

**Kyiv National University of Trade and Economics**

Economics and Finance of Enterprise Department

**FINAL QUALIFYING PAPER**  
**on the topic:**

**«Current Assets Management»**

(based on the data of Limited Liability Company  
“Interbudtechnica”, Kyiv)

Student of the 2<sup>nd</sup> year, group 4a,  
specialty 051, Economics,  
specialization Financial Management

Hurieva Kateryna

\_\_\_\_\_  
(student's signature)

Scientific adviser  
Candidate of Economic Sciences,  
Senior Lecturer

Andrijets V.S.

\_\_\_\_\_  
(signature of a  
scientific adviser)

Manager of educational program  
Dr. of Economic Sciences,  
Professor

Blank I.O.

\_\_\_\_\_  
(signature of the  
head of the project  
team )

**Kyiv, 2018**

## CONTENT

<b>ABSTRACT.....</b>	<b>3</b>
<b>INTRODUCTION .....</b>	<b>4</b>
<b>CHAPTER 1. THE THEORETICAL ASPECTS OF CURRENT ASSETS MANAGEMENT .....</b>	<b>7</b>
1.1 The essence, goals and objectives, principles of current assets management .....	7
1.2. Methodological support of the analysis and management of current assets of the enterprise .....	23
1.3. The main steps of the current assets management .....	37
<b>CHAPTER 2. ANALYSIS OF THE CURRENT SITUATION OF LLC “INTERBUDTECHNICA” CURRENT ASSETS MANAGEMENT .....</b>	<b>45</b>
2.1. Analysis of dynamics and structure of current assets .....	45
2.2. Analysis of solvency and business activity of company .....	51
2.3. Factor and comparable analysis of effectiveness current assets management .....	57
<b>CHAPTER 3. THE MAIN DIRECTIONS OF IMPROVEMENT LLC “INTERBUDTECHNICA” CURRENT ASSETS MANAGEMENT .....</b>	<b>67</b>
3.1 . Proposals for improvement of informational and organizational support of current assets management .....	67
3.2 Recommendation of improvement the economical and methodological support of current assets management .....	75
3.3. Creation of the current assets budget for the planned period .....	88
<b>CONCLUSIONS AND PROPOSALS .....</b>	<b>98</b>
<b>REFERENCES .....</b>	<b>109</b>
<b>APPENDICES .....</b>	<b>116</b>

## ABSTRACT

**Hurieva K. O. " Current Assets Management " (based on the materials of LLC "Interbudtechnica", Kyiv). - Manuscript.**

Final qualifying paper on the specialty 051 "Economics", specialization "Financial Management". – Kyiv National University of Trade and Economics. – Kyiv, 2018.

The final qualifying paper is devoted to theoretical, methodological and practical aspects of management of current assets of the enterprise. It allows to investigate goals, principles, methods, and steps of current assets management, evaluate its effectiveness, outline problems in their management, and choose the appropriate ways to improve the management of current assets.

**Keywords:** current assets, methodology of current assets management, analysis of current assets, problems of current assets management, improvement of current assets management.

## АНОТАЦІЯ

**Гур'єва К.О. «Управління оборотними активами» (за матеріалами ТОВ «Інтербудтехніка», м. Київ). – Рукопис.**

Випускна кваліфікаційна робота за спеціальністю 051 «Економіка», спеціалізація «Фінансовий менеджмент» – Київський національний торговельно-економічний університет – Київ, 2018.

Випускну кваліфікаційну роботу присвячено теоретичним, методичним і практичним аспектам управління оборотними активами підприємства. Робота дозволяє дослідити цілі, принципи, методи та послідовність управління оборотними активами, оцінити їх ефективність, окреслити проблеми в їх управлінні, обрати відповідні шляхи покращення стану управління оборотними активами.

**Ключові слова:** оборотні активи, методологія управління оборотними активами, аналіз оборотних активів, проблеми управління оборотними активами, удосконалення управління оборотними активами.



## INTRODUCTION

**Relevance of the theme.** Today according to State Statistics Service the total number of current assets of Ukrainian enterprises are increasing – within small enterprises their number reach from 985 490,0 mln. ₴ in the year 2013 to 2 355 240,9 mln. ₴ in the year 2016 (increment by 239%). Their size within such type of economic activity as the wholesale and retail trade went from 325 143,3 mln. ₴ to 625 525,8 mln. ₴ (increment by 192%) in the same retrospective years. Concerning the trend of subject-matter composition of the current assets in Ukraine the biggest rise in 222% through this years made accounts receivable of wholesale and retail trade companies, inventories increased by 197%, cash and cash equivalents made leap by 160%. Therefore, we see that such dynamic makes management of current assets an actual, complex and a contradictory problem, and since current assets constitute a significant share of the assets of the enterprises to a large extent they determine the profitability, efficiency, and competitiveness of the enterprise.

Relevance and practical significance of current assets management connected to the development of market relations in Ukraine and the experience of a foreign economic system, that determine the dependence of the enterprise performance on the effectiveness of management of the formation process and usage of their current assets. The science offers numerous methods and mechanisms of managing current assets, but they all need it refinement due to the specific business environment of Ukraine as well as to operation specifics of trade companies.

The theory and practice of managing current assets are presented in the works of Ukrainian scientists – Blank I.O., Vlasova N.O., Dobronravin O.R., Ionova A.F., Romanovsky M.V., Pogorelova V.G., Nezamaykin V.N as well as foreign scientists - Ashraf C. M., Banos-Caballero S., Van Horn, J.C., and others. However, further study needs a question of the systems of economic, organizational, methodical, informational support that constitute the process of current assets management.

**The aim** of final qualifying paper is to investigate the theoretical and practical aspects of current assets management.

To achieve the aim of final qualifying paper **the following tasks** are set:

- to investigate the essence, goals, objectives, and principles of current assets management considered in the scientific literature;
- to identify existing and propose new methodological support of the analysis and management of current assets;
- to form a new approach of the main steps of the current assets management;
- to analyze the current assets dynamics and structure, solvency and business activity of a specific enterprise;
- to study the indicators of management of the company's current assets and make factor and comparative analysis of their effectiveness;
- to identify problems and offer recommendations on improving informational, organizational, economic and methodological support on current assets management;
- to create a budget of the current assets for the planned period.

**The object** of the study is the process of current assets management.

**The subject** of research is considered a mechanism of current assets management of the enterprise with an example of LLC “Interbudtechnica”.

The LLC “Interbudtechnica” became an **empirical base** of research. This private company deals with wholesale trade in machinery and equipment for mining industry and construction, as well as supplies concrete and load-lifting equipment to the Ukrainian market. In addition, the company carries out the full technical maintenance of the supplied equipment both during the warranty period and during the subsequent term of operation and provides professional counseling. The company was founded on December 20, 2000, by the owner of the enterprise - I.L. Gutvarev and is located at the address: Kyiv city, Kirillovskaya str., building 14/18, office 50. Within the 2017 year, the average number of employees is 3.

LLC "Interbudtechnica" is the official representative of many worldwide manufacturers such as Cifa, Jekko, Locatelli (Italy), Zoomlion (China), Klaas, Aero-Lift, Geda (Germany). The main competitors are official dealers and resellers of

mechanical equipment such as «ETS group», «Fortrent», «Amako», "Industry", «Takeuchi», «PromTehServis», «Zeppelin Ukraine» and other.

The main results of economic and financial activities, other essential conditions are given in the course of work and in the Appendixes A-D, Appendix E.

The broad **methodological basis** was used in the process of research. In each chapter of work, the comparative analysis and synthesis methods were used as well as graphics and tabular. Statistical, economic, normative analysis, matrix method, and factor modeling were mainly applied while accessing the financial state and analyze of components of current assets of LLC "Interbudtechnica". Extrapolation, economic-mathematical modeling, and methods of expert evaluation were used to make forecasts for the future year.

The **information base** of the research consists of the data of the accounting and financial reporting of the enterprise, internal standard technical documentation, company expert's conclusions, periodicals and statistical collections, monographs of domestic and foreign scientists in the field of management of current assets. The information technology used in the process of work is Microsoft Office applications.

The **theoretical novelty** may be the suggested concept of the current assets management definition, principles, and methodological support, the main steps in the process of current assets management as well as the combination of methods used for solving current assets problems of enterprise, forecasting their budget.

The **practical significance** of work is results of the qualifying paper that can be used in the current activity of the LLC "Interbudtechnica" or used in similar trade company in order to achieve the economically and socially significant effect.

**Approbation of the research.** According to the results of the study a scientific article with the topic "The characteristics of main steps of the current assets management" which was published in the Economics and Finance of Enterprise: Comp. of students sciences articles, Part 2-Kyiv: KNTEU, 2017.

The final qualifying work **structure** consists of an introduction, three main chapters, conclusion, list of used sources and applications.



## CHAPTER 1

### THE THEORETICAL ASPECTS OF CURRENT ASSETS MANAGEMENT

#### 1.1 The essence, goals and objectives, principles of current assets management

For effective current assets management, it is necessary to make a methodological study of their theoretical essence.

Current assets - according to Ukrainian Accounting Standards №1 – are cash and cash equivalents that are not restricted in use, as well as other assets intended for sale or consumption during the operating cycle or for a period of 12 months from the balance sheet date. [43]

National authors and foreign scientists that propose different approaches of the essence of current assets management, given in the table 1.1.

*Table 1.1*

#### Definition of current assets management essence

National authors	Blank I. O.	The current assets management - is a formation of the required volume and composition of current assets, streamlining and optimizing the structure of sources of their financing. [6]
	Bondarenko O. S.	The current assets management - is a substantiation of appropriate management decisions in relation to three main areas: 1) management of accounts receivable; 2) cash management and current financial investments; 3) inventory management. [9]
	Deineka O.V.	The current assets management - is part of the company's short-term financial policy aimed at solving the most important current financial problems, which allows to improve the financial position of the company and increase its financial stability and solvency in a sufficiently short time. [14]
	Vlasova N.O.	The current assets management - is a component of financial and operational management, a purposeful activity associated with the determination of the value of current assets, control over their formation and use and the creation of appropriate organizational preconditions. [73]
Foreign authors	Ashraf C. M.	The current assets management - is a fundamental topic in the field of corporate finance, that refers to the firm's investment in inventory, accounts receivable, cash and liquid securities, all of which constitute short-term assets. [2]
	Eljelly H. U.	The current assets management - is the process of planning and monitoring investment in current assets to eliminate the risk of defaulting in the short-term obligations and to also avoid overinvestment in these assets. [20]
	Van Horn J. K.	The current assets management - is management aimed to optimize the volume of current assets, as well as to resolve their financing issues. [70]

Analysis of the study of the concept of current assets management of the enterprise allows forming a wide range of approaches to the definition of its essence, with their strong and weak sides. We agree with Blank I.O. on the importance of the formation of required volume and rational composition of current assets in process of their managing, due to the fact that they must be formed in such a way that will meet the needs of the enterprise. But the definition is omitting the important aspect of their turnover as one of the key criteria for current assets effectiveness.

The Bondarenko O. S. accents that managing process considers decisions, which are influenced by human factor, on which point we agree. Though he narrows the current assets management only to 3 areas, on which we see the weak point. To be agreed upon this question we would rather add in the provided list the area of advances given.

Sufficient attention by specialist Deineka O. V. is devoted to the definition of management of current assets from the position of subject-object interconnections, systematic and policy approach and a set of other elements of management mechanism on which we not only see the rational grain but agree. But the question of determination of the volume and structure of current assets, their sources of coverage and the ratio between them is omitted absolutely. We also can argue on the point that current assets management is only a part of the short-term financial policy. Because the target of establishing current assets management policy is to ensure long-term productive and efficient financial activities of the company, which is, in consequence, widen the borders of “short-term financial policy” understanding.

On Vlasova N.O. statement we can agree that not only financial but operational management is sharing the responsibility of current assets management. We only can add that the field of production management might also be involved in this list because current assets participate in the production process as well - such assets as inventories, work in progress, finished products servicing the production cycle and e.g. receivables servicing the financial cycle.

The foreign authors have their own vision of current asset management due to differences in economics, the company's scope of activity and business



environment itself. Ashraf C. M. disclose types of current assets, more than the essence of their management. We agree on a vision of current assets management as part of corporate finance management, though no specifics are given. If we start talking about a fundamental aspect of current assets management we can also add that current assets are key factors in the formation of liquidity provision of big corporations as well as small companies.

Eljelly H. U. first author who look at current assets management from the position of risk elimination in which we strongly agree. But we disagree to understand such management from the side of only investing in current assets. We can say that investment in current assets it is rather preparation part when managers seek to find the optimal structure of funding sources. But after this planning and monitoring investment stage the constant work on the analysis of current assets, their optimization, acceleration of current assets turnover and etc. is taking place.

Van Horn`s J. K. statement about resolving financing issues as an aim of current assets management is pretty wide and don`t giving any specifics. The managerial decisions, the current assets management objectives, the essence of the current assets themselves are not taking into account in this definition.

So, we have identified the agreeable and disagreeable point of definitions of different scientists. Which allow us to add new essential characteristics of current assets management. First of all, we can say that the current assets management has to ensure their profitability. Like any type of assets, current assets must generate a certain profit when used in the production and distribution activities of the enterprise. Therefore, it became one of the important spheres of their management.

No word was said about managing and ensuring minimization of losses of current assets in the process of their use. All types of current assets are more or less at risk of bringing losses. E.g. monetary assets are largely exposed to the risk losses due to inflation, accounts receivable under the risk of untimely return or non-return at all, short-term financial investments exposed to the risk of losing part of the income due to unfavorable financial market conditions etc. So give one's attention to losses of current assets is an important part of current assets management.

Also, the important question of current assets managing is the minimization of total costs of acquiring, operating, maintaining current assets. And all of this must be maintained within conditions of limited resources.

It was said that current assets management is aimed, among other things, at optimizing the structure of sources of current assets financing. In this case, the question is whether or not engage own or debt capital, taking into account the cost of theirs attracting. It is important, but we also propose to shift the problem from “what” resources attract on “how” to use them. We need to consider certain types and components of current assets when the formation of capital structure and the cost of capital is determined. So in our opinion, the optimization of sources structure of current assets financing should be based on finite types and components of current assets itself for which this financing is obtained.

An important part of current assets management definition is related to the specifics of the formation of the operational cycle of company, shown in the fig. 1.1, and hence its duration and turnover of current assets.

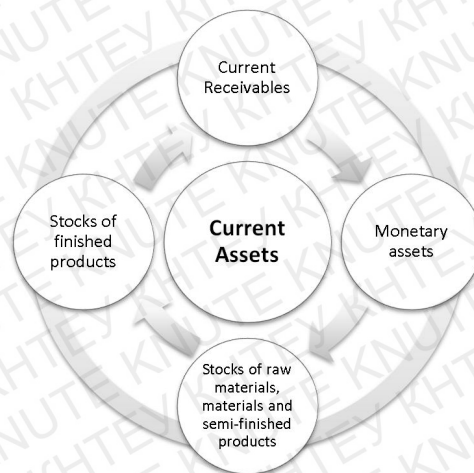


Fig. 1.1 Movement of current assets in the process of their circulation [17]

One more thing we wanted to say that current assets management is responsible for the establishment of the need in current assets. Current assets management must define most rational their use, as well as their minimum value for ensuring the uninterrupted operations of the enterprise. Because the shortage of current assets leads to downtime in production, and surplus - to a decrease in the efficiency of using the resources of the enterprise.

And the last but not the least as any management paradigm and body of management practices the current asset management has an influence on and have been influenced not only by inner environment but outer. Therefore it is important to say that current assets management is made according to micro and macro processes in economics, political situation, legal regulation and with strategic focus.

So, now we are ready to form our unique approach to current assets management definition, shown in the table 1.2, taking into account agreeable scientific points of view as well as newly proposed.

*Table 1.2*

**Current assets management definition features**

Scientists	Agreeable features	Features added to widen the scientist's definitions	Newly proposed by author features
1	2	3	4
Blank I. O.	The current asset management aimed at defining current assets`: <ul style="list-style-type: none"> <li>• volume;</li> <li>• composition;</li> <li>• structure of financing sources.</li> </ul>	The current asset management aimed as well at defining current assets` turnover as one of the key criteria of their effectiveness.	<p>The current asset management is aimed at:</p> <ul style="list-style-type: none"> <li>• the rise of current assets profitability;</li> <li>• minimization of current assets losses;</li> <li>• minimization of total costs for current assets;</li> <li>• determining types and components of current assets while optimizing the structure of sources of their financing;</li> <li>• taking into account specifics of the operational cycle of the company;</li> </ul>
Bondarenko O. S.	The current asset management is a managerial decision about: <ul style="list-style-type: none"> <li>• accounts receivable;</li> <li>• cash management and current financial investments;</li> <li>• inventory management...</li> </ul>	... as well as for: <ul style="list-style-type: none"> <li>• advances given.</li> </ul>	
Deineka O. V.	The current asset management is aimed at solving current financial problems which influence financial stability and solvency. The current asset management is short-term financial policy...	...as well as a long-term strategic process.	
Vlasova N.O.	The current asset management is a component of financial and operational management... The value of current assets, the control over their formation and usage and organizational preconditions are taking into account.	...as well as a production management.	



*Ending of Table 1.2*

1	2	3	4
Ashraf C. M.	The current asset management is part of corporate finance.	The current assets are key factors in formation of liquidity provision	<ul style="list-style-type: none"> <li>• determination of need in current assets;</li> <li>• strategic focus which is influenced by inner and outer environment.</li> </ul>
Eljelly H. U.	The current asset management is aimed at risk elimination...	...as well on risk identification and usage of appropriate methods to impact on the level of risk considered current assets.	

By making critical analyzes we propose a new way of understanding current assets management essence. We consider that current assets management – is a management paradigm aimed at efficient management decisions on current assets` (e.g. managing volume of current assets that is needed, composition, types and components of current assets while optimizing the structure of sources of their financing, turnover, profitability, current assets costs and losses) which correspond to specifics of operational cycle of company with determination to eliminate risks by inner and outer environment and solve current financial problems as well as stay strategically focused.

Defining goals and objectives is a fundamental question in the company's current assets managing. The goals and objectives of current assets management vary according to the context of the assets themselves. The classification of current assets is extensive therefore let`s consider the goals and objectives of current assets management according to each specific type of them starting with inventory management, shown in the table 1.3.

*Table 1.3*

### **Goals and objectives of inventory management**

Scientists	The goals of inventory management
Varlakov A.Y.	To ensure inventories in the amount sufficient for the uninterrupted operation of the enterprise, therefore reducing the risks of the economic activity. [60]
Dobronravin O.R.	To optimize the speed of circulation of inventories. [15]
Daves P. R.	To ensure that the inventories needed to sustain operations are available, but to hold the costs of ordering and carrying inventories to the lowest possible level. [10]

We agree with Varlakov A.Y that it is needed to keep the inventories on an optimal level, without stockouts and excesses to eliminate possible risks. But we can add that it is important to search for such quantity of reserves, in which all the current needs of the enterprise in inventories would be covered and there would not be unnecessary costs, resulting in lower profits and profitability.

Also, we agree on Dobronravin O.R. statement about the circulation of inventories as an important goal of their management. Because the speed of inventories circulation influence vastly the most important indicators of the efficiency of the enterprise - the duration of the operational and financial cycle, profit and profitability. We can say that the emphasis here also has to be not only in achieving high turnover but also in ensuring effective inventories movement.

At last Daves, P. R. point is well taken when he says about lowering the cost of inventories managing. But here is the existing strong connection that has to be said between optimization of inventories cost with their value in general and quantity of reserves. In which, on the one hand, all the current needs of the enterprise in inventories would be covered, and on the other there would not be unnecessary costs, resulting in lower profits and profitability.

Looking through the proposed goals for inventories management we have to make our new essential contribution:

- We consider that inventories management goals have to be aligned with the main business objective - maximization of the market value of a company. In an aspect of inventory, it is achieved through the rational investment of financial resources in those or other types of inventories;
- On the question of optimal reserves, we can look from the consumer`s point of view. The goal here is to meet the needs and expectations of the company`s clients in the optimal and available volume of inventories in stock;
- Also, it is important not only focus on inventories but make provision of current production activities of a company on which inventories depends. Because of the provision of the normal course of the production process during all the period of its implementation (i.e. monitoring over rhythmic

current sales and fulfillment of contractual obligations) is vital to ensure normal inventories managing process;

- The goals should involve substantiation of the accounting policy on inventories as well as building effective systems for monitoring of inventories in the enterprise which will lead to increased efficiency of the company.

So, for now, we have formulated the main goals of inventories management, listed in the fig. 1.2 below.

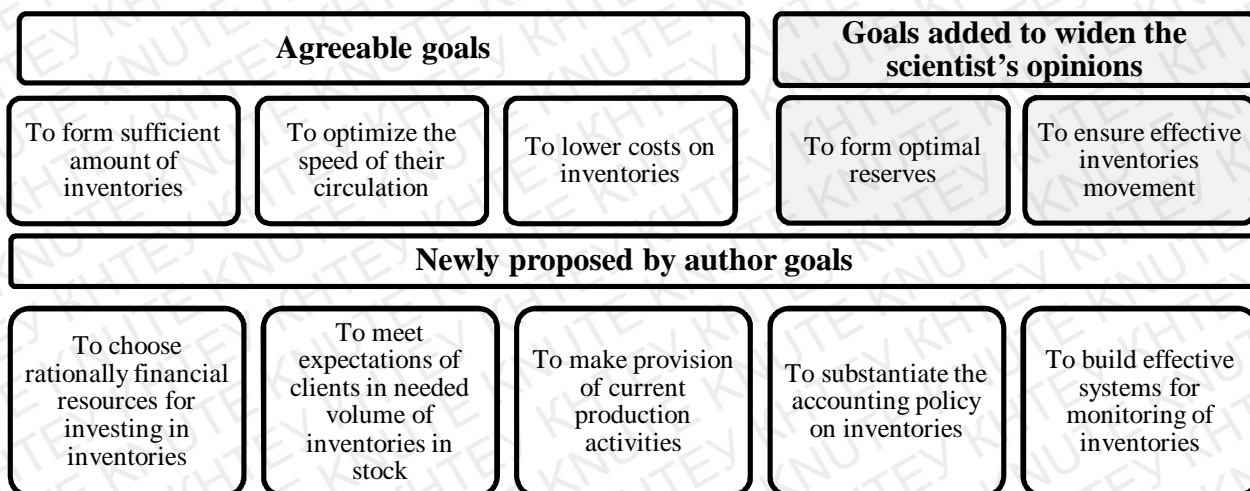


Fig. 1.2 The goals of inventory management [60; 15; 10]

Next we need to analyze the goals and objectives of managing the current accounts receivable proposed by scientists, shown in the table 1.4.

Table 1.4

#### Goals and objectives of current accounts receivable management

Scientists	The goals of current accounts receivable management
Ionova A.F.	Optimization of the size and the provision of a collection of debts from buyers of goods, works and services. [63]
Romanovsky M.V.	To maximize the aggregate cash flow while minimizing the costs associated with the formation of receivables.[56]
Shchurina S.V.	To optimize its size, structure, as well as stimulate sales through the use of effective credit policy. [61]

We agree with Ionova A.F. that in the sphere of accounts receivable management their size optimization and debt collect might be two the most important goals. We only have to add that in debt collection debt period and debt quality really take weighty place from the standpoint of the current accounts



receivable collection. That is why building effective systems for controlling traffic and timely collection of current accounts receivable might be another goal.

Romanovsky M.V. underlines need in adherence to cash flow maximization and costs minimization. Here we only can differ in the opinion that such a goal mostly refers to long-term strategic goals, rather than day-to-day tactical objectives. Because in tactical level cash flow may aim to maximization as well as it's minimization, stabilization or keeping the tendencies of previous years. Still, we agree that cost minimization is vital.

Shchurina S.V. marks a new point on the use of effective credit policy. We agree that the type of credit policy should be defined, and can add that estimation of the permissible investments in current receivables should be made too. It is important to manage the debt structure and control payment discipline of buyers.

Looking through proposed goals for accounts receivable management we again have to make our new essential additions:

- If we would have to identify three main goals of accounts receivable management we would choose to obtain optimum but not the maximum volume of sale, minimize costs of credit sale and optimize investment in receivables;
- Important to formate evaluating buyers standards, differentiating trade terms;
- The previous goal leads us to next - formation the procedure for collection and refinancing of current accounts receivable. Because accounts receivable are one of the main factors of sales-generation, therefore managers must ensure their eventual translation into cash-flows;
- An important goal is forecasting of receivables. On the basis of historical experience or current credit policy managers need to forecast ageing of receivables, receivables expenses (i.e bad debts, expenses on receivables collection, cost of funds frozen in receivables, etc.), collection period, possible discount and other to be able to take all this scope of information into consideration when managing sales and receivables itself;
- It is needed to periodically use certain financial ratios (i.e. receivables

turnover ratio, days in sales outstanding, cash conversion cycle) to control and manage more effectively. It would improve not only receivables managing but managing revenue and cash-flow generation, working capital, liquidity.

So, for now, we have formulated the main goals of accounts receivable management, which is listed in the fig. 1.3 below.

