing of the project is solely due to own financial resources, then the index of return on investment is compared with the level of financial profitability of the enterprise. In general, the value of the index of profitability of the investment project must exceed the profitability of the company's equity.

Indicator of the payback period is considered the most widespread in the practice of evaluating the effectiveness of investment projects. It takes into account the expected length of the payback period and it can be calculated as the ratio of the investment costs to the average annual sum of return of net cash flow under the following formula:

$$PP = \frac{IC}{NCF_{ave}}, \quad (5)$$

where PP – payback period of investment costs of the project;

IC – the amount of investment costs for the implementation of the investment project;

NCF_{ave.} – an average annual return of net cash flow from the operation of the project.

Usually, a significant disadvantage of this indicator is that it does not take into account

the impact of amounts of cash flow outside the payback period on the actual effectiveness of the investment project. However, the indicator of the payback period determines how long the investment financial resources will be “frozen” in the project. That is, under other equal conditions, the shorter this period, the more liquid the project is. Also, since the “distant” elements of the cash flow are considered riskier than the “near” ones, it can be assumed that the payback period also gives a rough estimate of the riskiness of the project.

As we can see, all of these criteria of investment effectiveness are mutually related to each other mathematically and in general determine the decision on the acceptability of the project. The net present income characterizes the ability of the project to generate an increase in the welfare of its investors and the amount of payback on invested capital. The internal rate of profitability determines not only the minimum allowable profit of the project but contains information about the reserve of its financial security. This information is provided by the investment profitability index since it measures the investment profit per unit of contributed capital.

Thus, the use of each of these indicators ensures obtaining important information about the investment project from the standpoint of different criteria for its evaluation, which in turn allows us to make the right decision about its implementation.

In our opinion, a methodology of evaluating the effectiveness of an investment project should be supplemented by an assessment of the risks of an investment project. Indeed, it is precisely in the investment activity of enterprises that risk issues are extremely acute. This is due, firstly, to the significant duration of the investment cycle from the moment of investment until the time of their payback. It is clear that in the long run, it is difficult to predict the results that can be influenced by various external economic, political, social, environmental, and other factors. Secondly, investment involves the contribution of large funds, material resources, the ineffective use of which can negatively affect the financial status of the investor as a whole. Thirdly, investing in many cases is done through the third parties (financial intermediaries), therefore, the investor usually has no real opportunity to control the use of invested funds, to quickly get into the production process, and so on. Thus, an enterprise that makes a positive decision on an investment project should take into account that the future cash flows of the investment project may unexpectedly decrease or increase. Likely, the interest rates at which future cash flows are invested can also change. Among the most widespread factors that, for example, reduce the expected return cash flows from the implementation of an investment project, should first of all highlight loss of positions in the market, increase of cost, new requirements for environmental protection, increasing cost of financing, etc.

It is clear that it is not possible to anticipate all risks, but in practice, traditionally the main project risks that may occur at any phase of the project lifecycle, include: the risk of financial sustainability decrease, the risk of insolvency, the risk of project implementation, the risk of project financing, marketing risk, interest rate risk, inflation risk, operational risk, etc. That is why in the investment activity of enterprises it is important to correctly estimate and analyse potential risks, to identify ways of avoiding them through diversification, insurance, obtaining additional information while choosing investment decisions, creating funds and reserves, etc.

In domestic practice, taking into account, as a rule, insignificant in comparison with the western one, the volume of financing of investment projects (up to \$1 000 000) a fairly simple approach to determining the risks of the project is used – an analysis of the sensitivity of the project to risk. Its technique involves several successive steps, starting with choosing a key indicator of investment efficiency that may be one of the already known indicators of the internal rate of return or net present income. Then the factors (or indicators) of the investment project are chosen, concerning which its developers have no unambiguous opinion. As a rule, they are capital investments and investment in working capital, market factors (price, sales volume), the time of construction and putting into operation of the fixed assets. Then the possible lower and upper indicators of the selected uncertain factors are set, and for them, the calculation of the key indicator of the efficiency of investments is made. Based on the obtained results, conclusion concerning the most critical factors of the investment project, which should be paid special attention to during its implementation is made. For example, if it is a price, then in the process of implementing an investment project, there appears a need to improve the program of marketing and the quality of goods. If the project is sensitive to changes in production volume, then in our opinion, special attention should be paid to improving the system of internal management of the enterprise. If the material costs factor is identified as critical, then it will be appropriate to work out a mechanism for effective relations with suppliers of raw materials, etc.

Consequently, there is no doubt that the methods for evaluating the effectiveness and risks of the investment project are interconnected and complement each other. There is a cross-link between them since the calculations that underlie the methodology for evaluating investment projects and risks are based on common indicators.

Conclusions of the present research. According to the results of studying the economic content of the investment project as an instrument for implementing the investment activity of

the enterprise and generalization of the main approaches to evaluate the effectiveness of investment projects, the following conclusions can be made:

- In the theoretical and methodological terms, the categories of “investment” and “innovation” should be differentiated, although they are interrelated. The investments that the company plans to implement are initially embodied in the investment project, which we identify as a definite form and the main stages of preparation and implementation of investments.

- The rationale of the investment project must be carried out on a scientific basis, using appropriate methods, taking into account the specifics of the production process of a particular enterprise. Each stage of the lifecycle of an investment project requires a multi-level study from the standpoint of commercial, technical, financial, environmental,

institutional analysis, and in the context of risk-sensitivity analysis.

- The decision on the eligibility of an investment project should be based on an evaluation of its effectiveness, which should be carried out through the calculation and analysis of the system of discount and statistical indicators of net present income, the index of profitability, the internal rate of return, and the payback period of investments.

- Based on the peculiarities of investment activity of enterprises, the methodology for evaluating the effectiveness of an investment project should be supplemented by an assessment of the risks of an investment project, analysis and rationale of the methods that will be the subject of our further research in the search for an effective mechanism for attracting investment in order to expand the production capacities of Ukrainian enterprises and increase their competitiveness.

БІБЛІОГРАФІЧНИЙ СПИСОК:

1. Про інвестиційну діяльність : закон України від 18 вересня 1991 року №.47/ 91- ВР/ Верховна Рада України. Відомості Верховної Ради України. 1991. № 47. (зі змінами і доповненнями від 19.01.2006, № 22).
2. Стеченко Д.М. Інноваційні форми регіонального розвитку : Навч. посібник. К.: Вища школа, 2002. – 254 с.
3. Економічний енциклопедичний словник: У 2-х Т., Т1 / За ред.С.В.Мочерного – Львів: Світ, 2005. – 616 с.

REFERENCES:

1. Zakon Ukrainy «Pro investytsijnu dijalnistj» [On investment activity] (1991) Kyiv : Vidomosti Verkhovnoji Rady no.47 (zi zminamy i dopovnennjamy vid 19.01.2006, no. 22). (in Ukrainin)
2. Stechenko D.M. Innovacijni formy reghionaljnogho rozvytku : Navch. posibnyk [Innovative forms of regional development] Kyiv : Vyshha shkola. p. 254. (in Ukrainin)
3. Mochernyj S.V. (2005) Ekonomichnyj encyklopedychnyj slovnyk [Economic Encyclopedic Dictionary]: Vol. 1. Ljviv : Svit, p. 616. (in Ukrainin)