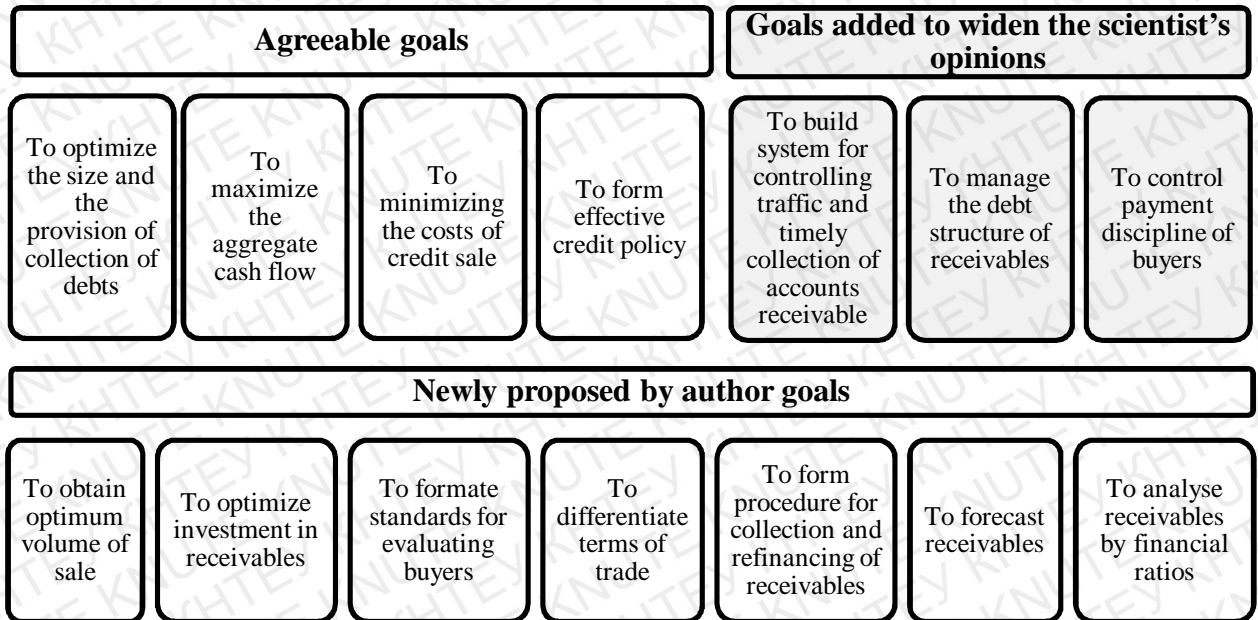


Fig. 1.3 The goals of accounts receivable management [63; 56; 61]

And at last, we need to analyze the managing goals of cash and cash equivalents management, shown in the table 1.5.

Table 1.5

#### Goals and objectives of cash and cash equivalents management

Scientists	The goals of cash and cash equivalents management
Pogorelova V.G.	To ensure the permanent solvency of the enterprise. [49]
Nezamaykin V.N.	To ensure a given level of solvency with the minimum possible level of cash balance for the normal functioning of the company.[44]
Bland R. L.	To ensure maximum cash availability and maximum investment yield on an idle cash. [5]

We agree with Pogorelova V.G. because of that fact that neither a large number of current assets and equity capital nor the high level of profitability can ensure the enterprise from a bankruptcy if, due to a shortage of monetary assets, it can not pay off its own urgent financial obligations. But we can widen this definition by adding that the level of enterprise's absolute solvency is determined by the size

of the monetary assets that are affected by the amount of capital invested in current assets and also characterizes to a certain extent by their investment opportunities.

Nezamaykin V.N. too stated a good point about the importance of cash balance. We can adjust that management of cash assets is carried out mainly due to ensuring the balance of inflow and outflow of funds, as well as by optimizing their structure and composition. Another important point that the author might have been mention as a goal of cash managing is about the importance of accounting and analysis of the movement of monetary assets.

Bland R. L. in his statement tells a valuable thing about cash management – on one hand, managers have to be able to mobilize cash as quickly as possible and on other - cash should be released at the last possible moment. We absolutely agree with this statement, only we can add that to perform effectively achievement of this goal the efficient investment program should be formed to make cash assets work in the meanwhile.

We see that proposed goals are not full, therefore we consider to add new essential additions and illustrate them in the fig. 1.4. We consider to add that:

- Important goal is to ensure the effective use of temporarily free cash and generate its investment remainder;
- Building effective systems for controlling the monetary assets of an enterprise is vital for effective management;
- Another goal is to build a cash management system that will provide adequate liquidity to meet all expected and unexpected obligations;
- Important to ensure accountability and reliability of cash management by providing verified data and appointment of responsible for cash assets;
- Vital to analyze, make reconciliation and review results of cash management to make forecasts and future operational amendments more effectively;
- The formation of effective cash management policy is also needed. It would help to provide stable safety, high liquidity and rising yield of cash assets.

To conclude with we may summarize analyze goals of different components of current assets to identify generalized objectives for current assets management.



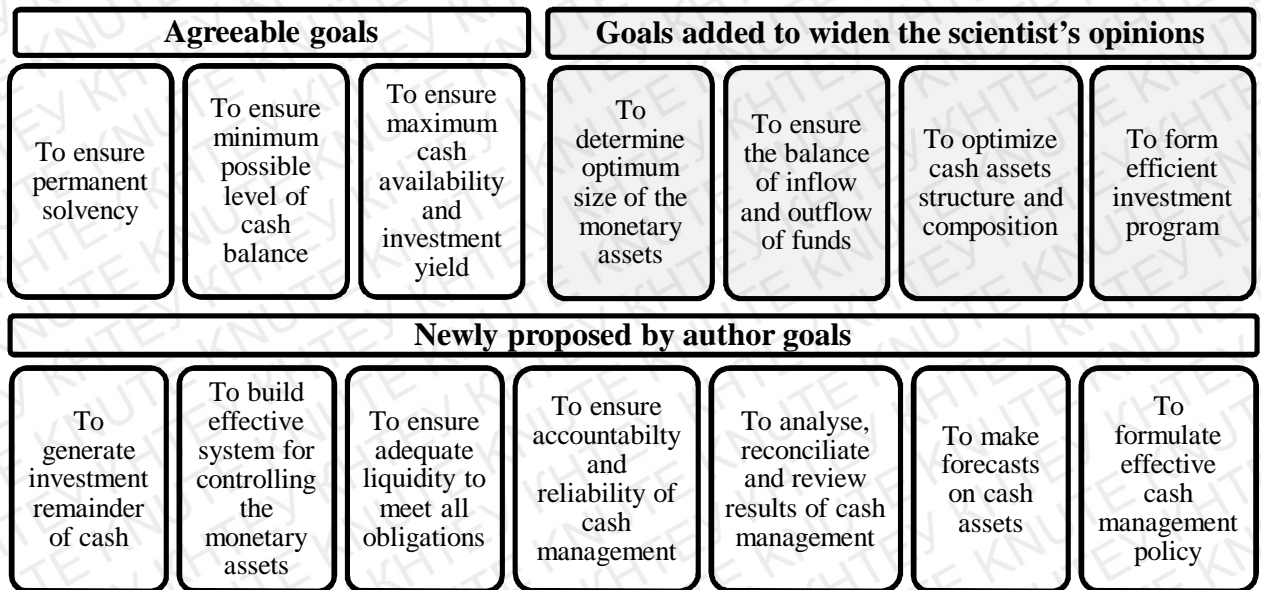


Fig. 1.4 The goals of cash and cash equivalents management [49; 44; 5]

As a rule, goals of current assets management (not considering specific objectives associated with their particular components) are aimed at:

- Forming sufficient size, structure, composition of current assets;
- Optimizing their circulation and turnover speed;
- Ensuring the efficiency of use, analyze the necessary level of liquidity;
- Forming optimal reserves, lower costs and risks;
- Forming accounting and credit policy, investment program;
- Building systems for monitoring, controlling and forecasting;
- Ensuring the continuity of the operations and market value growth.

We consider that systematic integration of advanced and sustainable management techniques into a management paradigm or way of thinking, with a primary focus on the long-term life cycle of the current asset and its sustained performance, rather than on short-term, day-to-day aspects– is the main overall goal of all types of current assets management.

For now, we can consider the principles on which current assets management is based. In our Ukrainian practice such scientists as Strelnikov D. V., Miokova G. I. consider wide range of principles, designated on the fig. 1.5. Let us analyze them.

Strelnikov D. V.	<b>Principle of interconnectivity</b>	<ul style="list-style-type: none"> <li>• All managerial decisions, within the limits of the general procedure of financial management, affect current assets.</li> </ul>
	<b>Principle of timeliness</b>	<ul style="list-style-type: none"> <li>• All managerial decisions on the formation and usage of current assets types should be made in a timely manner.</li> </ul>
	<b>Principle of continuity</b>	<ul style="list-style-type: none"> <li>• The process of management of current assets directly affects the indicators of liquidity and solvency of the enterprise.</li> </ul>
Miokova G. I.	<b>Principle of optimality</b>	<ul style="list-style-type: none"> <li>• Managerial decisions should be directed at determining current assets optimal volume.</li> </ul>
	<b>Principle of establishing the need</b>	<ul style="list-style-type: none"> <li>• The size and structure of current assets should ensure, on the one hand, the maximization of profits of the enterprise, on the other hand - to ensure the full and effective use of their individual types.</li> </ul>
	<b>Planning principle</b>	<ul style="list-style-type: none"> <li>• The optimal need of current assets should be calculated, which would ensure the continuity of the production process, execution of planned tasks and rhythmic work.</li> </ul>

Fig. 1.5 Principles of current assets management - Ukrainian practice [67; 42]

We mostly agree with principle statements of Strelnikov D. V. The principle of interconnectivity is absolutely agreeable with us because there is a strong relationship within the overall management system - nature of financial, economic, investment other decisions are integrated and influence all system's components, current assets in particular. Though it is more likely a general principle and do not help to manage the current assets themselves. The same situation with the principle of timeliness. Though it is stated correctly about the formation and usage of current assets in a timely manner we can argue to add that all relevant information should be worked out without delay, have materiality value. All this needed for making relevant decisions on current assets, making forecasts, evaluating the results.

Principle of continuity formulated by Strelnikov D. V. is absolutely agreeable with us, but it should have been more said that continuity is more about that fact that the enterprise will continue to operate and fulfill its obligations due to normal or high liquidity and solvency, which is gained through optimization of size, structure, composition of current assets as well as obligations.

Miokova G. I. in her principle of optimality volume of current assets is correct but incomplete. Here is needed to say that the optimal volume of current assets should be supported by its balanced structure and composition. And not only by considering day-to-day needs of a company in current assets, but considering

the stage of the life cycle of a company as well as upcoming prospects of development of a company's production and commercial activities.

The principle of establishing the need in current assets is most agreeable with us, though we can add that in the process of developing a financial plan, the enterprise must ensure the balance of needs of production and sales which will influence the need of attracting the planned volume of current assets.

The planning principle might be a fundamental one. We agree that planning is important due to ensure the working process of needed procurement, delivery, storage and sale of products. It is needed to economically justify formation of current assets. But we think that such planning should be made by rationing current assets elements, forming of reserve norms, and standards for current assets.

Analyzing the current assets management principles in Ukrainian practice we see more general than particular principles. No word was said about determining the sources of financing of current assets, increasing their efficiency, liquidity and turnover. Or more indirect facts as current assets dependence on volumes of the company's activity and consumer demand, the level of inflation, the tax burden, financing sources, laws and social conditions. All of this should have been involved in determining core principles of current assets management, in accordance with which current management system should be created. According to foreign scientific practice Enqvist J. and Kumar S. highlight such principles as shown in the fig. 1.6.

<b>Enqvist J.</b>	<b>The Life Cycle Principle</b>	<ul style="list-style-type: none"> <li>• All assets pass through a discernable lifecycle, the understanding of which enhances appropriate management.</li> </ul>
	<b>The Equity Position Principle</b>	<ul style="list-style-type: none"> <li>• Connected to planning the total investment amount in current assets - the amount of investments invested in each component of current assets should be adequately justified by a firm's equity position.</li> </ul>
	<b>The Total Cost of Ownership Principle</b>	<ul style="list-style-type: none"> <li>• There exists a minimum optimal investment over the life cycle of an asset that best balances performance and cost given a target level of service and a designated level of risk.</li> </ul>
<b>Kumar S.</b>	<b>The Failure Modes Principle</b>	<ul style="list-style-type: none"> <li>• Not all current assets fail in the same way.</li> </ul>
	<b>The Probability Principle</b>	<ul style="list-style-type: none"> <li>• Not all current assets fail at the same time.</li> </ul>
	<b>The Consequence Principle</b>	<ul style="list-style-type: none"> <li>• Not all current assets failures have the same consequences.</li> </ul>

Fig. 1.6 Principles of current assets management – foreign practice [21; 38]



We absolutely agree with the Life Cycle Principle by Enqvist J. on different stages of lifecycle different management approaches to making decisions should be made. Moreover, we can add that different approaches to current assets management should be made due to the lifecycle of the enterprise itself.

We agree on the Equity Position Principle because here author connects amount of investments in current assets and firm's equity position – it is important to observe compliance of efficiency of use capital with its cost on current assets use.

The principle of Total Cost of Ownership shows us a balanced approach to current assets management. All decisions should be efficient and thoughtful - there is a line that is consisted of current assets productivity, cost, and risk, after crossing which investments in those or other current assets will bring no results. Here we see how Enqvist J. has proposed more particular principles on current assets management and do not blur them with general points, as Ukrainian authors.

The principles proposed by Kumar S. we would have been entitled in one "Failure" principle. He states an interesting point of view that not all current assets fail in the same way, at the same time and they have different consequences. It is agreeable, though a wide range of factors can trigger the current assets failure. But to propose one approach we can say that failures may appear when current assets are not able to continue to do what is required by managers, production process or other users of current assets from an internal and external environment. Still, this principle is hard to use in management, though it is important to know such point of view.

So in foreign practice, we see that the principles by which the organization apply current asset management are quite detailed and might be set out in an asset management policy. The approaches to implementing these principles should be documented in the infrastructure strategy as well as relationship between the organizational objectives and the asset management objectives.

Analyzing commonly known principles of current assets management we can say that they are processed pretty fully, but we can still propose some new directions and illustrate them in the fig.1.7.

<b>The principle of capital value invested in current assets</b>	<b>The principle of Self-contained Debt</b>	<b>The principle of Operativeness</b>
<ul style="list-style-type: none"> <li>•Each source of the current asset has a different source of financing with its own cost. A company should raise capital for current assets in such a manner that would provide a balance between risk and profit as well as the opportunity for gain or loss by using current assets in companies activities.</li> </ul>	<ul style="list-style-type: none"> <li>•The maturity of the source of financing of current assets should correspond to the length of time to which that financing is needed.</li> </ul>	<ul style="list-style-type: none"> <li>•Management of current assets must be quick, accurately and with objectivity. It should be based on verified information, which reflects the objective reality, and the conclusions should be justified by precise analytical calculations.</li> </ul>

Fig. 1.7 Newly proposed by author principles of current assets management

The successful use of these principles in the organization provides a search for a compromise between the risk of loss of liquidity and the efficiency of work, which is reduced to solving such important tasks as ensuring solvency and acceptable volume, structure, and profitability of current assets.

Now, we can determine the generalized picture of the final list of agreeable principles of current assets management, which is shown in the figure 1.8 below.

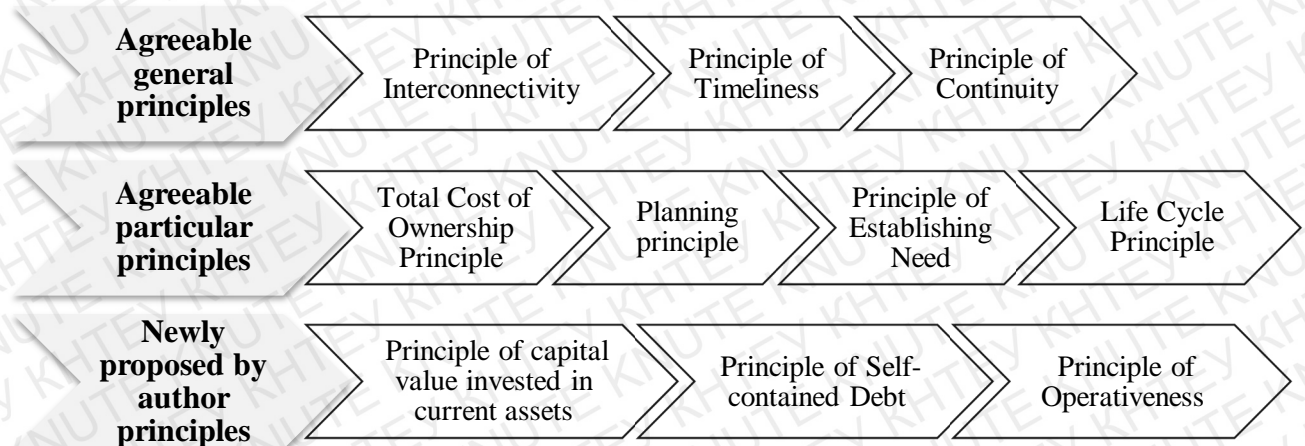


Fig. 1.8 Principles of current assets management [67; 42; 21; 38]

To summarize, we have made the critical analyzes of Ukrainian and foreign authors understanding of current assets management essence, it's goals and objectives as well as the main core principles of their functioning. This has helped us to determine and formulate our own approach in understanding of listed concepts.

## 1.2 Methodological support of the analysis and management of current assets of the enterprise

For a current assets management analysis, the specific methodological support is developed. We agree with Krylov S. I. that analysis of the current assets of a commercial organization begins with the study of their volume, composition, vertical analyzes on structure, and horizontal analyzes on dynamics [25]. It is needed to understand the availability of provision of certain types of current assets, determine reserves, their material value.

Based on the results of calculations, conclusions are drawn about the effect of changes in the values of individual elements of current assets on the deviation of their total amount [24]. We endorse this step too because it determines the degree of rationality of the structure of current assets and the reasons for its change.

The next step is to calculate and analyze the absolute and relative indicators of the company's liquidity assessment [35]. We also agree on this point because it allows us to understand whether or not the company is ready to meet its short-term obligations and carry out unforeseen expenses.

*Table 1.6*

### **An absolute indicator of the liquidity of the enterprise [30]**

Indicator	Formula	Recommended value	Significance
Working capital	—	>0	Shows the number of current assets that will remain after paying off all short-term liabilities at their expense.

We agree that calculating this indicator, shown in the table 1.6 is needed to make liquidity assessment of a company as well as it's creditworthiness.

The commonly adopted in literature indicators of relative liquidity shown in the table 1.7 are – Cash ratio, Current ratio, Quick ratio [30; 58; 62]. We agree that calculate them is important too because in the process of work liquidity indicators characterize the security of short-term liabilities of the enterprise and provide a diverse complex of a characteristic of organizations financial stability.



Table 1.7

**Relative indicators of the liquidity of the enterprise [58, 62]**

Indicators	Formula	Recommended value	Significance
Cash ratio	$\frac{(h + h)}{h -}$	>0,2	Shows the company's ability to pay current liabilities using only cash and cash equivalents on hand.
Current ratio	$\frac{h -}{h -}$	>2,0	Measures a company's ability to pay short-term and long-term obligations.
Quick ratio	$\frac{(h + +)}{h -}$	>0,8	Shows the company's ability to meet its short-term obligations with its most liquid assets.

Based on the results of the analysis, a conclusion is made about the sufficiency (insufficiency) of the amounts of current assets [58]. We agree with Savitskaya G.V. on this term, because analyzes of the liquidity indicators of the organization are conducted in dynamics and in comparison with the recommended values which help to determine whether or not the current assets and their amount are enough to cover the company's short-term liabilities.

Next, the calculation and analysis of indicators of turnover of current assets shown in the table 1.8 are performed [35]. We agree with Krylov S. I. that this step is important in the analysis and management of current assets of the enterprise, because by calculating turnover indicators we see how intensively and what types of current assets are used.

Table 1.8

**Turnover indicators of the enterprise [45, 72]**

Indicators	Formula	Significance
1	2	3
Turnover coefficient	$\frac{h -}{h -}$	Shows the number of revolutions made by current assets for a certain period. The increase is a positive trend.
Loading coefficient	$\frac{h -}{h -}$	Is the inverse of the turnover ratio. It characterizes the value of current assets per hryvnia of sold products. The smaller the indicator, the more efficiently circulating assets are used.

*Ending of Table 1.8*

1	2	3
Cash turnover ratio	$\frac{\text{Sales}}{\text{Average Accounts Receivable}}$	Shows the proportion of cash required to generate sales
Inventory Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$	Shows how many times a company's inventory is sold and replaced over a period of time.
Receivables Turnover	$\frac{\text{Net Sales}}{\text{Average Accounts Receivable}}$	Shows the firm's effectiveness in extending credit and in collecting debts on that credit.

Indicators of turnover of current assets are sector specific and don't have unified recommended values [72]. It is agreeable, because development of the recommended indicators of turnover is possible in particular branch of the economy.

The final stage of the analysis of current assets is to study the effectiveness of their use [34]. We agree that calculating such effectiveness indicator as Return on Current Assets shown in the table 1.9 gives organization the opportunity to assess its actual state of current assets.

*Table 1.9*

**An indicator of the effectiveness of the enterprise [35]**

Indicator	Formula	Significance
Return on Current Assets	$\frac{\text{Net Profit}}{\text{Average Current Assets}}$	Shows how much profit from sales enterprise earns from each hryvnia invested in its current assets.

At the end of the analysis of the current assets of the enterprise, a general conclusion is made about the degree of rationality of their structure, sufficiency for covering short-term obligations, intensity, and efficiency of use [62]. We agree on this statement and can add that all conclusions should be based on the systematization of the results of the made analysis.

If we are talking more precisely about the methodological support of the analysis of current assets by types, we may start from the management of inventories. Literature distinguish several models:

1. Economic Order Quantity (EOQ) - determines the optimal volume of inventories based on the goal of minimizing costs (that vary depending on the number of inventories) for their acquisition and storage, while meeting the

forecasted demand for these goods. EOQ model shown in the fig. 1.9.

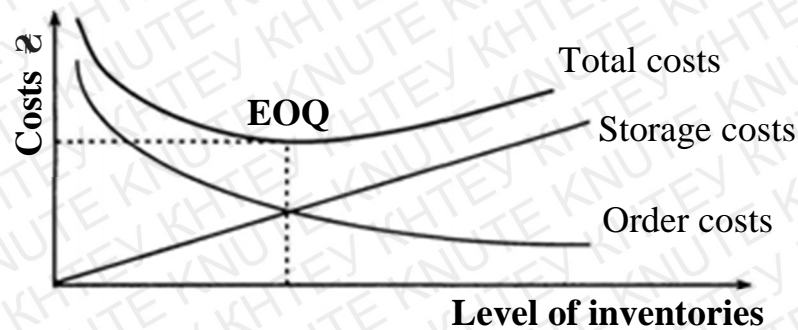


Fig. 1.9 EOQ model [66]

The quantity of optimal order based is determined by the following equation:

$$= \frac{D \cdot C_o}{C_h}, \quad (1.1)$$

where  $D$  - annual demand for the goods on which inventories are formed;

- cost of registration of the order;

- total annual costs of storing a unit of inventory for the period (transportation cost, warehousing, insurance, losses from theft and spoilage, alternative costs from investments in inventories etc.) [66].

We agree that such model is useful to minimize different expenses on inventories. It can be seen from the fig. 1.9 that EOQ is at the intersection of storage costs and costs for placing an order. At this junction, the expenses are minimal – which lead to the lowest total cost of material resources. But like any model, we see problems with its implementation. The first one, is a problem of preparing the initial data for the application of formulas. Another one is basically accessibility and correctness of the interpretation of the obtained results.

2. The Material Requirements Planning (MRP) - a computer information system designed to process orders and schedule the formation of inventories, depending on the demand for the company's products. Is used to identify material requirements for inventories for each planning period. In result using this model company receive a schedule for fulfilling and sending orders, corrections in them, a



report on the execution of deliveries, a scheduled order fulfillment plan reports [15].

We agree that model is useful because it helps to plan production, the need for materials, delivery issues. It allows to support low levels of inventories. The plus is that all is computerized, the time to market products is reducing, overall profitability increasing. But big number of calculations, preliminary data processing is needed.

3. The ABC method - classifies the groups of goods in inventories depending on their importance. The greatest attention is paid to goods in group "A" - the most expensive (e.i. 20% - assortment; 80% of sales), less attention to less expensive goods (group "B" - 30% - assortment; 15% - sales). The cheapest goods - "C" group - are given the least attention (50% of the assortment; 5% - sales) [69].

In our opinion, it is interesting to consider ABC method through Pareto principle – when 20% all goods yield 80% of turnover (as goods in a group “A”). In current assets management and using ABC-analysis, we can apply Pareto principle by stating that reliable control of 20% of the inventories allows controlling whole system (80%) of materials, inventories, different components.

We can add to Vahovska considerations that fact that ABC method is useful tool for solving administrative tasks (management of assortment, inventories, choice of suppliers and channels of sales, etc.), which gives the ability to adjust its development strategy, improve efficiency of enterprise economic activity in general. We agree that this model is one that helps to analyze inventories and to provide control optimization of resources, funds. It is easy to use, the work is transparent - each step can be tracked and adjusted. But we consider that gained analysis results through this model don't provide correctness of conclusions to management when, for example, inventories assortment is poorly structured or difficultly constructed.

4. The fixed inventories level method - there is a maximum desirable volume of inventories in the warehouse. The need for inventories reduces its quantity in stock. And as soon as the quantity will reach the threshold level, a new order is placed. The optimal order size is chosen in such a way that the number of inventories in the warehouse will be again equal to the maximum of desired stock [57].

We consider the model shown in the fig. 1.10 stated by Ruzhanskaya, in

reality, is hardly used. Such reproduction, when inventories are used with some constant intensity, and as soon as the level of inventories is reduced to minimum, the volume of inventories is restored is really rare due to that fact that in real business practice, the moment when the new order is submitted and the moment of its execution, as a rule, do not coincide. To use this model in practice we need to know time delay between the order and its receipt, expected sales, delivery time and other important influence factors.

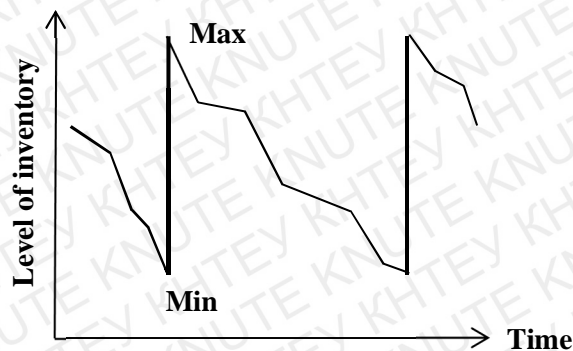


Fig. 1.10 The fixed inventories level method [76]

5. The Minimum - Maximum method - control over the level of inventories is done periodically, and if during the inspection it turned out that the level of inventories is less or equal to the threshold level, then the new order is done. This system is oriented to the situation when the cost of inventory accounting and the costs for the design and delivery of the order are so significant that they become commensurate with the losses from the shortage of inventory stocks [16].

So we see that this method is used when a company has high expenses on inventory records and their ordering costs. We consider that such a model can be used more often in the production. Because there are many small parts and units of products, availability of which should be kept under control to be sure that their amount is ensuring uninterrupted production processes.

6. The fixed interval method - order for inventories is placed with the specified periodicity, the size of which must replenish the stock level to the maximum of the desired inventory [57]. So in this model, shown in the fig. 1.11, the order size is a variable value. We consider that this system strong side that it requires only a

periodic control of the number of inventories, when a method with a fixed level of inventories requires their constant accounting in the warehouse. But this system is based on fixing time interval parameter may fail when a company has failures in supply and consumption.

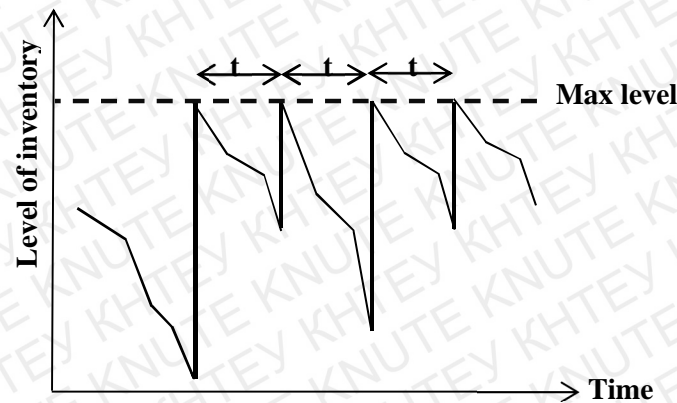


Fig. 1.11 The fixed interval method [76]

To propose a new vision in this field we offer to make cycle counting of inventories instead of doing a full physical inventory at the end of the year. We propose to determine a batch percentage of inventorable items and check the actual quantities versus the records. Any discrepancies should be reconciled and adjusted on records. Such inventory can be made weekly, monthly, quarterly. It is a useful technique because the counting process is easier and frequent checking of inventory will reduce if not to eliminate stock discrepancy.

Also as a new approach to inventory management could be its dropshipping. Company may not always keep the products in stock and instead purchase the inventories from a third party and shipped it directly to the customer when selling. This eliminates all expenses related to holding inventory, storage, and fulfillment.

And at last we want to propose to observe diverse movements of inventory and paying attention to slow moving and obsolete items. Not only they are taking space in warehouse but distort financial figures and reports on inventories. We simply propose to determine which type of inventories are the time-longest in possession of a company and make their re-market or removing. Possibly recycling if company is a manufacturer.

To conclude with the methodological support of the analysis of the



management of inventories we can say that there are two main inventory management systems on which other is based:

- A system with a fixed order size;
- A system with a fixed interval of time between orders.

Anyway, the appropriate method should be chosen due to specifics of the enterprise's operations themselves. Now, we can highlight the common methodological support of the analysis and management of inventories of the enterprise proposed by scientists and added by the author, formulated in the fig. 1.12.

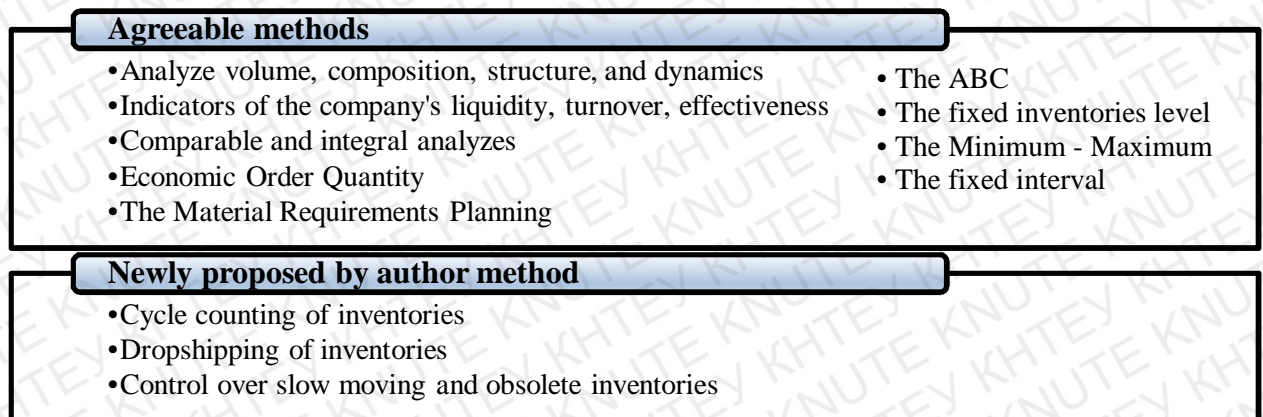


Fig. 1.12 Methodological support of the analysis and management of inventories

Now let's consider methodological support of the analysis and management of accounts receivable provided by scientists. Andreeva G.I. stated the methodological sequence of a receivables management, shown in the figure 1.13.

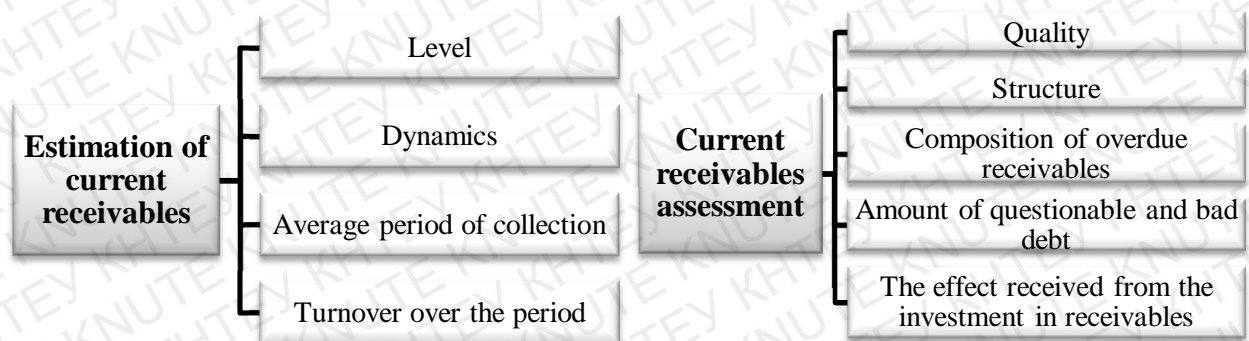


Fig. 1.13 The methodology of analysis of current accounts receivables management [1]

We think that Andreeva G.I. approach is incomplete and have omissions. We consider that the proposed methodology is more likely to fully describe the first several steps of accounts receivables management – their analysis.

We agree that the estimation of receivables (level, dynamics, etc.) have to be made. But we rather add that the analytical tables should be built about the current receivables as well as overdue. Also, we would use the grouping or detailing approach here, to ranking the timing of occurrence and repayment of receivables.

No word was said about the comparison of amounts receivable and payables or the development of a system of indicators, especially days sales outstanding.

Therefore, we need to consider another scientific point of view. According to Kugel O. V. methods of accounts receivable management can be divided into methods for managing current receivables, shown in the fig. 1. 14, and overdue [36].



Fig. 1.14 Methods of accounts receivables management [36]

Kugel O. V. propose firstly to define credit policy type of the enterprise (conservative, moderate or aggressive) [36]. We agree that it is important to step in current assets management to define minimization or maximization of credit risk and can add that the choice of the type of credit policy influences the form of selling products on credit (commodity or consumer credit). And also we can add that when credit policy is in the process of development it is important to take into account the period of the loan, credit limit, the cost of granting a loan, a system of penalties and other important conditions.

We agree with Kugel O. V. that analysis of debtor's solvency should be done when managing current assets. The analysis procedure includes collecting information about customer: volume and stability of business transactions with a debtor, receivables turnover, volume and terms of overdue accounts receivable, then analysis on solvency is conducted [36]. We can add that also we may calculate financial indicators of the debtor. We consider this important because based on the evaluation results, all debtors would be divided into those who will be granted on loan in the maximum amount, a limited amount and not granted at all.

Accelerating debt recovery through discounts is based on changes in the terms



of the contract, in particular, the conditions for the formation of the price of a commodity loan [36]. The most common are, when the enterprise grants its customers discounts for early payments and seasonal dating - loan conditions under which debtors can purchase products before the peak season of sales, and can pay off before loan by the end of the period [70]. We agree on a statement of these authors and can add that managing current assets through discounts play the role of a psychological factor since such promotion is always better than punishment or fine.

Insurance and refinancing help to reduce credit risk and is more interesting for organizations working in competitive markets that don't have opportunity to influence buyer by their conditions [12]. We see using insurance and refinancing methods in current assets management as beneficial to the financial independence of the enterprise. But using insurance or refinancing (cession, factoring, forfeiting etc.) always costly, time-consuming and may bring indefinite results.

We have studied methodological approaches of current assets receivables management and made analysis in the scientific literature, therefore we are ready to propose additional methodologies. As easy as it sounds we propose to calculate the trend line, as a method for current account receivables management analysis. It is simply needed to forecast the number of receivables using the outstanding balance of the receivables at the end of each month for the several last years. It would help to compare the percentage of bad debts with sales over a period of time. If this percentage shows a strong recurring trend, management may want to take action. For example, if the percentage of bad debts increases, management may change work conditions with customers to stricter. And visa versa, if the percentage of bad debt is low, the management may decide to reduce the loan to increase sales.

Also, we may propose one methodological approach to analyzing the quality of accounts receivable. To understand is there a possibility that debt will be redeemed we need to focus our attention on analyzing the extent to which company's customers-debtors are diversified within economical or industry sector. For example, if our debtors are mostly involved in the building sector, an economic crisis or downturn may vastly affect them and all customers with high probability will not



pay their debts. And visa versa if the company has a diversified base of customers that involved in different sectors of the economy it became less vulnerable and affected from changes in the economy.

So, for now, we can highlight the common methodological support of the analysis and management of current accounts receivable of the enterprise proposed by scientists and newly added by the author, formulated in the fig. 1.15.

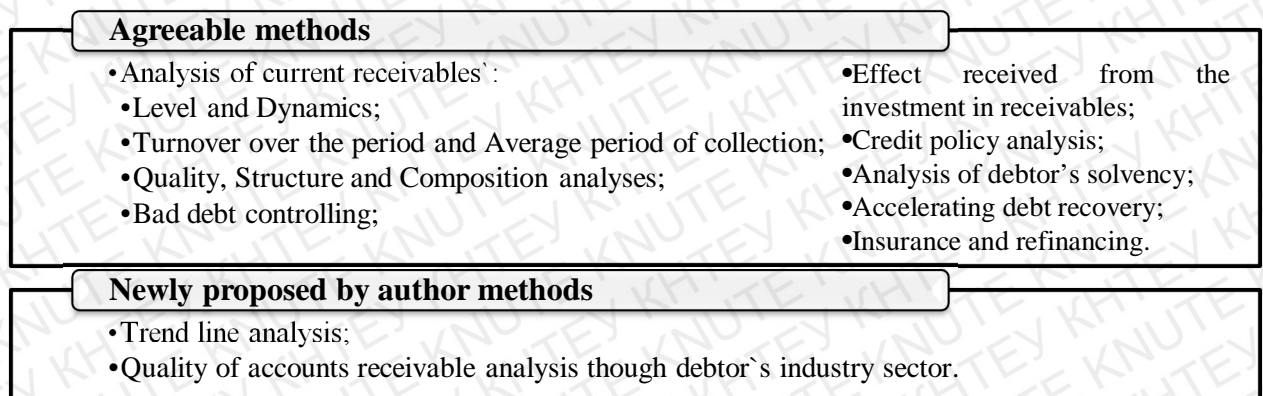


Fig. 1.15 Methodological support of the current accounts receivable management

And at last the methods managing the cash and cash equivalents is needed to be analyzed. In general, the system of effective cash and cash equivalents analysis and management implies the allocation of procedures such as:

1. Calculation of operational and financial cycles [50];
2. Analysis and forecasting of cash flows [39];
3. Determination of the optimal level of cash [74];
4. Cash flow synchronization [55];
5. Drawn up a cash budget [68].

If the reduction in the operational cycle (it is a favorable tendency) can be made by accelerating the production process and the turnover of accounts receivable, the financial cycle can be reduced due to both these factors and some uncritical slowdown in the turnover of accounts payable [50].

We agree with Purlick V. that it is important to calculate operational and financial cycles, shown in the fig. 1.16, because thanks to this, the amount of money on the account is determined and expedient to maintain an additional source of financing is considered.

Kuznetsova I. D. states that cash flow analysis allows you to determine the cash flow balance as a result of operational, investment and financial activity. In the international accounting and analytical practice for this purpose two methods are developed - direct and indirect. The difference between them consists in a different sequence of procedures for determining the flow of funds as a result of the current activity: either according to the accounts of accounting (direct method) or during the adjustment of net profit in the context of cash flow (indirect method) [39].

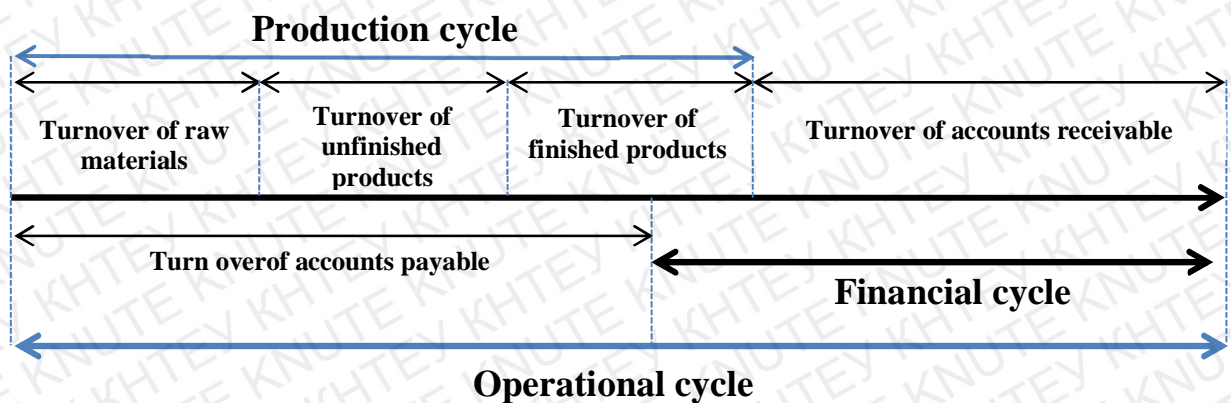


Fig. 1.16 Operational cycle and the financial cycle of the enterprise [50]

We agree with this point because from the position of monitoring and evaluation of the effectiveness of an enterprise management of cash it is needed to have an idea what types of activities generate the main part of cash receipts and outflows. It is very important to calculate the main financial ratios used in cash flow analysis (Net cash flow adequacy ratio, liquidity, and efficiency cash flow ratios).

Forecasting of cash flows also an important part of cash management. But it should be based on data obtained in assessing the investment attractiveness and financial condition of the enterprise. Kuznetsova I. D. propose bid variety of forecasting methods for cash and cash equivalents, shown in the table 1.10.

To this list, we can propose to add such forecasting approach as making weighted average calculations of cash flow with the weight coefficients (of growth, stability, the decline in cash flows etc.). And make forecast taking into account the life cycle of the company because this can determine the nature of future cash flows.

Voronchenko T. V. propose to determine the optimal level of cash to prevent



the occurrence of their deficiency while minimizing their average balance [74]. We agree with the author that this method is important to use while managing the cash assets. But here we see the main problem on one hand between the desire to protect the company from situations of chronic shortage of funds and, and on the other hand, the desire to invest free money to obtaining additional income.

*Table 1.10*

**Methods for cash and cash equivalents forecasting [39]**

Method	Description
Normalization	Cash flow is estimated by adjusting the components of the retrospective cash flow;
Extrapolation	Distribution of past and present trends, patterns, links to future volumetric cash flows
Best effectiveness	The highest value is selected from the set of retrospective cash flow values. It is assumed that the enterprise will be able in the future continue to reach the highest value of cash flows.
Maximization of downloads	The effective owner of the enterprise will increase the loading of its production capacities in comparison with the previous period, as a result, cash flows will increase in relation to their current value.
Optimization of financial indicators	One ratio is artificially raised to the normative values, another to industry standards and etc. As a result, the forecast balance of the enterprise is constructed, to which the value of the future cash flow corresponds.
Optimization of cash flows	With the help of available financial resources of the enterprise due to their redistribution, it is possible to achieve a better cash flow value than the current one.
Dynamic analysis models	Based on the fact that using the instruments of mathematical statistics, you can find the relationship between the cash flow and the related indicators (dynamic analysis; multifactorial analysis, etc.)

In the world practice, a number of methods for optimizing the cash balance have been developed. The most famous models were Baumol, Miller-Orr, Stone, and Monte Carlo simulations [74]. We see the need for using this model due to the fact that there exist objective irregularity of income and payments, unforeseen circumstances that will provoke problems with cash. We see benefits in using this model in their ability to provide recommendations on the corridor for varying the balance of cash, the outflow of which implies the conversion of money into liquid securities, or the reverse procedure.

The important method proposed by Romanenko O. is cash flow synchronization. It will allow to minimize the balance of free cash on accounts and use available cash the most efficient way [55]. We absolutely agree and can add that it also will allow avoiding situations when a company does not have money to pay it's debt and current obligations, though on paper it is profitable. And there will be



less need in borrowed resources, therefore cost of interest payments will be reduced.

Tinyakova V. I. says that budget method is the main method of cash management, on the basis of which a cash budget is drawn up, which makes it possible to predict cash receipts and planned payments for the considered period [68]. We consider that the big plus of this methodological approach is that in the process of implementing the budget, an assessment of the real position of a company is carried out and measures are taken to adopt new circumstances even before the situation would be worse. We see this method as the simple one but time-consuming due to a large amount of statistical data.

To the proposed cash management and analysis methods, we want to offer to analyze the cash flow by taking into account the risk factors. Here we may call it a variation of scenario analysis for cash flow. So the method is basically implying that the company should calculate how large the deviation of the actual cash flow would be for the current period from the planned or budget value with some percent probability over the next 12 months due to fluctuations in basic risk factors. It will help to determine the most significant risk factors and their influence in monetary value, to prognosis what influence it will have on the company's operations and give the opportunity to prepare for possible consequences.

So, for now, we can highlight the common methodological support of management of cash assets of the enterprise proposed by scientists and newly added by the author, formulated in the fig. 1.17.

<b>Agreeable methods</b>				
Operational and financial cycle calculation	Cash Flow analysis and forecasting	Optimal level of cash determination	Cash Flow synchronization	Cash budget drafting
<b>Newly proposed by author method</b>				
Cash Flow risk scenario analysis				

Fig. 1.17 Methodological support of management of cash and cash equivalents

To summarise we have to say that there is a vast methodological base that is used to analyze and manage the current assets of the enterprise. In this chapter we

have study most common methods for current assets in the terms of their types that are met in literature, have proposed a few new approaches to study in this field.

Current asset management serves as a tool to record a part of the system's asset management practices and strategies process. Current asset management is a framework widely adopted by companies in various sectors as a means to pursue and achieve sustainable growth. In the cutaway of current assets management sphere, it can help move systems from crisis to informed decision making, facilitate more efficient and focused decisions and improve financial management of current assets to get the best effect with limited resources. That is why important to manage current assets in the terms of their types, according to specifics of a company's activities and environment.

### **1.3 The main steps of the current assets management**

In conditions of integrating market relations and economic instability, the growth of the world economy requires a constant search for financial resources. In such a situation, the relevance of the study of issues of the management of current assets of an individual enterprise increases. It is important for an enterprise to understand the flexibility, timeliness and tactical speed of developing and implementing measures to improve the management of current assets thus the policy of developing the main steps of managing current assets is vital for organization which aims to improve qualitatively and quantitatively their financial results and achieve more valuable effects of economic activity.

The company's current assets management in the workflow of such scientists as Chobitok V.I., Radchenko V.M, and Morozova N.A. acquire following main phases, shown in the fig.1.18. We consider this approach of stages of current assets good, but not sufficient. We see the main advantage in developing an overall analysis of current assets - the dynamics of the total volume and structure, liquidity and profitability etc., but the turnover of certain types of current assets in their total



amount did not consider. We agree on the stage when current assets formation policy is mentioned but studying of versatile directions of optimization and key performance indicators are omitted.

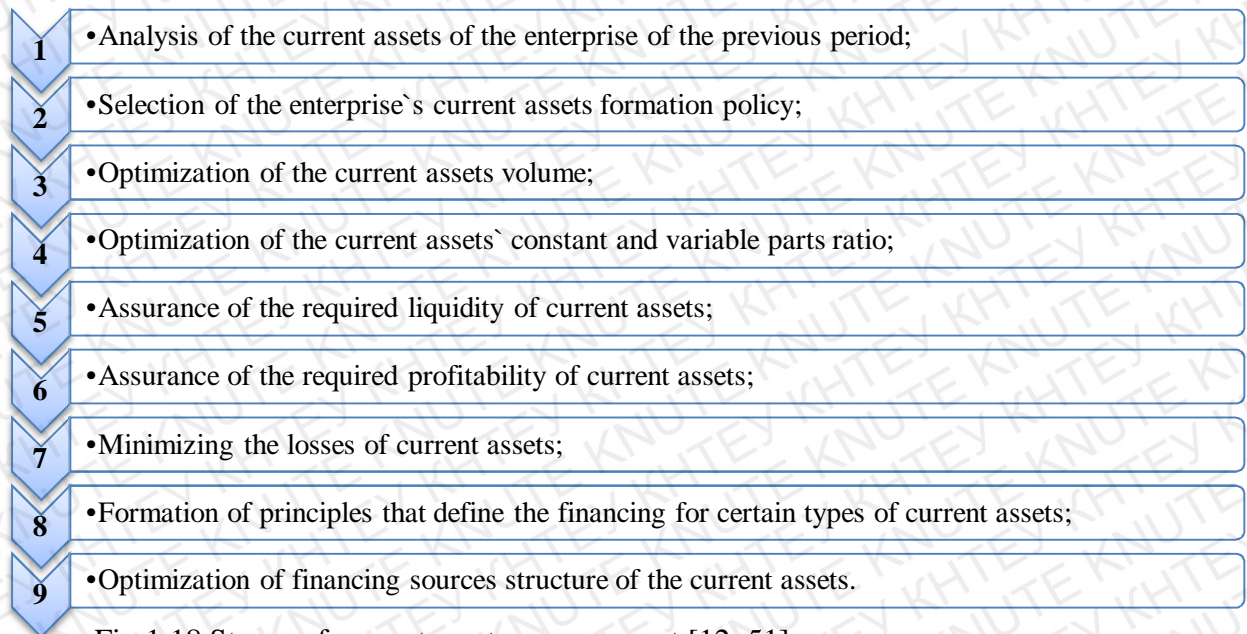


Fig.1.18 Stages of current assets management [12; 51]

Minimizing the losses of current assets is a too important stage as well as minimizing cost on their formation and use, which was not mentioned. Ommised stage of governance and identifying the responsibility for assets management throughout the typical stages of asset lifecycle (phases of the business process of manufacturing or purchasing an asset, servicing, repairing, using, writing off, etc.).

Another understanding of basic stages of management of the company's current assets is presented by scientist Blank I. A. shown in the fig. 1.19.

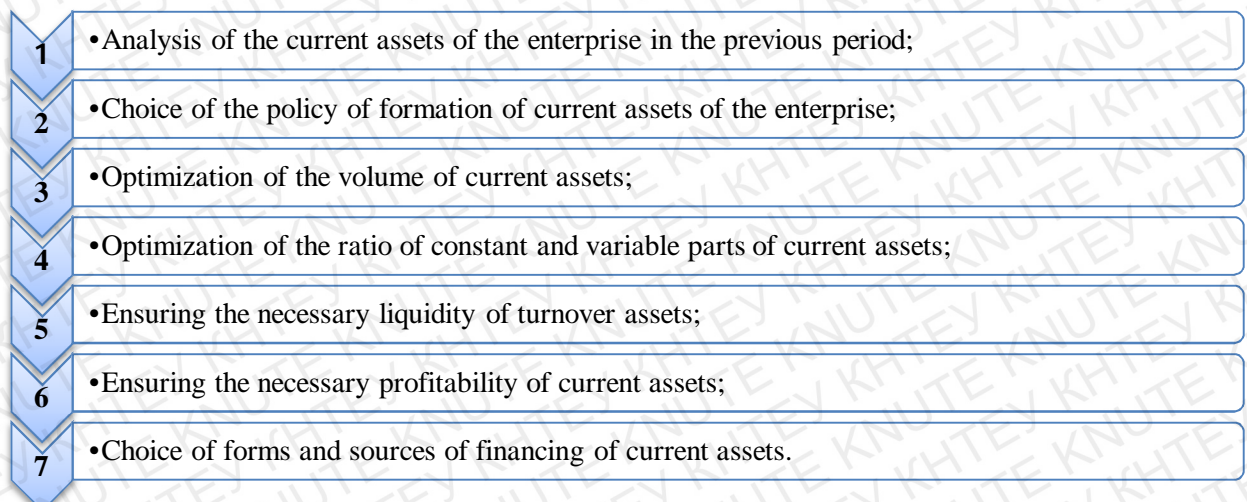


Fig. 1.19 Stages of management of current assets [6]



Here we see that Blank I. A. Also have considered in the stages of management of current assets the overall analysis of current assets, policy of formation, ratio of constant and variable parts of current assets, liquidity and profitability and at the end the choice of forms and sources of financing of current assets. With all these stages we absolutely agree. But we can that the cost question was omitted, the quality of current assets, their turnover as well as the responsibility delegation throughout the period of their management.

Performance monitoring almost omitted, the calculation of main key performance indicators and ratios, as well as the system for tracking and reporting on asset performance, is not outlined. It is essential to make compliance reporting to monitor how well current assets are managed not only for “today” but in the strategic framework. Also, we see a disadvantage in not mentioning the strategy stage formation for current assets management at the first step. The defining clear and precise performance measures and strategies in our opinion have a great impact on managing assets. Not only it is needed to identify short-term, mid-term, and long-term tasks but outlines the appropriate sequence and priority of tasks.

And for the last example let`s consider some foreign practice - Banos-Caballero S. proposes the following sequence of steps shown in the figure.

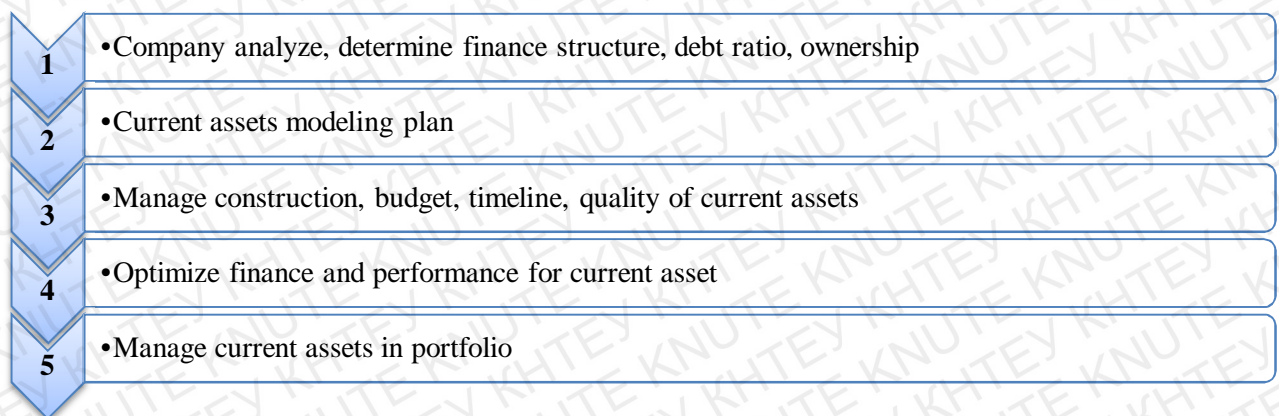


Fig. 1.20 Development of current assets management [4]

Here we see an absolutely different approach to understanding the current assets management steps. We agree that is important to analyze not only current assets, but make an evaluation of a company as a whole at first, understand finance structure etc. Also, we see that Banos-Caballero S. reach current assets management

through an assessment of the portfolio of assets, by making their modeling plan. We see advantages in this step because it helps to manage the business and financial objectives of a company. The good point is on performing budget of current assets, trace its timeline. In our opinion here is needed to show the utilization of the resources that are required to maintain current assets, along with a chosen strategy for acquiring and developing those resources. The interesting thing to consider – it is not only financial resources have to be taken into account. For instance, the human Resources – skills and professional abilities strongly influence the current assets management. The fourth and fifth step is absolutely agreeable with us, but we have to say that methods used in the foreign practice of current assets management hardly can be used in Ukrainian practice due to differences in economies, the accounting system and legislation, the shortage of current assets of domestic companies, etc.

As insufficiency of this model, we see the omission of risk management question. We consider the identification of the risks one of the crucial stages in current assets management. The asset management process should be integrated with the risk management of the whole enterprise.

In our opinion the stages of current assets management in accepted scientific practice, shown in the fig. 1.21, quite full but incomplete. Therefore, it is necessary to take into account all the missing parameters that will allow filling and forming stages of current assets management, that are shown in the fig. 1.22.

#### **Agreeable steps of current assets management**

- Company analyze, determine finance structure, debt ratio
- Analysis of the current assets of the enterprise of the previous period;
- Selection of the enterprise's current assets formation policy;
- Optimization of the current assets volume;
- Optimization of the current asset's constant and variable parts ratio;
- Assurance of the required liquidity and profitability of current assets;
- Optimization of financing sources structure of the current assets.
- Minimizing the losses of current assets;
- Formation of current assets budget, timeline.

Fig. 1.21 Agreeable steps of the current assets management

Let us analyze newly proposed by author stages and overall sequence of current assets management proposed. We consider the first step of developing of the



strategy and policies as fundamental. Asset management is a goal-driven management and decision-making process. Goals and performance indicators are literally the levers that drive the current assets management decision framework. Organizational goals, policies, and budgets are core point in managing any aspect of a company's activity, therefore knowing principal aims in terms of current assets will help to develop more sufficient further steps of their management, allowing to concentrate attention on the important milestones.

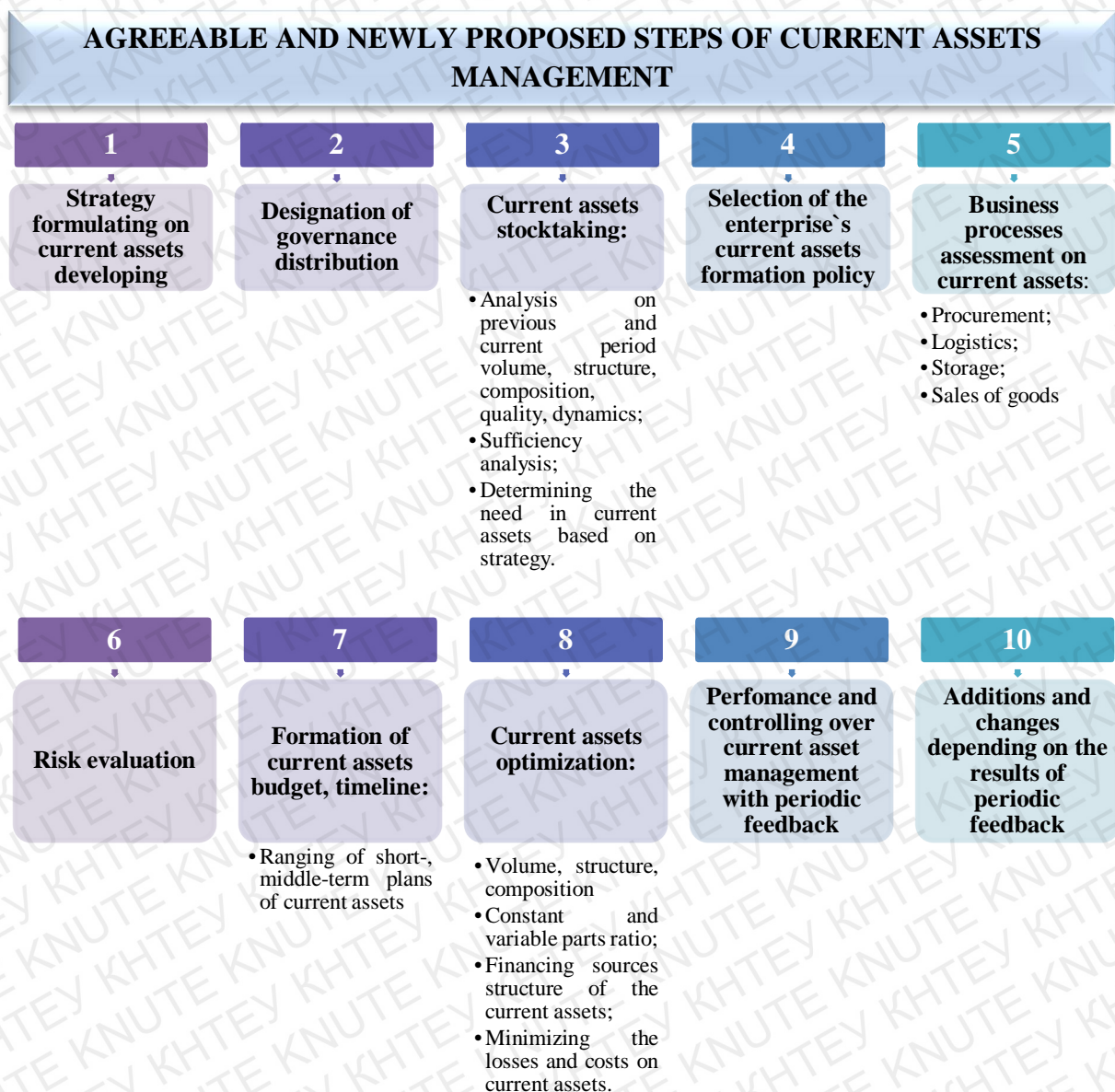


Fig. 1.22 Agreeable and newly proposed by author steps of the current assets management

The next step of elaboration the governance distribution consists of identifying the responsibility for assets management throughout the typical stages of asset management. The aim is to identify the primary and secondary management



positions with specific current asset management responsibilities. The governance process of current assets management has to be continuous. It not only about who is responsible for what in the current assets management - the authority to manage the day-to-day issues, make binding decisions in crucial moments, it is also about the system of rules, practices, processes by which a company is directed and controlled.

Current asset stockaging stage was taken into account in all the models described previously in the question of analysis of current assets for former periods, and its presence is necessary for our sequence too. This step provides a description of the overall system components of current assets and summarizes key information at a single point in time. Its primary purpose is to find out:

- Results of current assets analysis for the previous and actual period;
- Assets volume, where they are located and in what forms;
- The quality of current assets in terms of condition, performance;
- What is the value of current assets;
- When and from where they were built, bought or got into the enterprise;
- What their expected life-cycles are;
- Liquidity, profitability, period of current assets turnover

The size and structure of current assets should correspond to the needs of the enterprise. Current assets might be minimal, but still sufficient for a successful and uninterrupted operation of the enterprise.

Selection of the enterprise's current assets formation policy next step. There distinguish conservative, moderate and aggressive formation policy. The selected approach to the formation of current assets of the enterprise reflects the different ratios of the level of efficiency of their use and risk, ultimately determine the amount of these assets and their level in relation to the volume of operating activities.

Business processes assessment on procurement, logistics, storage, and sale of goods important step that characterize the operational activities of a trading company. It's disclosure is given in Appendix I.

Risk evaluation is the next logical stage in current assets management. It is vital to evaluate not only risks connected to current assets directly, but also see the

whole picture of enterprise activities and possible subsequent threats. Therefore it is needed to consider risks of solvency decreases or loss of financial stability and independence and generally structure risks of the assets and liabilities of the company. We might look even wider – were there the historical evidence of some events connected with current assets management that allows us to estimate the probabilities of its recurrence and subsequently its future negative outcomes. Are there any structural uncertainties or other unique events that not enough to offer evidence of probabilities of their occurrence. In one word the possibility of the onset of risks will inevitably entail consequences, not only in the matter of managing current assets but also in the question of managing an enterprise as a whole, that is why in our opinion the current assets risk evaluation is needed.

It vital to elaborate the budget of current assets, to understand what resources company use for current assets allocation and optimization, what expenses are incurred and make appropriate budget plan aligned with company's strategy. The base of information collected in steps about current asset stocktacking and performance assessment helps develop the short-, middle-term plans of current assets and their ranging, taken into account the principles that define the financing certain types of current assets, provide optimization of financing sources structure.

In this step, while developing a budget and forming plans of the short-term period company should address current assets issues, by putting in place short-term solutions to address “today” problems. Within medium-term period policies and procedures should be implemented to ensure that short-term problems don't resume. Ranking of the plans within periods is important because the resources that the company owns are exhaustible as well as the available time. It is necessary to allocate more important objectives in current assets management in order of priority, substance, the effect that the company expects from their management. In long run, the achievements of implementing those short-, middle-term goals are the main basis for the company's strategy to preserve results and ensure continued progress.

Also, it is vital to optimize current assets, financed from own funds and long-term loans, and current assets financed by the expense of borrowed funds, including

short-term bank loans. A clear vision of resource allocation and optimization can save time, capital and improve the efficiency of current assets management. Here again, the attention paid to optimization current assets volume, structure, composition, constant and variable parts ratio, financing sources structure of the current assets, minimizing the losses and costs on current assets and other.

A performance and controlling over current asset management performance with periodic feedback stage - is aimed to ensure the process of the continuity of the reproduction cycle, the turnover and high key performance indicators of current assets management. Here all the main points of the plans are realized, previously collected information on current assets is used. It is important to collect evidence that progress is being made and the organization is committed to implementing current assets management. This step is determined to manage and control the rational allocation and use of current assets, the efficiency of their circulation, acceleration of their turnover, optimization of the structure, checking the norms and standards for current assets managing. It's essential for rapid response and decision making in terms of performance, balancing between costs and budget.

And the last step states that company is open to factors of influence, therefore, it is needed to periodically check how does company cope with changes, how management performed, where it is unaligned with plans and strategy. To increase the efficiency of the use of current assets it is important to make certain that the company's relevant standards are adhered and make amendments. Also in order to properly implement an asset management process, it is important for staff to be knowledgeable about the company's operations and overall working process.

To conclude with, the performing stages is one of the main factors in improving the economic efficiency of company's performance. In this chapter of work we have considered the main steps of current assets management, it's apprehension in scientific practice and discussed in addition its advantages and disadvantages. Also, we have developed a brand new approach to understanding the main steps of the current assets management complementing the weaknesses and enlightening new aspects and areas of current assets management comprehension.



## CHAPTER 2

### ANALYSIS OF THE CURRENT SITUATION OF LLC “INTERBUDTECHNICA” CURRENT ASSETS MANAGEMENT

#### 2.1 Analysis of the dynamics and structure of the current assets

In the balance sheet following current assets of “Interbudtechnica” allocated: the inventories, accounts receivable, cash and other current assets are. The current and historical volumes of current assets are shown in the table 2.1 below.

*Table 2.1*

**Current assets of LLC "Interbudtechnica"  
from 01.01.2014 year to 01.01.2018 year, thnd. ₺**

Current assets	Years				
	01.01.2014	01.01.2015	01.01.2016	01.01.2017	01.01.2018
Inventories:	272,6	173,9	136	169,5	170
including finished products	134,2	162,5	124,4	140,7	167,6
Accounts receivable:	63,4	50,2	152,2	164,2	54,8
including goods, works, services	19	19	19	53,1	19
including settlements with the budget	1,2	1,2	1,8	59,2	3
including other accounts receivable	43,2	30	131,4	51,9	32,8
Money and their equivalents	173	201,9	314,3	194,9	86,8
Costs of future periods	0,1	-	-	-	-
Other current assets	5,9	55,9	52,6	13,8	110,4
Total Current assets	515	481,9	655,1	542,4	422

Based on the financial statements of the company, we will analyze its financial situation. To do this, consider the composition and structure of assets of the enterprise in the dynamics, shown in the fig. 2.1 and fig. 2.2. From first glance, we can see that current assets have declined through the years, except big leap in 2015.

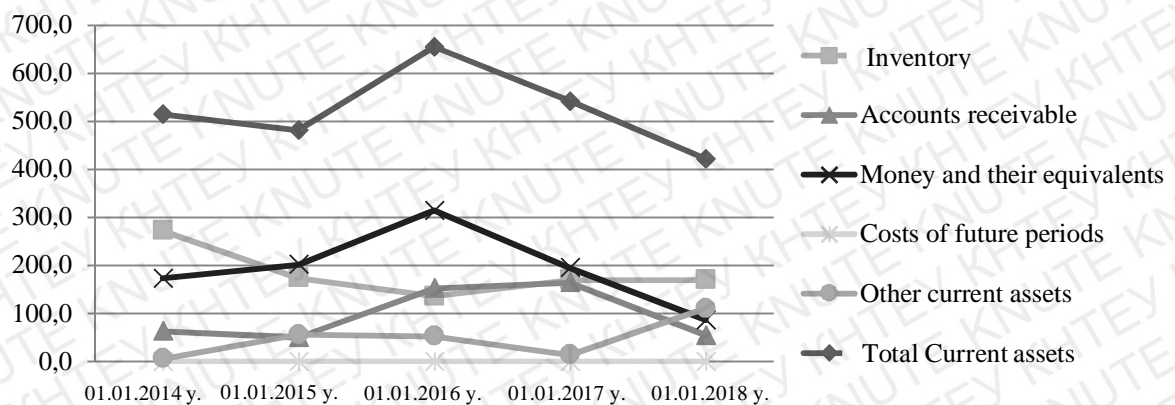


Fig. 2.1 Dynamics of current assets of LLC "Interbudtechnica" from 01.01.2014 year to 01.01.2018 year, thnd. ₺

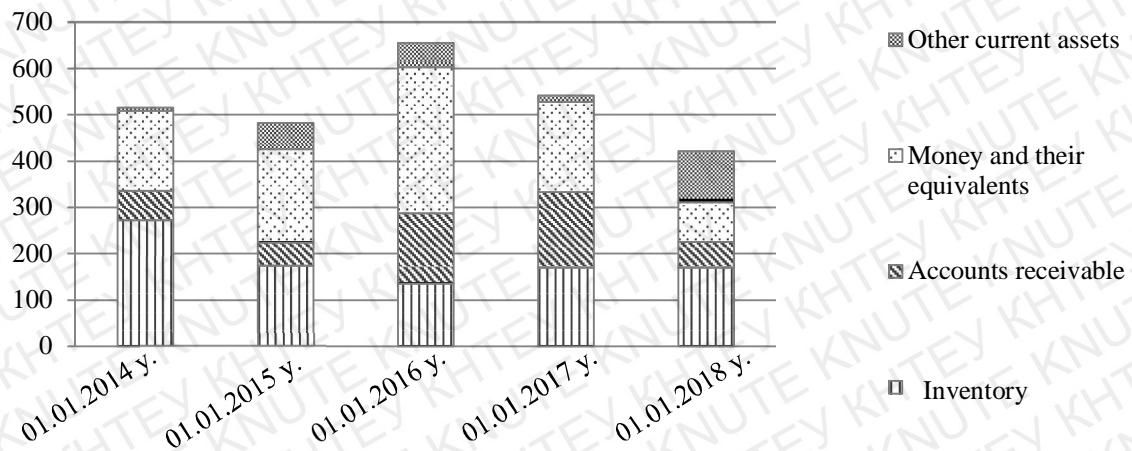


Fig. 2.2 The dynamic composition of current assets of LLC "Interbudtechnica" from 01.01.2014 year to 01.01.2018 year, thnd. ₴

But let's analyze them in more detail by finding the Absolute change in thnd. of hryvnias and in percentage value, shown in the table 2.2.

**Table 2.2**  
**Dynamics of absolute change of current assets of LLC "Interbudtechnica" from 01.01.2015 year to 01.01.2018 year**

Current assets	Absolute change, thnd. ₴					Absolute change, %				
	01.01.2015 y.	01.01.2016 y.	01.01.2017 y.	01.01.2018 y.	Basis comparison*	01.01.2015 y.	01.01.2016 y.	01.01.2017 y.	01.01.2018 y.	Basis comparison*
Inventories:	-98,7	-37,90	33,50	0,50	-102,6	-36,21	-21,79	24,63	0,29	-37,64
including finished products	28,3	-38,10	16,30	26,90	33,4	21,09	-23,45	13,10	19,12	24,89
Accounts receivable:	-13,2	102,00	12,00	-109,40	-8,6	-20,82	203,19	7,88	-66,63	-13,56
incl. goods, works, services	0	0,00	34,10	-34,10	0	0,00	0,00	179,47	-64,22	0,00
incl. settlements with budget	0	0,60	57,40	-56,20	1,8	0,00	50,00	3 189	-94,93	150,00
incl.other accounts receivable	-13,2	101,40	-79,50	-19,10	-10,4	-30,56	338,00	-60,50	-36,80	-24,07
Money and their equivalents	28,9	112,40	-119,40	-108,10	-86,2	16,71	55,67	-37,99	-55,46	-49,83
Costs of future periods	-0,1	0	0	0	0	-100	0	0	0	-
Other current assets	50	-3,30	-38,80	96,60	104,5	847,46	-5,90	-73,76	700,00	1771,19
Total Current assets	-33,1	173,20	-112,70	-120,40	-93	-6,43	35,94	-17,20	-22,20	-18,06
Balance	-36,3	187,90	-95,80	-120,90	-65,1	-6,98	38,82	-14,26	-20,99	-12,51

\* In basis comparison 01.01.2018 year compared to 01.01.2014 year

Analyzing the absolute change of current assets in thnd. ₴, shown in the fig. 2.3, we can say that:

- The main trend in current assets dynamic is a diminution;
- The biggest rise in 01.01.2018 comparing with basis year has Other current assets (a rose by 104,5 thnd. ₴);
- The biggest decline on 01.01.2018 compare with basis year has Inventories



(reduced by 102,6 thnd. ₺) and Money and their equivalents (reduced by 86,2 thnd. ₺);

- Analyzing indicators through the years we can say that the only year 2015 has shown positive dynamics – almost all elements of current assets, except Inventories, have risen, resulting in increased volume of Total current assets (by 173,20 thnd. ₺) as well as the whole value of balance (by 187,90 thnd. ₺);
- Other years have shown negative dynamic – during years 2016 and 2017 current assets volume have been reduced, except of dramatic change in Other current assets by 96,60 thnd. ₺ in 2017;
- Accounts receivable has also declined mostly due to the decline of Other accounts receivable (by -10,4 thnd. ₺ comparing basis year);
- By the end of the day, we can say that through this year's the company has narrowed down its current assets volume.

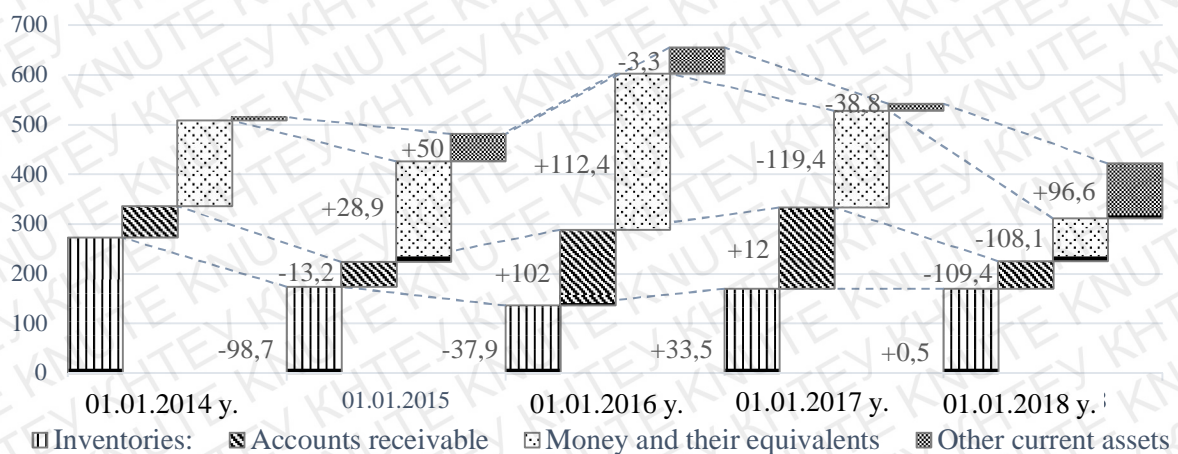


Fig. 2.3 Dynamics of absolute change of current assets of LLC "Interbudtechnica" from 01.01.2015 year to 01.01.2018 year, thnd. ₺

Absolute change of current assets in percentage value is presented in the fig. 2.4. Let us analyze it:

- The biggest decline on 01.01.2018 compare with basis year has Money and their equivalents (reduced by 49,83%) and Inventories (reduced by 37,64%).
- The biggest rise in 01.01.2018 comparing with basis year has Other current assets (rise by 1771%). Fig. 2.4 shows similar situation in the year 2014.
- The year 2015 showed a rise in the current assets components. Biggest



percentage rise had Accounts receivable (have risen by 203,19 %) – that affect negatively sufficiency of the company's activities due to lack of available resources.

- Other years have shown more moderate changes thought negative ones leading to resource compression and narrowing of current assets volume.

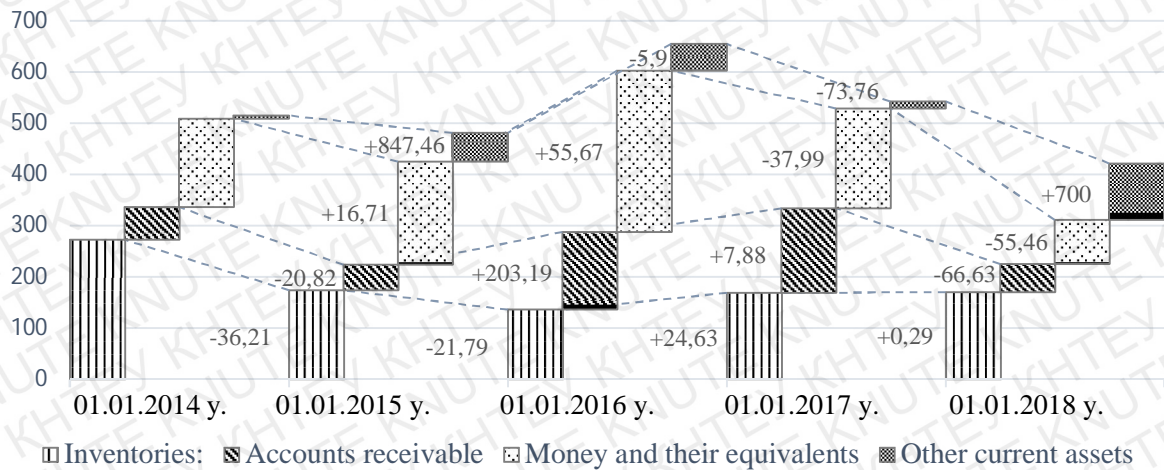


Fig. 2.4 Dynamics of absolute change of current assets of LLC "Interbudtechnica" from 01.01.2015 year to 01.01.2018 year, %.

Talking about the relative change of current assets and analyzing table 2.3 we can say that the biggest alteration was made in Money and their equivalents – reduced by 49,83 % and Inventories – reduced by 37,64%, of course not considering Costs of future periods – they were eliminated during 2014.

Table 2.3

**Relative change of current assets of LLC "Interbudtechnica" on 01.01.2018 year compared with 01.01.2014 year, %**

Current assets	The growth rate
Inventories:	-37,64
including finished products	24,89
Accounts receivable	-13,56
including goods, works, services	0
including settlements with the budget	150,00
including other accounts receivable	-24,07
Money and their equivalents	-49,83
Costs of future periods	-100,00
Other current assets	1771,19
Total for Section II	-18,06
Balance	-12,51

The biggest rise was made within Other current assets (increased by 1771%)

and Accounts receivable connected to settlements with the budget (increased by 150%). The whole volume of balance throughout these years has reduced by 12,51%. The depiction of the relative change of current assets on 01.01.2018 from 01.01.2014 is shown in the fig. 2.5.

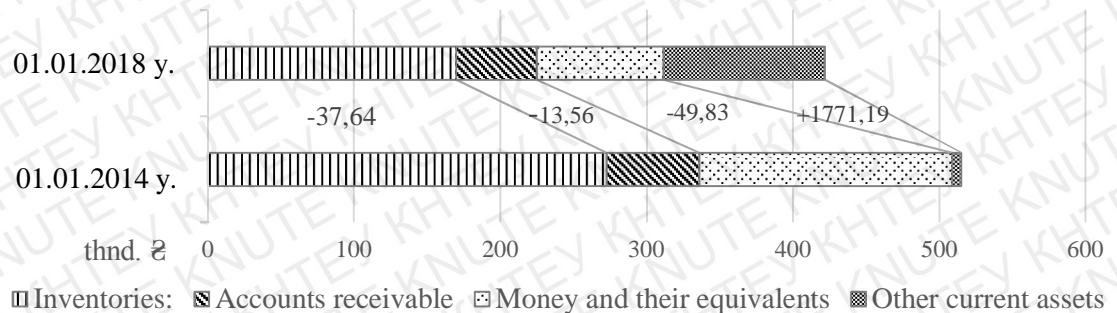


Fig. 2.5 Relative change of current assets of LLC "Interbudtechnica" from 01.01.2014 year to 01.01.2018 year, %.

Now let us analyze the structure of the current assets of the company, shown in the table 2.4. In the course of these years, depending on the needs of the company and the economic situation, the structure of assets in a larger degree has changed because of the investment of money in inventories or their presence in the account.

Table 2.4

**Structure of current assets of LLC "Interbudtechnica"  
from 01.01.2014 year to 01.01.2018 year, thnd. ₾**

Current assets	01.01.2014 y.	%	01.01.2015 y.	%	01.01.2016 y.	%	01.01.2017 y.	%	01.01.2018 y.	%
Inventories:	272,6	52,93	173,9	36,09	136	20,76	169,5	31,25	170	40,28
includ. finished products	134,2	26,06	162,5	33,72	124,4	18,99	140,7	25,94	167,6	39,72
Accounts receivable	63,4	12,31	50,2	10,42	152,2	23,23	164,2	30,27	54,8	12,99
includ. goods, works, serv.	19	3,69	19	3,94	19	2,90	53,1	9,79	19	4,50
includ. settlem. with budget	1,2	0,23	1,2	0,25	1,8	0,27	59,2	10,91	3	0,71
includ. other acc. receivable	43,2	8,39	30	6,23	131,4	20,06	51,9	9,57	32,8	7,77
Money and their equivalents	173	33,59	201,9	41,90	314,3	47,98	194,9	35,93	86,8	20,57
Costs of future periods	0,1	0,02	-	-	-	-	-	-	-	-
Other current assets	5,9	1,15	55,9	11,60	52,6	8,03	13,8	2,54	110,4	26,16
Total Current assets	515	100	481,9	100	655,1	100	542,4	100	422	100
Total assets (Balance)	520,3		484		671,9		576,1		455,2	

Analyze of the structure of current assets shows that:

- The number of inventories and money with their equivalents had the biggest part in structure through the years – when inventories have the biggest part



(on 01.01.2014 -52,93% and 01.01.2018 - 40,28 % ) the money followed in second place after them (on 01.01.2014 -33,59 % ) or other current assets( on 01.01.2018 - 26,16 %). And visa versa – money has the biggest structure on 01.01.2016 - 47,98 % when inventories have the smallest historical structure of 20,76 %.

- Accounts receivable has changed significantly too during 2015-2016 years – their structure has risen from 10,42 % on 01.01.2015 to 30,27 % on 01.01.2017.
- Within accounts receivable biggest part through years held other accounts receivable (except 01.01.2017 when settlements with the budget had 10,91% of current assets or 36 % of accounts receivable for that date.)
- The last year has changed the structure of other current assets of the enterprise (from 2,54 % on 01.01.2017 to 26,16 % on 01.01.2018). It was done by reducing the amount of money and accounts receivable about 2 times.

The graphical representation of current assets of the company through years, shown in the fig. 2.6, perfectly shows how components structure has changed.

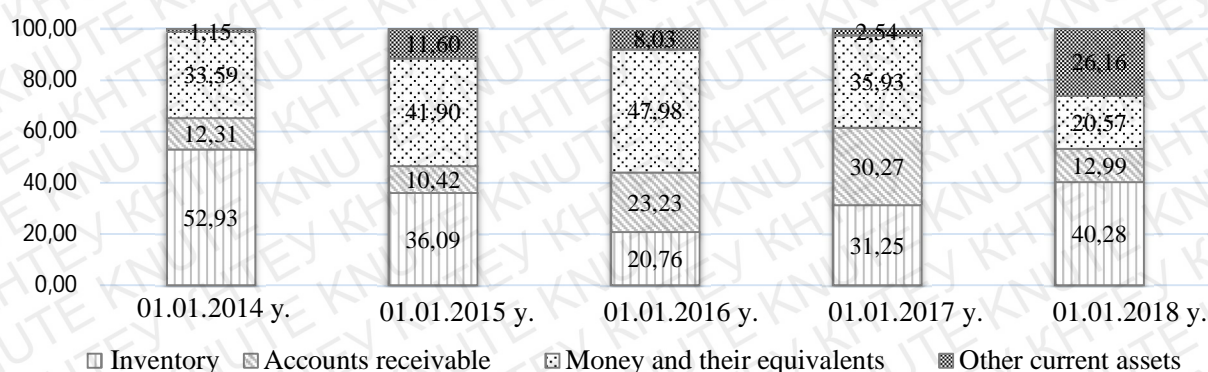


Fig. 2.6 Structure of current assets of LLC "Interbudtechnica" from 01.01.2014 year to 01.01.2018 year, %

So after made analysis of dynamics and structure of current assets of the company we conclude, that the ideal volume and structure of current assets should be sufficient for production assortment and the amount requested by the market, and at the same time minimal, not leading to the formation of excess inventories (as we see such a situation in the balance sheet of LLC "Interbudtechnica"). For enterprise, it is important to correctly determine the optimal need for current assets, which will



allow receiving the profit planned at a given sales volume with minimal costs. Main trend of current assets volume is downsloping – the company must be aware that such situation may entail an unstable financial position, interruptions in the operating process and, as a consequence, a decrease in the volume of sales and profit.

## 2.2 Analysis of solvency and business activity of the company

Solvency relates to an enterprise's ability to pay debt obligations and continue day-to-day operations, while liquidity focuses more on current financial accounts. A company must have more total assets than total liabilities to be considered solvent and more current assets than current liabilities to be considered liquid. Although solvency is not directly correlated to liquidity, liquidity ratios present a preliminary expectation regarding the solvency of a company. The basic liquidity metric is the working capital. The working capital of "Interbudtechnica" is shown in the table 2.5.

Table 2.5

**Working capital of LLC “Interbudtechnica”  
from 01.01.2014 year to 01.01.2018 year, thnd. ₺.**

Indicator	01.01.2014 y.	01.01.2015 y.	01.01.2016 y.	01.01.2017 y.	01.01.2018 y.
Current assets	515	481,9	655,1	542,4	422
Short-term liabilities	633,4	1128,5	1287,4	1161,8	1027,9
Working capital	-118,4	-646,6	-632,3	-619,4	-605,9

As we can see in the fig. 2.7 the working capital through the years is negative – therefore it indicates that a company is illiquid. We can see that all operating activity company makes by using debt resources.

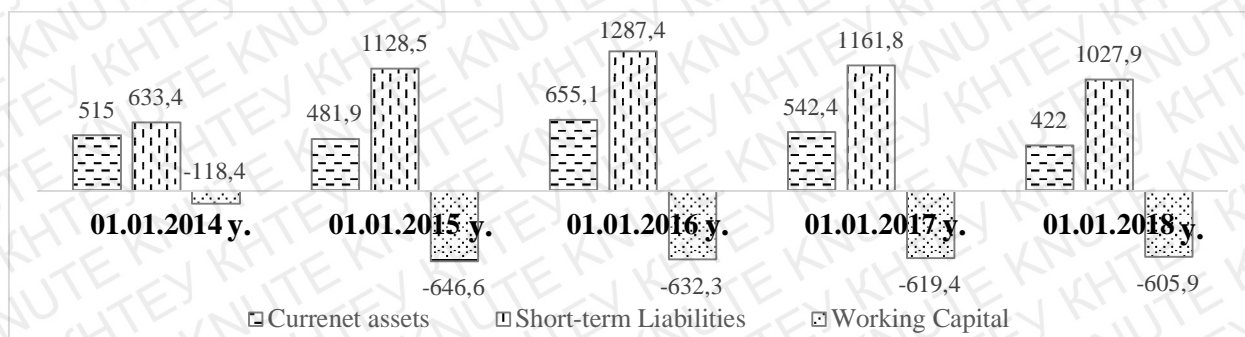


Fig. 2.7 Working capital of enterprise LLC “Interbudtechnica” from 01.01.2014 year to 01.01.2018 year, thnd. ₺.

Normally if the situation is not corrected, the company will not be able to pay the debt at maturity, which jeopardizes its ability to continue its operations and may even lead to bankruptcy. But as we see during numerous years company stays alive and even able to show a small profit. Due to what factors this situation is possible? Presumably due to converting long-term assets into current assets, converting short-term liabilities into long-term liabilities, re-investing profits.

Let us consider other wide-spread indicators that will show us in more detail the company's liquidity state, shown in the table 2.6.

Table 2.6

**Liquidity coefficients of enterprise LLC "Interbudtechnica"  
from 01.01.2014 year to 01.01.2018 year**

Liquidity coefficients	Years					Absolute change
	01.01.2014	01.01.2015	01.01.2016	01.01.2017	01.01.2018	
Cash ratio	0,27	0,18	0,24	0,17	0,08	-0,19
Current ratio	0,81	0,43	0,51	0,47	0,41	-0,40
Quick ratio	0,38	0,27	0,40	0,32	0,25	-0,14

The depiction of dynamics of liquidity coefficients of enterprise LLC "Interbudtechnica" for 2013-2017 years shown in the fig. 2.8.

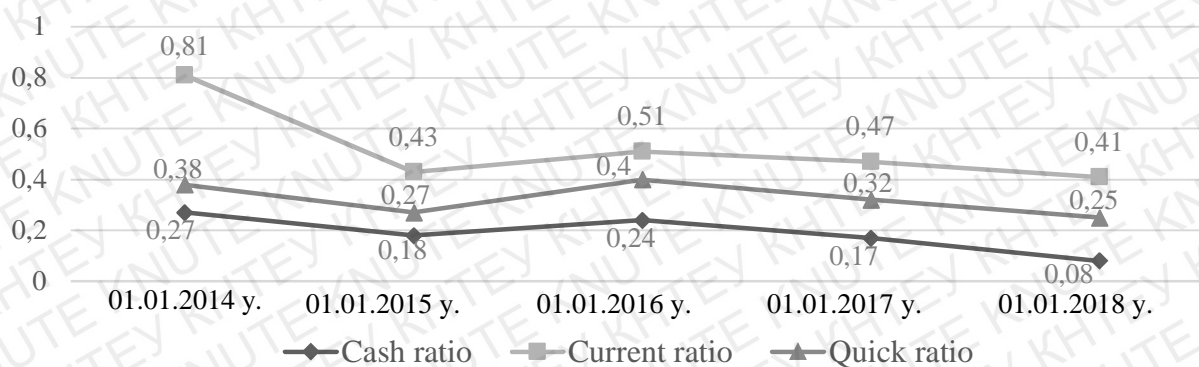


Fig. 2.8 Dynamics of liquidity coefficients of enterprise LLC "Interbudtechnica" from 01.01.2014 year to 01.01.2018 year

The level of liquidity of an enterprise is not very encouraging. The Cash ratio decreased during the years and on 01.01.2018 was 0,08 (at a recommended value of more than 0,2). Therefore the company will find it extremely difficult to pay off its liabilities at the expense of cash and financial investments, showing that only the eighth part of current liabilities can be covered by the enterprise.

The Current ratio decreased the most during the study period (by 0,40 units)

and amounted to 0,41 (with the recommended value of more than 2). There is a high financial risk associated with the fact that the company is unable to pay current accounts in a stable manner. The coefficient shows that for 1 hryvnia of current assets there are almost 4,10 hryvnias of current liabilities.

The Quick ratio of 0,25 on 01. 01. 2018 is too far away from recommended values (more than 0,8). It might indicate of a too large weight of inventories in the balance sheet of the company. And as the consequence a riskier position since the company does not have effective current assets, except inventory, that will cover the short-term debt at maturity. That also indicates that the company depends on inventory turnover and a small decline in sales amount will lead to serious solvency problems.

The solvency of the enterprise depends on the liquidity level of the balance sheet. The main difference of liquidity is the formal excess of the value of current assets over short-term liabilities. "Interbudtechnica" does not have such a position.

To develop and finance current activities, the enterprise must better maintain its solvency and liquidity. Carrying out the analysis of liquidity and solvency it is possible to draw a conclusion about the weak development of the enterprise (rather it's absence), investment unattractiveness, as well as a high risk of bankruptcy.

To improve the liquidity and solvency indicators, the enterprise must apply measures to increase profits, reduce costs and optimize the structure of capital. Correct and accurate reallocation of company's working capital can increase the stock of liquid cash funds and reduce the amount of less liquid inventories.

It is important to analyze the level of business activity of the enterprise, shown in the table 2.7. Analyzing the dynamics of the indicators of business activity of the enterprise, it must be foretold that the period of turnover of total assets in 2017 is 79 days, and the period of turnover of current assets - 74 days. In general, the duration of the operating cycle was 56 days, and compared to 2014 it decreased by 4 days, which is a positive trend.

The largest decrease in days made the period of inventory turnover (decreased by 13 days), and therefore the funds became a faster return to the enterprise in the



form of proceeds from the sale of products. Instead, the period of turnover of current accounts payable, on the contrary, increased the most during the period under study (by 39 days), which shows that the volume of accounts payable decreases.

Table 2.7

**Indicators of business activity of LLC "Interbudtechnica"  
for 2014-2017 years**

Indicators of business activity	2014 y.	2015 y.	2016 y.	2017 y.	Absolute change
Turnover of assets, times	4,86	3,69	5,07	4,53	-0,33
Period of asset turnover, days	74	98	71	79	5
Turnover of current assets, times	4,90	3,75	5,28	4,84	-0,05
Period of turnover of current assets, days	74	96	68	74	1
Turnover of inventory, times	7,03	7,18	11,16	9,24	2,21
Period of inventory turnover, days	52	50	32	39	-13
Turnover of current accounts receivable, times	42,96	21,08	20,00	21,33	-21,64
Period of turnover of current accounts receivables, days	8	17	18	17	9
Turnover of current accounts payable, times	2,77	1,77	2,58	2,13	-0,64
Period of turnover of current accounts payable, days	130	204	139	169	39
Duration of the operating cycle, days	60	67	50	56	-4
Duration of the financial cycle, days	-70	-137	-89	-113	-43

The financial cycle has also decreased and is generally shows a negative number, indicating that the duration of the turnover of the payables is greater than the duration of the operating cycle, and therefore the company temporarily free funds that can be re-used.

As we can see from the fig. 2.9 the Turnover of current accounts receivable through the years had the biggest values that indicated that there is a good payment discipline by buyers (they pay their obligations fast) and reflects successful company's loan policy towards debtors. It is also good that the turnover ratio of accounts receivable is greater than the turnover ratio of accounts payable.

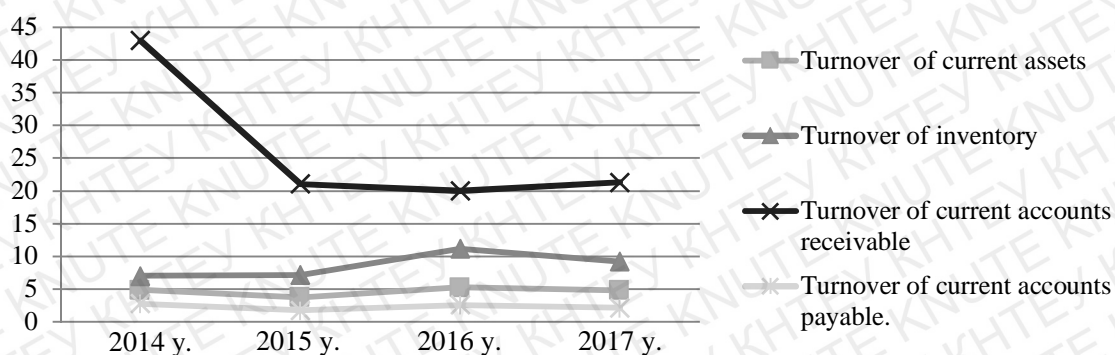


Fig. 2.9 The dynamics of turnover coefficients of LLC "Interbudtechnica" for 2014-2017 years, times

By analyzing periods of turnover, shown in the fig. 2.10, we can see changes in the Period of turnover of current accounts payable. In 2015 the days of accounts payable turnover have risen by 74 days or 57%. So the low accounts payable turnover ratio signifies us that a company is slow in paying money to its suppliers.

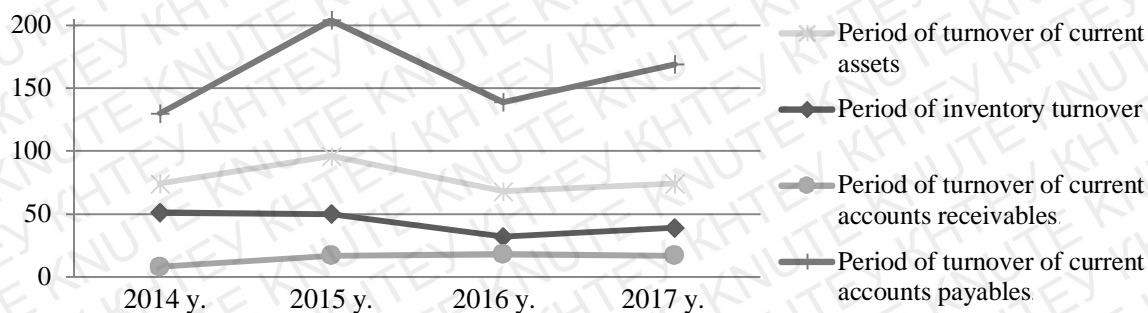


Fig. 2.10 The dynamics of periods of turnover of LLC "Interbudtechnica" for 2014-2017 years, days

Important to depicture changes in operating and financial cycles duration in fig. 2.11. We see that on the duration of the operating cycle the major influence has inventory turnover. Also, the picture is shown below allow us to see on what extend turnover of current accounts payable exceeds the operating cycle of the company throughout the years which lead us to the negative value of the financial cycle. The duration of the operating cycle of the company is absolutely corresponding with the dynamic of account payable – the highest payables the lowest financial cycle duration throughout these years.

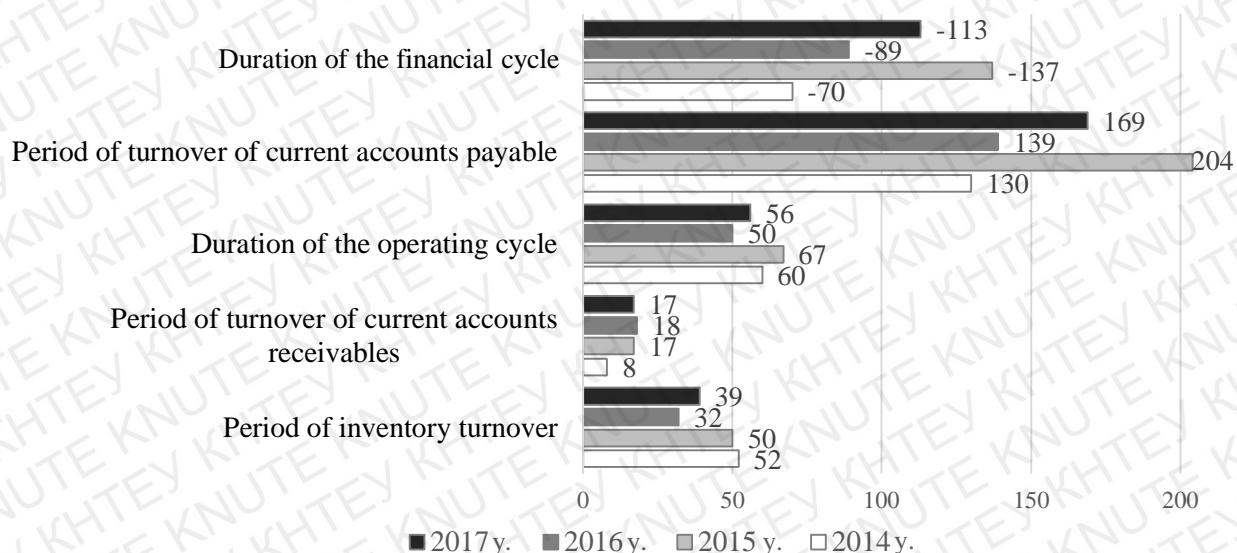


Fig. 2.11 The dynamics of operating and financial cycles duration of LLC "Interbudtechnica" for 2014-2017 years, days

Interesting to analyze the growth rate of the periods of turnover, shown in the table 2.8. We see that the 2015 years showed us the biggest rise throughout the years in terms of periods of turnover – mostly due to the rise of account receivables turnover over 2 times. That means that the activities of the company have slowed down. But we see that growth rate of the period of turnover of current accounts receivables exceeds the growth rate of the period of turnover of current accounts payable – this is a good dynamic, in future it will allow to avoid cash breaks.

Table 2.8

**Growth rates of periods of turnover indicators of LLC  
"Interbudtechnica" for 2015-2017 years, %**

Indicators	Years		
	2015	2016	2017
Period of asset turnover	1,32	0,72	1,11
Period of turnover of current assets	1,30	0,71	1,09
Period of inventory turnover	0,98	0,64	1,22
Period of turnover of current accounts receivables	2,13	1,06	0,94
Period of turnover of current accounts payable	1,57	0,68	1,22

The depiction of growth rates of periods of turnover indicators shown in the figure 2.12.

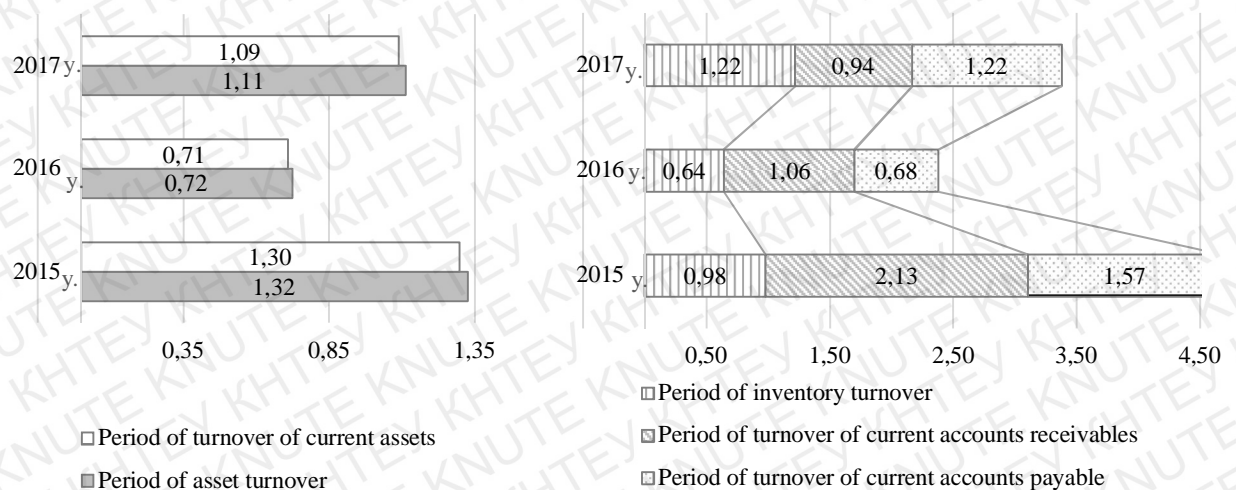


Fig. 2.12 Growth rates of periods of turnover indicators of LLC "Interbudtechnica" for 2015-2017 years, %

In 2016 the dynamic of growth rates is mostly positive. The lowering growth rates of assets, current assets and inventory turnover simply means that these elements began to move faster and possibly bring more profits or benefits.



In 2017 we see that periods of turnover began to increase, still not dramatically. The main weak point here is that the growth rate of payables turnover is over the same rate of receivables turnover. In future, this indicator should be monitored. Still, if we compare today situation in days meter we will see that the days of the period of payables turnover (169 days) exceed the same indicator of receivables (17 days) almost in ten times and there is no need in alarm.

So, indicators of turnover are of great importance for assessing the financial position of the enterprise, since the speed of turnover of funds has a direct impact on the solvency of the enterprise. And an increase in the turnover of funds reflects the increase in the operational and technical capacity of the enterprise. As we analyze “Interbudtechnica” we can say the controversial. The business activity of a company is influenced by such factors as the level of demand, the change in the exchange rate of the national currency and competitiveness in the market. And therefore the trends of analyzed indicators are downsloping.

### **2.3 Factor and comparable analysis of effectiveness current assets management**

The indicators of effectiveness of current assets, shown in the table 2.9, demonstrates the company's ability to provide a sufficient amount of profit in relation to the current assets of the company. The higher the value of indicators in the table below, the more fully current assets are used.

*Table 2.9*

#### **Dynamics of indicators of effectiveness of LLC "Interbudtechnica" for 2015-2017 years, %**

Indicators	2015 year	2016 year	2017 year	Absolute change	Relative change
Return on assets	6,02	5,83	3,04	-2,98	-50,57
Net return on assets	5,02	4,78	2,50	-2,52	-49,86
Effectiveness of current assets	6,12	6,08	3,26	-2,87	-53,19
Effectiveness of turnover	1,63	1,15	0,67	-0,96	-41,21
Net effectiveness of turnover	1,36	0,94	0,55	-0,81	-40,64

The depiction of dynamics of indicators of effectiveness is shown in the

picture 2.13. The trend is decreasing. Highest indicators of effectiveness were in the 2014 year. They are of course influenced by financial result before tax (in the year 2015 - 34,8 thnd. ₴ compared with the 2017 year result of 15,7 thnd. ₴) and consequently influenced by the result of net profit (in the year 2015 - 29 thnd. ₴ compared with 2017 year result of 12,9 thnd. ₴).

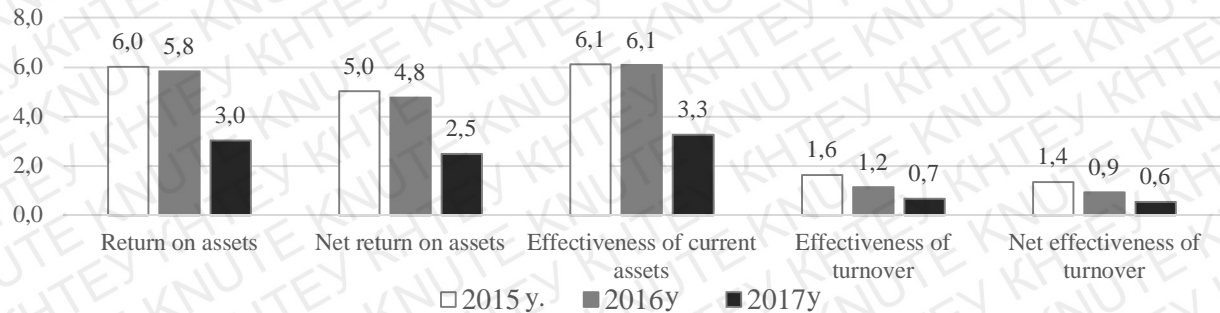


Fig. 2.13 Dynamics of indicators of effectiveness of LLC "Interbudtechnica" for 2015-2017 years, %

The profitability of assets is extremely small - at the end of the investigated period, 100 hryvnias invested in assets generated 3,04 hryvnias of operating profit or 2,50 hryvnias of net profit. Effectiveness for turnover in 2017 amounted to 0,67%, which indicates that from 100 ₴ of net revenues the company retains 0,67% of operating profit or 0,55% of net profit. As we can see from the 2.14 all effectiveness indicators are decreasing. In terms of percent, almost all values show a reduction by two times (specifically the current assets effectiveness had decreased by -53,19%).

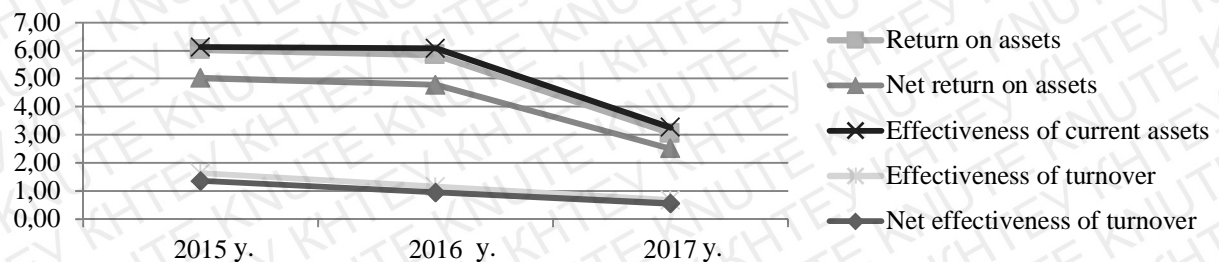


Fig. 2.14 The dynamics effectiveness indicators of LLC "Interbudtechnica" for 2015-2017 years, %

The obtained profitability indicators of assets rather small, but nevertheless indicate that the assets of the company are capable of generating profit. To determine the reasons for the change in the turnover of current assets and their effectiveness,

factor analysis should be used. Using the DuPont method, we will conduct a factor analysis, and determine at what expense there is a change in the effectiveness of current assets, shown in the fig. 2.10.

*Table 2.10*

**Analysis of the impact of the effectiveness of turnover and current assets  
turnover on the level of effectiveness of current assets of the LLC  
"Interbudtechnica" from the 2016 year to the 2017 year**

Indicators	2016 year	2017 year	Absolute change
The level of effectiveness of current assets, %	6,08	3,26	-2,82
Effectiveness of turnover, %	1,15	0,67	-0,48
Turnover coefficient of current assets	5,28	4,84	-0,44
Change in the effectiveness of current assets due to changes in the turnover of current assets, %	-0,51		
Change in the effectiveness of current assets due to changes in the level of profitability of turnover, %	-2,32		
Checking	-2,82		

From the analysis, it can be noted that the level of profitability of current assets is low but sufficient and amounts to 3,26% on 01.01.2018, although the dynamics are decreasing (in 2017, compared with 2016, the level of return on current assets decreased by 2,82%). Such a change is due to the fact that there was a fall in the coefficient of current assets turnover by 0,44 which led to falling of current assets effectiveness by 0,51%. And thus, the effectiveness of turnover decreased by 0,48%, which led to the falling of current assets effectiveness by 2,32 %

Why the company has this situation? Presumably due to a decrease in net profit of the enterprise, increase in the cost of using new current and non-current asset, a decrease in asset turnover. Consequently, efforts must be made to increase the effectiveness of turnover, and therefore ways to increase profits have to be found, and, moreover, it is necessary to maintain the growth of current assets turnover of the enterprise, which will result in maximization of company's owner return on investments. This can be achieved, for example, by strengthening the economy of consumption of material, labor, financial resources. To accelerate the turnover of current assets the company should:

- to make optimization of inventories;



- to make sure that material, labor, financial resources effectively used;
- to make a reduction of the duration of the production cycle;
- to decrease residence of current assets in the leftovers in accounts.

To make comparable analyses we decided to choose company-competitor of LLC “Interbudtechnica” – “PromTechService”. Our choice was based on considerations of similar scales and activities for both companies. Company “PromTechService” was founded in 1996 in Kiev. The company operates in the market of spare parts for career and road-building machinery of Ukraine. The financial statements of the company are given in Appendix G. The composition of current assets of the companies is shown in the fig. 2.11.

*Table 2.11*

**Current assets of LLC “Interbudtechnica” and LLC “PromTechService”  
on 01.01.2018 year, thnd. 2**

Current assets	"Interbudtechnica"	"PromTechService"
Inventories	170	195,7
Accounts receivable	54,8	27,0
Short-term financial investments	-	251,1
Money and their equivalents	86,8	107,4
Other current assets	110,4	-
Total Current assets	422	581,1

As we see in term of the composition of current assets the total amount of current assets quite similar. The main difference is that “PromTechService” has short-term financial investments but does not have other current assets. It is important to analyze the dynamics of current assets of both companies. From the table 2.12 we see how different the dynamics.

*Table 2.12*

**The growth rate of current assets of LLC “Interbudtechnica” and  
LLC “PromTechService” from 01.01.2017 year to 01.01.2018 year, %**

Current assets	"Interbudtechnica"	"PromTechService"
Inventories	1,003	1,162
Accounts receivable	0,334	1,406
Short-term financial investments	-	1,932
Money and their equivalents	0,445	0,648
Other current assets	8,000	-
Total Current assets	0,778	1,202

Inventories for both companies are growing as well as money and their equivalents are decreasing, which seems to us as a good sign for "Interbudtechnica" – company takes steps in current assets management for this elements according to market conditions and economic changes that is confirmed by similar trends of competitor's indicators. From the fig. 2.15 we see that "PromTechService" has increased account receivable for 41%, while "Interbudtechnica" tried to decrease its amount. Still, we see that for 01.01.2018 the amount of accounts receivable for "Interbudtechnica" is more than twice bigger than the same element of current assets for "PromTechService" (54,8 thnd. ₺ compared with 27,0 thnd. ₺). So, we might consider it a good trend for each company.

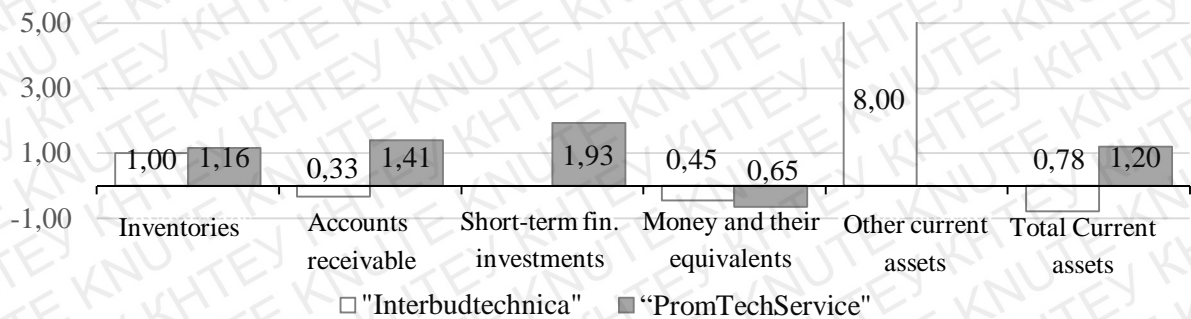


Fig. 2.15 Growth rate of current assets of LLC "Interbudtechnica" and LLC "PromTechService" from 01.01.2017 year to 01.01.2018 year, %

But the main difference of course in the total amount of current assets growth rates – while "Interbudtechnica" has a negative trend, "PromTechService" is growing the number of current assets. Mostly to that fact that "PromTechService" has decreased only money and their equivalents which is not affected the total balance of current assets drastically while "Interbudtechnica" has decreased accounts receivable for 33% and money and their equivalents for 45%.

Structure of current assets shown in the table 2.13 and figure 2.16 shows us that "PromTechService" mainly relies on short-term financial investments (43%) when LLC "Interbudtechnica" does not have one. Inventories play also an important part in the structure of current assets which makes "Interbudtechnica" approach to their amount appropriate. Accounts receivable of LLC "PromTechService" is two times less than Accounts receivable of "Interbudtechnica" (4,65 % compared with

12,99%) which highlight that “Interbudtechnica” also should shorten their amount.

Table 2.13

**Structure of current assets of LLC “Interbudtechnica” and LLC “PromTechService” on 01.01.2018 year, %**

Current assets	"Interbudtechnica"	"PromTechService"
Inventories	40,28	33,68
Accounts receivable	12,99	4,65
Short-term financial investments	0,00	43,21
Money and their equivalents	20,57	18,48
Other current assets	26,16	0,00
Total Current assets	100,00	100,00

Money and their equivalents reach roughly 20% of current assets for both companies that lead us to the conclusion that it is rather an appropriate volume for trading companies of this sector of the economy. The depiction of structure of current assets showed in fig. 2.16.

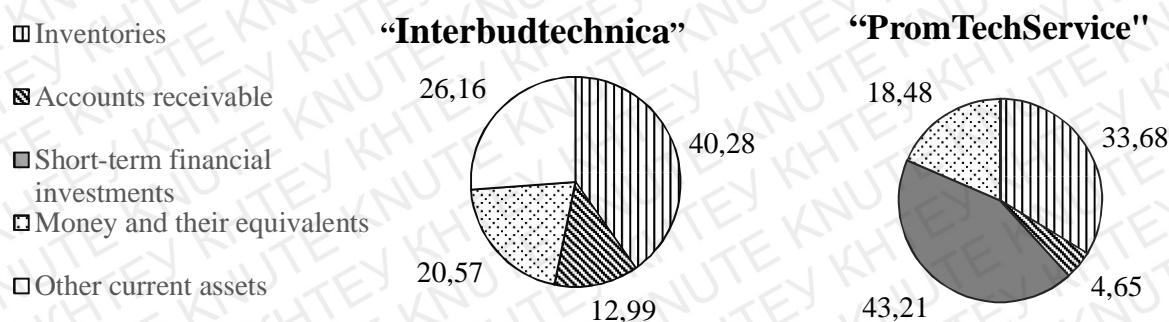


Fig.2.16 Structure of current assets of LLC “Interbudtechnica” and LLC “PromTechService” on 01.01.2018 year, %

Talking about solvency indicators we see in the table below that working capital for both companies on 01.01.2018 is negative.

Table 2.14

**Working capital of LLC “Interbudtechnica” and LLC “PromTechService” on 01.01.2018 year, thnd. ₺.**

Indicator	"Interbudtechnica"	"PromTechService"
Current assets	422	581,1
Short-term liabilities	1027,95	1538,7
Working capital	-605,95	-957,6

We understand that working capital amount depends on many factors as the magnitude of the cost of purchasing materials, and direct and indirect overhead costs,



operating cycle time, the amount of the loan and the term of its return but such situation of negative working capital is showing that companies are financially unsustainable and has a risky position. Still, we see that LLC “Interbudtechnica” is not single in the decision to maintain such policy of negative working capital.

We have to say that “PromTechService” indicators of liquidity state, that are shown in the table below, are even worse than “Interbudtechnica” has.

Table 2.15

**Liquidity coefficients of LLC "Interbudtechnica" and LLC  
“PromTechService” on 01.01.2018 year**

Liquidity coefficients	"Interbudtechnica"	“PromTechService”	Normative indicator
Cash ratio	0,08	0,07	>0,2
Current ratio	0,41	0,38	>2,0
Quick ratio	0,25	0,25	>0,8

We can only presume that in this sector of the economy there is such business practice to have overload current liabilities and a shortage of current funds that would not be sufficient to cover these debts on occasion.

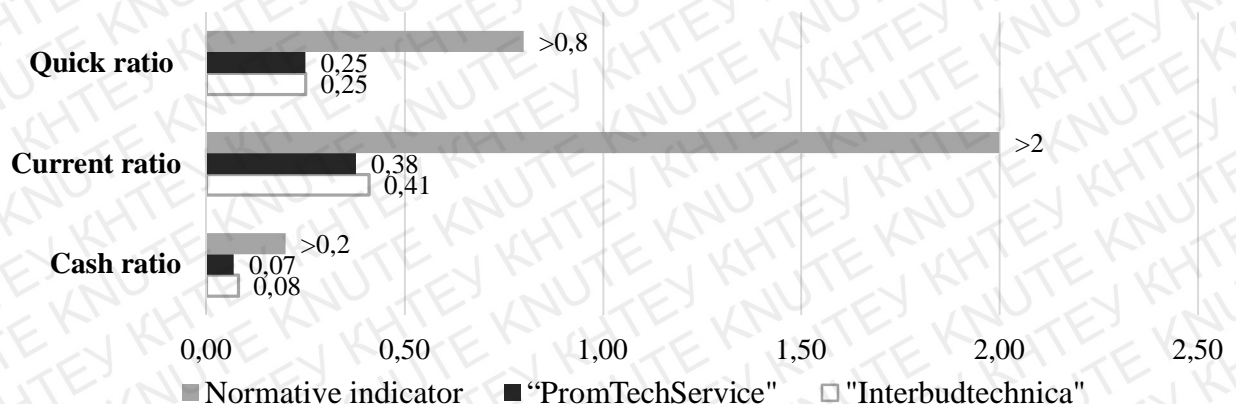


Fig.2.17 Liquidity coefficients of LLC "Interbudtechnica" and LLC “PromTechService” on 01.01.2018 year

Concerning business activity indicators, that are shown in the table 2.16 and fig. 2.18, we can say that “PromTechService” has better results than “Interbudtechnica”. The period of turnover for current assets and inventory is less than a month, as well as the operating cycle itself. The accounts receivable turnover is 1 day – absolutely efficient result. Period of current accounts payable turnover excess the same period of receivables by 41 times (when “Interbudtechnica” indicator showing excess near 10 times).

Table 2.16

**Indicators of business activity of LLC "Interbudtechnica" and LLC  
"PromTechService" for the 2017 year**

Indicators of business activity for the year 2017	"Interbudtechnica"	"PromTechService"
Turnover of current assets, times	4,84	11,84
Period of turnover of current assets, days	74	30
Turnover of inventory, times	9,24	17,78
Period of inventory turnover, days	39	20
Turnover of current accounts receivable, times	21,33	273,08
Period of turnover of current accounts receivables, days	17	1
Turnover of current accounts payable, times	2,13	8,71
Period of turnover of current accounts payable, days	169	41
Duration of the operating cycle, days	56	21
Duration of the financial cycle, days	-113	-20

But still, we can say that the period of current accounts payable turnover for "PromTechService" is healthier than "Interbudtechnica" has (more than 1 month compared with almost half a year). The "PromTechService" financial cycle, as well as "Interbudtechnica" is negative which is a positive trend, which we see in fig. 2.18.

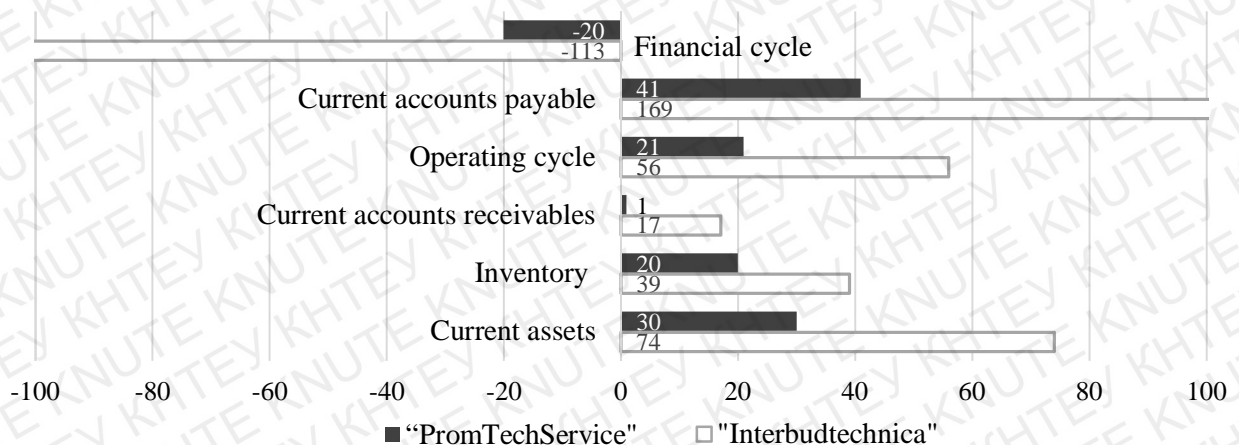


Fig. 2.18 Periods of turnover of LLC "Interbudtechnica" and LLC "PromTechService" for the 2017 year, days

Concerning indicators of effectiveness, shown in the table 2.17, we can say that "PromTechService" has good results. The gap between these two companies is very big in term of efficiency indicators. For "PromTechService" 100 hryvnias invested in assets generated 96,4 hryvnias of operating profit or 79,1 hryvnias of net profit – it is the really high result.

The effectiveness of turnover for "PromTechService" in 2017 amounted to 18,2%, which indicates that from 100 ₴ of net revenues the company retains 18,2%

of operating profit or 14,9% of net profit - sky-high results as for "Interbudtechnica".

*Table 2.17*

**Dynamics of indicators of effectiveness of LLC "Interbudtechnica"  
and LLC "PromTechService" for the 2017 year, %**

Indicators	"Interbudtechnica"	"PromTechService"
Return on assets	3,04	96,4
Net return on assets	2,5	79,1
Effectiveness of current assets	3,26	215,3
Effectiveness of turnover	0,67	18,2
Net effectiveness of turnover	0,55	14,9

To conclude the comparable analysis we have to say that in our opinion we have chosen for study most suitable company-analog, that does not only operate in the same market niche but not too far from LLC "Interbudtechnica" in term of scopes of activities and financial results. From comparable analyses we can summarise several similar points for "Interbudtechnica":

- The volume of inventories is increasing and the volume of money has a decreasing trend – the same result has a more efficient competitor;
- One of the biggest structure of current assets elements have inventories and money and their equivalents – which makes the structure of current assets of "Interbudtetchnica" more or less reasonable;
- Working capital is negative which we may consider as possible practice for wholesale and retail trade companies of machinery and its equipment;
- The excess of current liabilities and a shortage of current funds that would not be sufficient to cover these debts on occasion is too applied to both companies.
- Business indicators have similar features – a period of accounts receivable turnover is aiming at a minimum, while the period of accounts payable to maximum. Duration of the financial cycle has a negative number. Here as a suggestion "Interbudtechnica" should try to reduce its business activity indicators of periods of current assets turnover to be within a one-month period.
- The effectiveness of business lying down within finance results, which "Interbudtechnica" has really low. Therefore, measures must be taken to



improve the profitability of the business.

- LLC “Interbudtechnica” is a worthy competitor in this sector of the economy and not dramatically differ from financial indicators of analog, but still, there are a lot of directions for improvement.

Concluding this segment of work, we have to say that after analyzing the company`s LLC “Interbudtechnica” current assets it can not be argued that in general, its financial state is in crisis condition. Only looking at the balance sheet the increase of uncovered loss is visible and as a consequence the growth of current liabilities of the enterprise.

Available positive effectiveness indicators of current assets are very small, and the state of solvency ratios is extremely threatening - if there would be a need to repay its obligations quickly, the enterprise will be able to do this with little probability. The financial stability is low, there is a large dependence on partners and lenders as well as various uncontrolled factors of the overall market situation.

Indeed, it is not possible to make a full analysis of the financial and economic condition of the enterprise based on the information on the balance sheet and financial results. Required specific data, which more specifically relate to various aspects of the economic activity of the firm, is affecting its state. In addition, an important understanding of the specifics of the firm, possession of refinement information is under experienced workers and the owner of the company.

Analyzing the data, we can only suggest that the actual state of the company may be somewhat different from the "official" paper reports. But given the information available for analysis, calculations, and conclusions about the overall financial position of “Interbudtechnica”, the company can soon wait for bankruptcy, unless certain actions would be taken to improve the situation. The main proposals for improvement of the company in the future are presented in Section III of these work.

### **CHAPTER 3**

#### **THE MAIN DIRECTIONS OF IMPROVEMENT LLC**

#### **“INTERBUDTECHNICA” CURRENT ASSETS MANAGEMENT**

#### **3.1 Proposals for improvement of informational and organizational support of current assets management**

One of the most important parts of the preparation for effective analysis and management of current assets is the selection of the necessary information base. Its significance is hard to underestimate, therefore we need to consider problems that LLC “Interbudtechnica” faces in this question and make suitable proposals.

In our opinion the main problems in the field of informational support of current assets management for a company are:

1. The absence of a systematic approach to the assessment of the composition of the information base on current assets;
2. The absence of grouped sources of information on current assets in accordance with the tasks of inner analysis;
3. The absence of a developed system of requirements for an information base on current assets;
4. The absence of an approach to assessing the significance and accessibility of the information base on current assets.

About the first problem, we can say that although the information on current assets for developing support can be obtained from various sources, in most cases managers of “Interbudtechnica” use internal data, especially accounting and reporting data as most accessible, relevant, reliable. As a result, the analysis of the company, including its current assets, becomes one-sided, since most of the possible (outer) information remains inaccessible.

The effect of the first problem leads to a reduction of the possibilities of economic analysis, its effectiveness, remains an undisclosed important factor associated with the sectoral features of a company, information about competitors is

missed. All this leads to an assessment on current assets with errors and inaccuracies of their financial condition.

To solve this problem, we propose to determine and form a system of indicators in the context of not only financial but marketing, investment, operational activities and using them analyze the influence of factors on current assets management, identify reserves and propose alternative management options.

The second problem - the absence of a grouped sources of information on current assets in accordance with the tasks of inner analysis – we see as important one too. To solve tasks and objectives arising from a wide range of analytical procedures on size, composition, structure and dynamics of current assets, performance indicators and methods of forecasting etc. the managers must have an idea of those sources of information that they need to address.

The effect of the second problem leads to an increase in time and cost for analysis execution on current assets. Unsystematic nature of sources of information may cause situation when not all available information will be counted and therefore the analysis on current assets will be inaccurate.

To solve this problem, we propose to build an informational base where sources of information, in accordance with the tasks of inner analysis, will be available from first glance. The approximate form of such a base is shown in the table 3.1, therefore it can be expanded and adjusted to needs of users.

*Table 3.1*

**Grouped sources of information in accordance with the tasks of inner analysis**

Tasks of inner analysis	The source of information in LLC “Interbudtechnica”	
Volume, composition, structure, dynamic	Financial report of the subject of small enterprise	
Efficiency and performance indicators	<ul style="list-style-type: none"> <li>• Data of primary and managerial accounting;</li> <li>• Accounting policies;</li> <li>• Analytical studies and justification.</li> </ul>	<ul style="list-style-type: none"> <li>• Constituent documents affecting the change in the composition of indicators (types of activities, scope, sectoral affiliation, features of organization);</li> </ul>
Forecasting	<ul style="list-style-type: none"> <li>• The system of internal standards;</li> <li>• Strategic plan;</li> <li>• Operating plan and financial plan;</li> </ul>	<ul style="list-style-type: none"> <li>• Logistics plan;</li> <li>• The budget for the use of current assets.</li> </ul>
Risks Evaluation	<ul style="list-style-type: none"> <li>• Information about competitors;</li> <li>• The solvency of counterparties;</li> <li>• Credit conditions;</li> </ul>	<ul style="list-style-type: none"> <li>• The rate of inflation;</li> <li>• Changes in taxation laws;</li> <li>• Forms of statistical reporting</li> </ul>
...	...	



Also we propose the form on report on current assets state, shown in Appendix H. Taking into account approximate report and set of sources of information on current assets recommended their state will be more transparent that will ease their management.

The third problem has its significance for LLC “Interbudtechnica” because financial information plays an important role in the preparation and adoption of effective management decisions, which consequently imposes high requirements on its quality in the formation of the financial management information system.

The effect of the absence of a developed for an information base causes ineffectiveness and “rawness” of information, the presentation of which makes it insufficient to users. Unworked information, not checked through requirements is as a rule scope of facts, that does not bring any useful result and possible conclusions, exposing managers to make incorrect decisions. To solve this problem, we propose to build a system of information requirements within such categories as shown in the table 3.2. To most common requirements we have added some new one.

*Table 3.2*

**The system of information requirements on current assets  
for LLC “Interbudtechnica”**

	Requirements for an information base	Criteria for obtaining data
Common	Adequacy	The information reflects the conformity of the image on current assets.
	Comparability	Information should be presented in comparable values which determines the possibility of assessment of the value of current assets with other needed indicators of the financial activity of an enterprise.
	Comprehensibility	Information on current assets should be shown in the most possible simplicity of its construction, compliance with certain standards of presentation and the availability of understanding.
	Efficiency	The costs of attracting information do not exceed the effect obtained.
	Relevance	Information has a sufficiently high degree of usability in the process of managing the current assets and the financial activity of an enterprise.
	Reliability	Information adequately reflects the actual state of current assets and results of the financial activity truly characterize the environment.
	Sufficiency	The use of additional information does not lead to a significant change in the final conclusion on current assets.
	Timeliness	Information is formed and provided in time of the need for current assets management and during the period of its use.
New	Level of detail	Information on current assets should be in a form that is short and enough detailed to allow its examination and use.
	Representativeness	Information reflects the most important characteristics of current assets.
	Uniqueness	Information may add value to the company, keep it highly competitive by using unique facts in its operations and current assets management.

And the last problem we see in the absence of an approach to assessing the significance and accessibility of the information on current assets base which not allow ranging the information to be processed. The effect of this problem is resulting in complication for the user to see the overall “picture” of the available data on current assets and understand its real importance. To solve this problem, we propose to build a simple matrix, as shown in the table 3.3.

*Table 3.3*

**Matrix of the significance and accessibility of information on current assets, points**

Significance \ Accessibility	Significant	Insignificant
Accessible	1	2
Inaccessible	3	4

So by building such a matrix manager will see what information is better to use in analysis and management of current assets, identify additional sources of information obtained, develop ways and the expediency of its receipt, as well as to determine estimated effectiveness from it's of use. By this approach, a manager can evaluate not only the significance and accessibility of information on current assets but all types of imposed requirements (efficiency, relevance, reliability etc.).

To summarise we have to say that by solving listed problems, that we consider LLC “Interbudtechnica” have, the company will improve its informational support of current assets management and as a consequence:

- Receive relevant information about the size, dynamics and the structure of current assets, as well as the financial and economic processes underlying their formation;
- Identify the features of the organization to the more effective forecast of the number of current assets and financial sustainability of the company;
- Find out problematic areas in the activities of the company associated with the use of current assets;
- Develop activities aimed at increasing the efficiency of the use of current assets;



- Receive a deeper understanding of a company activity, its operations, scale of work, type and structure of management, competitiveness.

Our conclusion is made by depicting in fig.3.1 of all informational problems that LLC “Interbudtechnica” faces and making a summary of our proposals.



Fig. 3.1 Problems of informational support of current assets management of LLC “Interbudtechnica” and author’s proposals for improvement

Organizational support of current assets management is another important aspect that should be examined. We consider the following problems of LLC “Interbudtechnica” in this question:

- Undeveloped organizational structure with mixed number of duties and responsibilities;
- Unsystemized business processes, key performance indicators of business processes are not determined.



The problem of the undeveloped organizational structure with mixed duties and responsibilities in our opinion exist mostly due to the absence of needed personnel. Therefore, there is no assigned responsible person to a specific function, there is no practice in the company of a clear division of labor. The effect of this problem is mainly affecting the quality of work itself, the psychological climate. We propose to take into account the minimum required organizational structure that we have developed and which is showed in the figure 3.2.

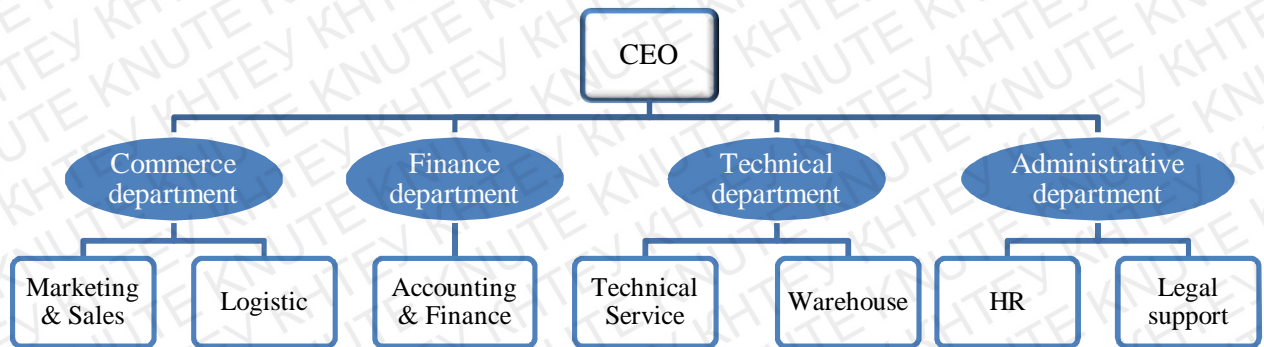


Fig. 3.2 Scheme of the organizational structure of LLC “Interbudtechnica”

Also, we propose to formulate financial responsibility centers of a company based on organizational structure. Depicture is shown in the figure 3.3.

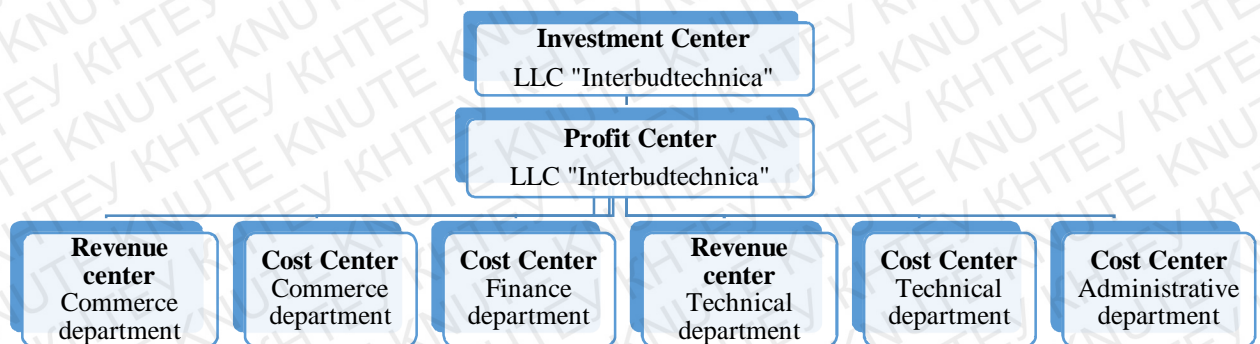


Fig. 3.3 Scheme of the financial responsibility centers of LLC “Interbudtechnica”

Such an organizational structure will solve the problem with the clear distribution of powers and responsibilities. In the question of managing current assets such a system directly or indirectly helps to organize internal information flows, financial and business planning, reporting, and controlling system. The important thing that organizing work in such a way the personnel incentives and corporate culture will occur.

For the effective functioning of a commercial enterprise in a market environment, it must be constantly developed and improved. To do this, it is necessary to determine and evaluate how well the company's business processes function, in which direction business processes should be improved, etc.

To solve this problem for LLC “Interbudtechnica” we propose to approximately formulate business processes that are based on developed steps of current assets management and suggest appropriate KPI as shown in the table 3.4. In our opinion, most important business processes are formulated in Step 5 of current assets management - business processes assessment concerning current assets, shown in the figure below. The whole proposed business processes formalization of LLC “Interbudtechnica” are given in Appendix I.

*Table 3.4*


**Business processes of LLC “Interbudtechnica” based on developed steps of current assets management (excerpt from Appendix I)**

Indicators	Procurement Management	Logistics Management	Storage Management	Management of the sale of goods
Productivity	<ul style="list-style-type: none"> <li>the number of contracts concluded</li> <li>number of negotiations per employee</li> <li>supply ratio</li> <li>profitability of purchases</li> </ul>	<ul style="list-style-type: none"> <li>time to load one order</li> <li>the number of goods transported</li> <li>number of deliveries per month</li> </ul>	<ul style="list-style-type: none"> <li>time to form one order</li> <li>inventory turnover ratio</li> <li>the share of working capital in the formation of inventories</li> <li>profitability of inventories</li> <li>the number of orders generated by one employee</li> </ul>	<ul style="list-style-type: none"> <li>number of clients worked per unit of time</li> <li>the proportion of new clients in the total number of buyers</li> <li>return on sales</li> <li>the share of sales growth from promotional activities</li> </ul>
Costs	<ul style="list-style-type: none"> <li>the cost of goods purchased</li> <li>transaction costs</li> <li>the level of costs for the purchase of goods in revenue</li> <li>the level of costs for the purchase of goods in the total costs</li> </ul>	<ul style="list-style-type: none"> <li>costs of transport companies</li> </ul>	<ul style="list-style-type: none"> <li>the cost of storage of goods</li> <li>inventory costs</li> <li>the level of costs for the maintenance of inventory in revenue</li> <li>the share of costs for the maintenance of inventory in the total cost</li> </ul>	<ul style="list-style-type: none"> <li>time spent working with a single client</li> <li>number of repeat appeals</li> <li>level of marketing costs in revenue</li> <li>the share of marketing costs in total costs</li> </ul>
Quality	<ul style="list-style-type: none"> <li>reliability of suppliers</li> <li>the number of properly executed contracts</li> <li>correct determination of the need for the product</li> </ul>	<ul style="list-style-type: none"> <li>delivery reliability</li> <li>the number of delayed deliveries</li> </ul>	<ul style="list-style-type: none"> <li>optimal order of goods</li> <li>the coefficient of inventory defects.</li> </ul>	<ul style="list-style-type: none"> <li>service level</li> <li>customer satisfaction</li> <li>number of errors in the forming the order</li> <li>the share of overdue receivables in its total amount</li> </ul>



We have to highlight again that all responsibilities of managerial personnel – from short-term forecasting of demand for goods and formation of the trading range to administrative, legal, accounting support, and staffing in LLC “Interbudtechnica” are divided between 2 employees, not including CEO itself. We consider division of responsibilities for the procurement, logistics, and sales under control of Commerce director, the storage management under control of the Technical manager. The head Financier and CEO are guided all listed processes. This responsibility division is nominal - in practice company needs to hire new employees.

To conclude with on problems of organizational support of LLC “Interbudtechnica” we have form fig. 3.4, where solutions were formulated and proposed to existing problems.



Problems	• Proposed solutions
<b>Undeveloped organizational structure of a company</b>	<ul style="list-style-type: none"> <li>•Forming most suitable organizational structure</li> <li>•Defining centers of financial responsibility</li> </ul>
<b>Unsystemized business processes</b>	<ul style="list-style-type: none"> <li>•Allotment the most important business processes of a company based on developed steps of current assets management</li> <li>•Determination of key performance indicators</li> <li>•Defining responsible personell</li> </ul>

Fig. 3.4 Problems of organizational support of current assets management of LLC “Interbudtechnica” and proposals for improvement

We have proposed a simple way of describing business processes of a company that is directly or indirectly connected to the current assets organizational support and have suggested main key performance indicators by which company should evaluate the effectiveness of its operations.



### **3.2 Recommendation of improvement the economic and methodological support of current assets management**

By developing recommendations for improving the economic support we need to consider problems that LLC “Interbudtechnica” faces based on the analysis made in chapter 2 of this work and make suitable proposals for their solving.

In our opinion the main problems in the field of economic support of current assets management for a company we can group in several subclauses:

1. Weak sides and problems occurred with the dynamics of current assets.

Stated on the 01.01.2018 year and within last previous 5 years the LLC “Interbudtechnica” has faced the:

- Reduction of inventories by almost 38%;
- The rise of settlements with the budget by 150% plus unstable situation (their drastic rise and decline);
- Reduction of money and their equivalents by 50%;
- The rise of other current assets by 1771%;
- Total current assets reduction by 18% with reduction of balance by 13%.

We consider the reduction of inventories as the positive result. Because it solves the problem of its sales. It is especially rational in conditions of inflation when inventories grow in value, and debts depreciate. But we have to highlight that in the future it may cause problems, therefore, we need to pay attention to this question.

The effect of inventories reduction in the condition of a not really high degree of consistency of actions of participants in logistics processes, the conditional reliability of supplies of LLC “Interbudtechnica” may provoke the shortage of inventories. To solve this problem, we propose to use ABC-analysis, which will allow identifying the most popular groups that bring the greatest and lowest profit. Accordingly, in the category of the most popular groups of inventory, the largest order should be made, and visa versa.

Another problem is the rise of settlements with the budget and its unstable situation shows us that LLC “Interbudtechnica” pay a higher tax than is necessary

for the calculation, make an overpayment of the tax.

The effect can be positive because the company insures themselves against penalties in case of clarification of the tax calculation. But the negative effect is that the distraction of cash is made which affects its financial position. To solve this problem, we propose to make no overpayment of taxes and pay exactly according to tax calculation. To defend the company from changes in tax calculation by budget institutions we propose to form a target fund of money as part of reserve funds.

Reduction of money and their equivalents might be good in the environment of Ukraine when companies face unstable economic conditions like inflation, currency rate fluctuation, etc. In this situation, money does not lie on bills and instead is working for a business. But this problem may affect the weakening of the financial condition of the company because their amount will be insufficient to repay priority payments. Also, we can see that the sharp reduction in inventories (by almost 38%) might have been provoked by reduction of money and their equivalents.

To solve this problem, we propose to use models for the determination of the minimum necessary money and their equivalents requirements. The most common models are model by Baumol and Miller - Orr model. But we have to highlight that for practice the amount of money and their equivalents on the account should be not less than 5% of sales revenue.

Another point we want to consider is the high rise of other current assets. Though it is really big we do not consider this as a problem rather want to explain – this asset shows us that there is cash in transit, tax liabilities and some other current assets that are derived from business processes of a company. For LLC “Interbudtechnica” the other current assets on 01.01.2018 that is 110,4 thnd. hryvnia is mainly cash in transit, not credited into checking account. So as a matter of a fact we can consider this amount as a trade receivable.

In the future for understanding and solving arisen questions, we need to look at what exactly is included in other current assets at the end of the reporting year according to accounting data and propose a further adjustment. Total current assets reduction and balance reduction indicates a reduction in the economic activities of

the enterprise. Within the balance itself we can allocate another set of problems that the company faces:

- The currency of the balance at the end of the reporting period decreases in comparison with the beginning of the period.
- The growth rate of the balance sheet is negative as well as the rate of revenue growth and all this is in the condition of high inflation rate in the economy (113,7% - average Inflation index in the 2017 year) [40].
- Size, shares and growth rates of accounts receivable and payable are extremely different when in healthy balance structure they should be almost the same.
- The share of equity in the currency of balance is negative due to historical losses when an ideal situation should exceed 50%.
- There is a weighty number of uncovered losses in the balance sheet.

To solve this problem, we need to look at reasons that caused this reduction and identify and analyze them, since various ways of financial recovery of the enterprise can be developed and recommended on this basis. The main steps should be made in direction of revenue growth. We see only two ways: to increase the markup on goods or increase the number of sales (turnover of funds). The turnover of elements of current assets we propose to increase through:

- Identifying reserves of savings of capital invested in inventories (based on XYZ-analysis of inventories);
- Optimization of the payment discipline of the enterprise (based on ABC-XYZ-analysis of receivables and payables);
- Investing temporarily free cash in circulation with the aim of obtaining additional profit, and subsequent reinvestment.

## 2. Weak sides and problems occurred with the structure of current assets.

Stated on the 01.01.2018 year the LLC “Interbudtechnica” has structure position of balance where:

- Current assets obtain almost 93% in Total assets;
- Inventories obtain 40% in current assets;



The question of almost absence of non-current assets might be a slight problem for the company in the future. However, undoubtedly, the ratio between company assets largely determined by the sectoral features of the financial and economic activities of the enterprise. For our example, the LLC “Interbudtechnica” is a trade enterprise, in which as usual, the proportion of non-current assets in the composition of the property is insignificant.

The negative effect might be only in case if current assets would be not enough to restore the solvency of a company and make settling with creditors. To solve this weak side, we propose to increase part of non-current assets in the total amount of assets of at least 10%, mostly investing in fixed assets.

Also, we see that inventories obtain 40% of the current assets of the enterprise. The problem is here that we need to understand the structure of inventories themselves, their type to make the most efficient optimization. The effect depends too – if inventory value mostly builds from big machinery we understand that is hard to sell, that is slowing the turnover. If inventory is mostly consisting of spare parts – they are rather easier to sell and cheaper to maintain.

To make inventory structure more efficient we propose to reorganize the inventory management system by setting the marginal volumes of inventories of each type of goods, based on current and projected demand, as well as the cost of storage and supply. Also, it is necessary to get rid of the excess inventories of those types of goods, the demand for which is currently the lowest (possibly by using advertising sales). In addition, it is necessary to organize the storage system for goods in the most efficient way, making it possible to use the storage room at the disposal of the enterprise at the lowest cost. In case of incomplete use of the warehouse, we propose to rent it partially.

### 3. Weak sides and problems occurred with solvency and liquidity of current assets.

On the 01.01.2018 year the LLC “Interbudtechnica” has following issues:

- Negative Working capital (-605,95 thnds. hryvnias);
- All Liquidity coefficients are under the recommended values:

- Cash ratio is  $0,08 < 0,2$ ;
- Current ratio is  $0,41 < 2$ ;
- Quick ratio is  $0,25 < 0,8$ .

The problem of negative working capital is historical for the company. It shows that the company is illiquid and use debt resources for all operating activities. The effect of this problem leads to unpayable debts and bankruptcy. To solve this problem, we propose to apply measures to correct and accurate reallocation of company's working capital, to increase liquid cash funds and reduce the amount of less liquid inventories.

The problems with liquidity coefficients are showing us that the company is insolvent and the number of current liabilities is a way to big if compare with current assets. The effect of such a situation is the same – the risk of bankruptcy is really high. To solve this problem, the main measures must be applied to increase profits, reduce costs and optimize the structure of capital.

#### 4. Weak sides and problems occurred with business activity of current assets.

In the question of business activity indicators of LLC “Interbudtechnica” stated on the 01.01.2018 year and within the last previous 5 years it is needed to pay attention to following aspects:

- Period of turnover of current accounts receivables have risen by 9 days and was on average 17 days in 2017.
- Period of turnover of current accounts payables have risen by 39 days and was on average 169 days in 2017.

The issue of the rise of current accounts receivables period of turnover is not really critical. The effect of this appears in the growth of time during which the money from the counterparties of the enterprise goes to company bank account. To decrease the number of days of current accounts receivables period of turnover the measures should be in direction of increasing sales revenue and reducing the receivables for the period.

The rise in the period of turnover of current accounts payables is really a good thing because enterprise more actively finances the current business activity at the

expense of the direct participants in the operational process. Also, we see the good condition in speed excess of current accounts receivables turnover over current accounts payables.

But we wanted to highlight that this indicator must be under control due to that fact that on the one hand, payables seem to be economically profitable for the company as a source of financing, but on the other hand, it leads to a downgrade of an enterprise among competitors, a loss of image in the market, possible penalties, interest payments, and fees specified in contracts. To take under control this issue, and reduce the number of company liabilities we propose to restructure payables, namely by netting between organizations.

#### 5. Weak sides and problems occurred with effectiveness activity of current assets.

In effectiveness indicators of LLC “Interbudtechnica” has problems in:

- Reduction of indicators by two times for analyzed period;
- A small value of indicators;

The effect of such state of company profitability, its low profitability, means that the LLC “Interbudtechnica” earns profits that are inadequately small to its scale. In this case, the scale refers to the assets of the company. For low-efficient companies, a reduction becomes likely, which may affect the interests of both management and employees.

To solve this problem, we propose to take measures in several directions. The first direction is aiming at increasing the profits of the company, that could be done through increasing of turnover, changes in the structure of turnover and, for example, making new steps in trademark management and work with clients. In order to increase sales, we propose to create a system of work with regular customers of spare parts, including a discount system, a simplified payment procedure, use marketing communication systems to attract new customers, and also review the assortment list periodically and getting rid of goods with the lowest demand.

Another direction is aimed at lowering the costs of the enterprise. This could be done for instance through a reduction in commercial and administrative expenses



of the enterprise, changing work conditions with suppliers. The last way that we consider should be managed when solving problems with the effectiveness and its current assets is improving the efficiency of resources used. This could be done through systematic control over the distribution of goods, increasing in material, financial, labor productivity, improving the efficiency of use of working capital.

So, to conclude with we made depicture in fig. 3.5 and fig. 3.6 of all economic problems that LLC “Interbudtechnica” and make summary of our proposals.

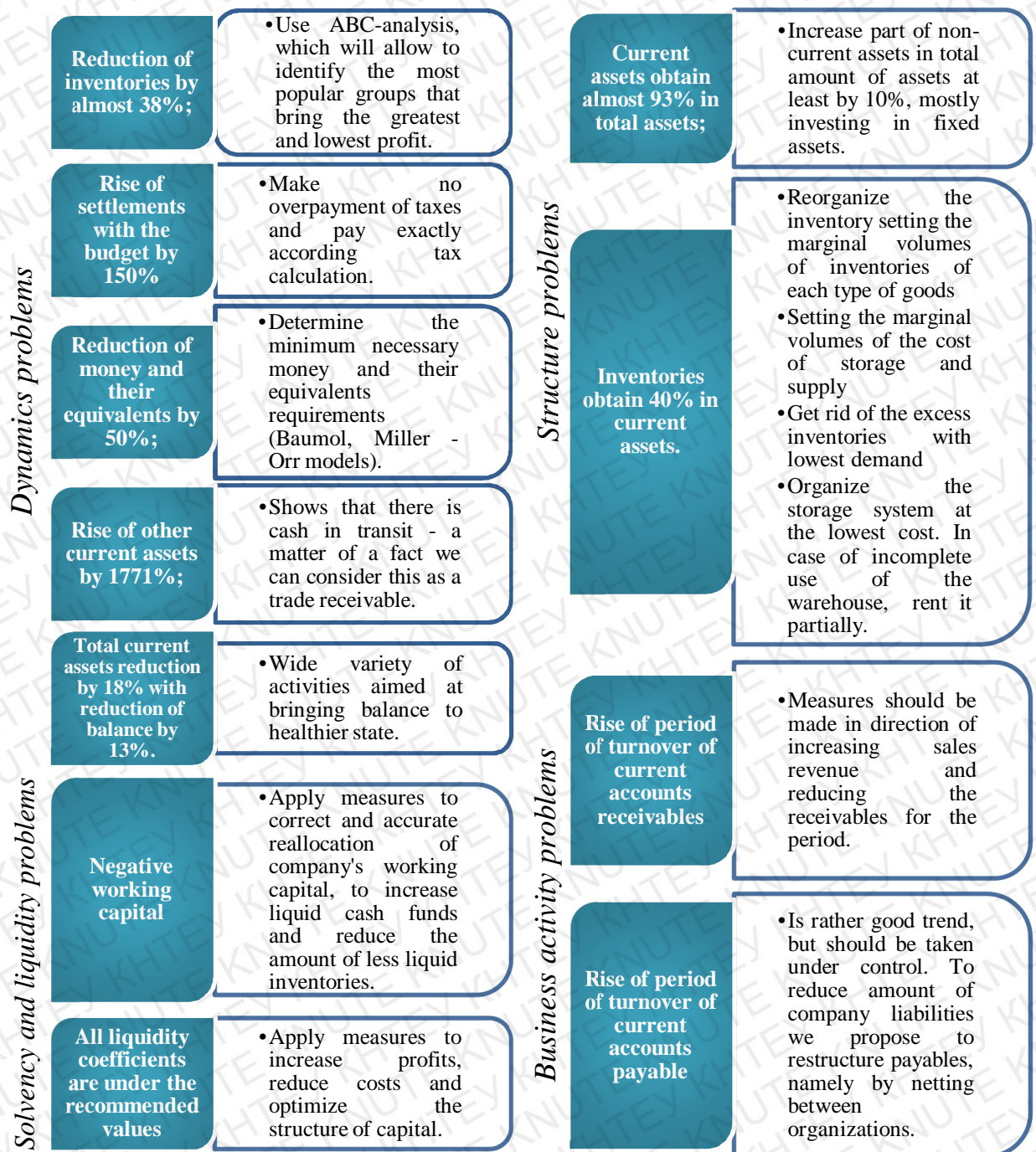


Fig. 3.5 Problems of economic support of current assets management of LLC “Interbudtechnica” and author`s proposals for improvement



### *Effectiveness problems*

Reduction of indicators by two times for analyzed period and small value of indicators			
<b>Increasing profits by:</b> <ul style="list-style-type: none"> <li>•Increasing turnover</li> <li>•Changing in the structure of turnover</li> <li>•Trade mark management</li> <li>•Better work with clients</li> </ul>	<b>Increasing sales by:</b> <ul style="list-style-type: none"> <li>•Create a system of work with regular customers of spare parts</li> <li>•Simplify payment procedure</li> <li>•Use marketing communication systems</li> <li>•Review the assortment list</li> <li>•Getting rid of goods with the lowest demand</li> </ul>	<b>Lowering costs by:</b> <ul style="list-style-type: none"> <li>•Reduction in commercial and administrative expenses</li> <li>•Changing conditions of work with suppliers</li> </ul>	<b>Improving the efficiency of resources by:</b> <ul style="list-style-type: none"> <li>•Systematic control over the distribution of goods</li> <li>•Increasing in material, financial, labor productivity</li> <li>•Improving the efficiency of use of working capital</li> </ul>

Fig. 3.6 Problems of economic support of current assets management of LLC “Interbudtechnica” and author’s proposals for improvement

Another important set of problems connected to the field of methodological support of current assets management for a company, which in our opinion are:

- Insufficient credit policy conditions, the absence of methodological support for work with debtors and their analysis;
- Unsystematic approach to work with inventories, no methodological base is applied;
- Lack of strict methodological complex of actions to solve the problem of short-term obligations coverage.

Insufficient credit policy conditions and absence of methodological support complicates the work with debtors. To solve this problem, we have to build certain stages and criteria of an integrated assessment of the company's counterparties. We have to say that the proposed methodology is based on the use of an expert approach to the assessment. And of course, it is subjective.

However, it is the knowledge of the peculiarities of the business of enterprise that allows managers to evaluate it most correctly. We believe that subjectivity, in this case, is the advantage of valuation and allows us to recommend it for use in the enterprise. First of all, we propose to rate debtors by certain criteria, shown in the table 3.5. By finding the sum of multiple rate and value of step of debtor we will get the integrated mark of the debtor. Then we will be able to develop the standard

management decisions for regulating work with debtors.

Table 3.5

**Proposed methodology of LLC “Interbudtechnica” debtors assessment**

Rate	The division of debtors by			
	The volume of orders:	The frequency of orders:	Maturity:	Delay and overdue:
1	Minimum	Single	Maximum time	Frequent
2	Average	Periodic	Average time	Single
3	Maximum	Frequent	Minimum time	Absence
Step	I	II	III	IV
Value of step, points	0,4	0,2	0,15	0,25

For LLC “Interbudtechnica” debtors we see situation, shown in the table 3.6.

Table 3.6

**Calculation of integrated debtors estimation of LLC “Interbudtechnica”, points**

Debtors	The volume of orders rate	Estimation = Rate * Value of step	The frequency of orders rate	Estimation	Maturity rate	Estimation	Delay and overdue	Estimation	Integral estimation of debtor ( $\sum$ estimations)
Value of step	-	0,4	-	0,2	-	0,15	-	0,25	-
LLC “Rosavtodetalservice”	3	1,2	1	0,2	3	0,45	3	0,75	2,6
LLC “Elba Beton”	2	0,8	2	0,4	2	0,3	1	0,25	1,75
LLC “Etalon”	1	0,4	1	0,2	1	0,15	2	0,5	1,25
LLC “Beton Energo”	3	1,2	1	0,2	1	0,15	2	0,5	2,05
"PJSC" Plant of reinforced concrete structures №1"	3	1,2	2	0,4	1	0,15	3	0,75	2,5

So now we can range our debtors by obtained estimations and build a matrix of credit policy conditions for our existing debtors as well for possible future ones, shown in the fig. 3.7. In the matrix, we have proposed possible decisions about work conditions with debtors. We have proposed the methodological support for work with debtors by making their analysis, evaluating and ranging. With help of such tool managers responsible for receivables will be to decide whether or not to work with company-debtor and on what terms. We have made a more in-depth analysis of the elements of current assets by proposing an integrated assessment of counterparties of LLC “Interbudtechnica”, which allowed us to develop standard management solutions (credit policy conditions) for each category of debtors.



Table 3.7

**The matrix of credit policy conditions of LLC “Interbudtechnica”**

Credit policy solutions	Rates			
	3 - 2,5 (Best)	2,5 – 2 (Good)	2 - 1,5 (Average)	1,5 – 1 (Low)
Debtors	• LLC “Rosavtodetal service” • “PJSC” Plant of reinforced concrete structures №1”	• LLC “Beton Energy”	• LLC “Elba Beton”	• LLC “Etalon”
Receivables amount	Allow increasing sales on credit	Allow increasing sales on credit	Establish a limit on sales on credit at the current level	Reduction of sales on credit
Frequency and number of orders	Price discounts for each additional order	Price discounts when overcoming a critical volume of orders	No price discounts regardless of the number of orders	No price discounts regardless of the number of orders
The average turnover period (repayment) of receivables	It is allowed to increase the maturity of the debt without extra charge, but not longer than the average existing term.	It is allowed to increase the maturity of the debt, but with a markup but not longer than the average term.	The extension of the maturity of the debt is not allowed.	The extension of the maturity of the debt is not allowed.
Late repayment of receivables	Possible single delay without penalty	Delays in payment are accompanied by penalties	Delays in payment are accompanied by penalties	Refusal of shipment until repayment of overdue debts

The problem with inventories is important because inventory management at LLC “Interbudtechnica” is carried out without a system, which does not provide an integrated approach to increasing the efficiency of commercial activities, and we have to highlight that for company inventories is occupying 40% of current assets.

The effect of excessive and unsystematized inventories can lead the company to significant financial losses or freezing of funds in the excess inventory.

We propose to determine what is stored on enterprise inventory, by structuring the group of inventory depending on their contribution to the growth of turnover, using ABC analysis and in depending on the nature of consumption of inventory, using XYZ-analysis, on which results we will build our recommendations.

From table 3.8 we can see what inventories are the most important groups of inventory, which bring 50% of the turnover of the enterprise (Group A), what inventories bring more than 30% of the result in the turnover and have medium in

importance (Group B), and what are the least important for the enterprise with their contribution to turnover of 20% (Group C). In the process of analysis, control percentages are used as A = 50%, B = 80%, C = 100%.

*Table 3.8*

**ABC analysis on the inventory of LLC “Interbudtechnica” for the 2017 year**

№	Group name	Turnover thousand ₺	Share in turnover, %	Cumulative share in turnover, %	Group
1	Concrete pistons	159,51	9,56	9,56	A
2	Concrete sleeves	148,33	8,89	18,45	
3	Wear plates	142,16	8,52	26,97	
4	S-valves	122,64	7,35	34,32	
5	Trim rings	115,30	6,91	41,23	
6	Wear rings	112,13	6,72	47,95	
7	Pressure sensors	105,28	6,31	54,26	B
8	Pressure gauges	95,44	5,72	59,98	
9	Repair kits	75,75	4,54	64,52	
10	Hydraulic locks	70,41	4,22	68,74	
11	Hydraulic pumps	68,91	4,13	72,87	
12	Electrical equipment	66,24	3,97	76,84	
13	Steel concrete pipelines	62,57	3,75	80,59	C
14	Swivel knees	61,24	3,67	84,26	
15	Rubber concrete pipe	60,90	3,65	87,91	
16	Concrete locks	52,23	3,13	91,04	
17	Seal under the locks	48,22	2,89	93,93	
18	Starting mixture	44,05	2,64	96,57	
19	Hose connections and adapters	21,69	1,3	97,87	
20	Wash balls	21,36	1,28	99,15	
21	Oil filters	14,18	0,85	100	
-	Total	1668,54	100	-	

Next, we conduct an XYZ analysis, the purpose of which is to differentiate the groups of commodity inventories depending on uniformity of demand and the accuracy of forecasting, shown in the table 3.9. For the XYZ-analysis we calculate variation on bases of the data of turnover for 2017 by quarters. (Appendix F)

Category X - resources are characterized by a stable amount of consumption, minor fluctuations in their consumption and high accuracy of the forecast (value of the coefficient of variation from 0 to 10%). Category Y - resources are characterized by known trends in determining the need for them and the average possibilities of their forecasting (from 10 to 25%). Category Z - resource consumption is irregular, there are no trends, prediction accuracy is low (over 25%).

Table 3.9

**Combined ABC analysis and XYZ analysis of groups of inventory  
of LLC “Interbudtechnica”**

№	Group name	Turnover thnd. ¢	Share in turnover, %	Cumulative share in turnover, %	Group	Variation	Group	Combination
1	Concrete pistons	159,51	9,56	9,56	A	0,35	Z	AZ
2	Concrete sleeves	148,33	8,89	18,45	A	0,52	Z	AZ
3	Wear plates	142,16	8,52	26,97	A	0,36	Z	AZ
4	S-valves	122,64	7,35	34,32	A	0,39	Z	AZ
5	Trim rings	115,3	6,91	41,23	A	0,43	Z	AZ
6	Wear rings	112,13	6,72	47,95	A	0,50	Z	AZ
7	Pressure sensors	105,28	6,31	54,26	B	0,16	Y	BY
8	Pressure gauges	95,44	5,72	59,98	B	0,31	Z	BZ
9	Repair kits	75,75	4,54	64,52	B	0,46	Z	BZ
10	Hydraulic locks	70,41	4,22	68,74	B	0,38	Z	BZ
11	Hydraulic pumps	68,91	4,13	72,87	B	0,19	Y	BY
12	Electrical equipment	66,24	3,97	76,84	B	0,50	Z	BZ
13	Steel concrete pipelines	62,57	3,75	80,59	C	0,11	Y	CY
14	Swivel knees	61,24	3,67	84,26	C	0,25	Y	CY
15	Rubber concrete pipe	60,9	3,65	87,91	C	0,37	Z	CZ
16	Concrete locks	52,23	3,13	91,04	C	0,60	Z	CZ
17	Seal under the locks	48,22	2,89	93,93	C	0,79	Z	CZ
18	Starting mixture	44,05	2,64	96,57	C	0,78	Z	CZ
19	Hose connections and adapters	21,69	1,3	97,87	C	0,36	Z	CZ
20	Wash balls	21,36	1,28	99,15	C	0,43	Z	CZ
21	Oil filters	14,18	0,85	100	C	0,58	Z	CZ

ABC studies and XYZ analyzes allowed to distribute all commodity inventories into groups. For each of the received groups, depending on their contribution to the trade and the nature of consumption, we can offer recommendations for their management, which are presented in the table 3.10.

As a rule, the most important for the inventories acquisition are composite cells with parameters AH, AY, BX, BY and CX, since the annual requirement of most of the data inventories can be with statistical certainty to foresee. As we see LLC “Interbudtechnica” has no such inventories, except inventories in group BY. The general proposal here is to pay attention to optimization of inventories and to full absence of groups (AH, AY, BX and CX) by a new assortment of inventories.

The problem of lack of complex of actions to solve the problem of short-term obligations coverage effects in a negative way the payment discipline of enterprise in relation to creditors and banks, indicates a decrease in financial stability.



Table 3.10

**Inventory management proposals for LLC “Interbudtechnica”**

Group	Inventory	Description	Proposals
AZ	<ul style="list-style-type: none"> <li>•Concrete pistons</li> <li>•Concrete sleeves</li> <li>•Wear plates</li> <li>•S-valves</li> <li>•Trim rings</li> <li>•Wear rings</li> </ul>	Low predictability of demand with high sales	Should be subject to serious analysis. Maybe, there is a single and extremely profitable order, that should be excluded from the classification nomenclature as atypical. The presence of such an order lead to distortion of information.
BY	<ul style="list-style-type: none"> <li>•Pressure sensors</li> <li>•Hydraulic pumps</li> </ul>	High turnover have insufficiently stable demand	In order to ensure the continued availability of goods from this group, it is necessary to increase the safety reserve stock.
BZ	<ul style="list-style-type: none"> <li>•Pressure gauges</li> <li>•Repair kits</li> <li>•Hydraulic locks</li> <li>•Hydraulic pumps</li> <li>•Electrical equipment</li> </ul>	Have low predictability of demand with high sales	One part of the goods need to be transferred to the system orders with a fixed amount or order quantity. Another part of the goods must be provided through more frequent deliveries.
CY	<ul style="list-style-type: none"> <li>•Steel concrete pipelines</li> <li>•Swivel knees</li> </ul>	Instability of consumption, low contribution to the turnover	Application of a system with a fixed amount or order quantity. In this case, to form an insurance reserve for goods from this group, based on the available free cash.
CZ	<ul style="list-style-type: none"> <li>•Rubber concrete pipe</li> <li>•Concrete blocks</li> <li>•Seal under the locks</li> <li>•Starting mixture</li> <li>•Hose connections and adapters</li> <li>•Wash balls</li> <li>•Oil filters</li> </ul>	New items, seasonal goods, goods brought under the order	Part of the goods should be withdrawing from the assortment, the other part should be constantly monitored and analyze, inventories here turn into illiquid assets, the remnants of goods taken to order or no longer produced. The market research is needed for implementing marketing activities that may allow shifting these positions to the CY group.

We see that almost all current assets are financed by short-term borrowed capital. To solve the problem of forming the deficit of sources of coverage of obligations we propose a set of managerial decisions, pictured in the table 3.11.

Table 3.11

**Approach to solving the problem of a deficit of sources of obligations coverage for LLC “Interbudtechnica”**

Measures in terms of: Deficit of sources to cover :	Working capital management	Current assets management	Equity capital management
Accounts payable	<ul style="list-style-type: none"> <li>• Reducing the absolute size of accounts payable in the short term.</li> <li>• The increase in the turnover of accounts payable</li> </ul>	<ul style="list-style-type: none"> <li>• Accelerating the turnover of elements of current assets.</li> <li>• The increase in cash through the sale of non-current assets</li> </ul>	<ul style="list-style-type: none"> <li>• The attraction of additional funds due to the increase in equity capital (increase in the share of reinvestment from net profit)</li> </ul>
Short term loans	<ul style="list-style-type: none"> <li>• Reducing the absolute size of loans in the short term.</li> <li>• Extension of loans</li> </ul>		
Long-term loans	<ul style="list-style-type: none"> <li>• Extension of loans</li> </ul>		

The measures, shown in the fig. 3.7 will help to find additional sources to cover obligations of LLC “Interbudtechnica”.

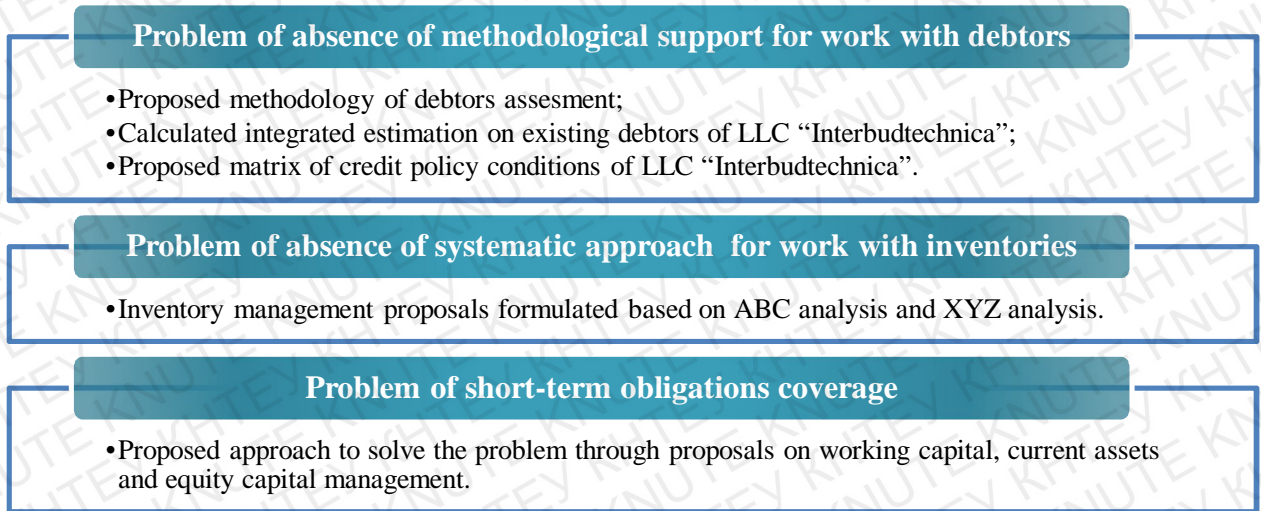


Fig. 3.7 Problems of methodological support of current assets management of LLC “Interbudtechnica” and author`s proposals for improvement

So, we have proposed various directions to solve current economic and methodological support problems of LLC “Interbudtechnica”, concerning analyzed financial state of a company as well as the methodological support of work with debtors, inventories and deficit of sources of obligations coverage, pictured in the fig. 3.7.

### 3.3 Creation of the current assets budget for the planned period

We begin our planning from PnL statement, shown in the table 3.12. In the absence of statistical information for the quarters, we forecast annual values. In our planning calculation, we consider 2015 year as a base year, due to consideration that 3-year scope is a good indicative period for planning in an unstable economy of Ukraine and gives opportunity to calculate and level single “jumps” in balance sheet indicators. The planning disclosed in Appendices J-M.

The planned amount of other operating income mostly consists of:

- Income from the buy - sale of foreign currency;



- Income from operating exchange differences;
- Income from the sale of other current assets;

Table 3.12

**Profit and Loss Statement of LLC “Interbudtechnica”  
for the 2017 year and 2018 year, thnd. ₺**

Indicator	2017 year (fact)	2018 year (plan)
Income from sales of goods	2335,4	2631,9
Other operating income	34	34,0
Other income	958,2	865,0
Total Income	3327,6	3530,9
Cost of sold products	-1568,4	-1767,5
Other operating expenses	-1743,5	-1743,5
Total Costs	-3311,9	-3511,0
Financial result before tax	15,7	19,9
Income tax	2,8	3,6
Net profit	12,9	16,3

The planned amount of other income mostly discussed with LLC “Interbudtechnica” expert and suggested to plan this article in mentioned amount, which mostly consist of:

- Income from assets received free of charge - last year the owner of the company had contributed resources to cover the current needs of the company, reach profit point and partly write off the uncovered loss. The expert considers that this practice will continue following 2018 year;

- Revenue from the sale of non-current assets.

The planned amount of other operating expenses mostly consists of:

- Amount of bad accounts receivable;
- Losses from operating exchange differences;
- Loss from inventory depreciation;
- Recognized fines, penalties, fees.

Now getting down to balance planning. The planning of Non-Current assets is provided in the table 3.13. and table 3.14. No acquisition of fixed assets is planed.

The planned amount of Non - Current assets mostly consists of:

- Value of company`s service vehicle;
- Computers and other office equipment;



- Service engineer complete of working tools and household equipment.

Table 3.13

**Non - Current assets of LLC “Interbudtechnica”  
on 01.01.2018 year and 01.01.2019 year, thnd. ₺**

Assets: I. Non - Current assets	01.01.2018 year (fact)	01.01.2019 year (plan)
Fixed assets:	33,2	32,6
Initial value	282,6	277,1
Depreciation	-249,4	-244,6
Total for Section I	33,2	32,6

The current assets of we have planned through the periods of turnover.

Table 3.14

**Planned volumes of fixed assets and depreciation of LLC  
“Interbudtechnica” on 01.01.2019 year, thnd. ₺**

Indicator	01.01.2019 year (plan)
The average initial value of Fixed Assets	271,7
Initial value	277,1
Coefficient of depreciation	-0,9
Depreciation	-244,6
Fixed Assets	32,6

The inventories planning showed in the table 3.15 and table 3.16.

Table 3.15

**Inventories of LLC “Interbudtechnica”  
on 01.01.2018 year and 01.01.2019 year, thnd. ₺**

Assets: II. Current assets	01.01.2018 year (fact)	01.01.2019 year (plan)
Inventories:	170	169,1
Including finished products	167,6	151,7

Inventories of the company mostly consist of spare parts considered in the ABC-XYZ analysis.

Table 3.16

**Period of inventory turnover of LLC “Interbudtechnica”  
for the 2015-2018 years, days**

Period of turnover	Fact			Plan
	2015 y.	2016 y.	2017 y.	2018 y.
Inventories:	50	32	39	34
Including finished products	46	28	35	31

Concerning accounts receivable, we have to bring statistics about previous

years in table 3.17 to show that sink of their value on 01.01.2018 is the single case rather than a dynamic tendency. We can assume that this is due to the fact that the company has received funds from the debtor for the delivery of goods right before closing the balance. The planning tendency is decreasing the number of receivables.

*Table 3.17*

**Accounts receivable of LLC “Interbudtechnica” from 01.01.2016 year to 01.01.2019 year, thnd. ₺**

Assets: II. Current assets	Fact			Plan
	01.01.2016 y.	01.01.2017 y.	01.01.2018 y.	01.01.2019 y.
Accounts receivable:	152,2	164,2	54,8	124,3
Includ. goods, works, services	19	53,1	19	53,5
Includ. settlements with budget	1,8	59,2	3	37,8
Includ. other accounts receivable	131,4	51,9	32,8	33,0

The period of accounts receivable turnover planned in table 3.18.

*Table 3.18*

**Period of accounts receivable turnover of LLC “Interbudtechnica” for the 2015-2018 year, days**

Period of turnover	Fact			Plan
	2015 y.	2016 y.	2017 y.	2018 y.
Accounts receivable	17	18	17	17
Including goods, works, services	3	4	6	7
Including settlements with the budget	0,3	3	5	6
Including other accounts receivable	14	10	7	5

At last, we have to plan the remaining current assets, shown in the table 3.19. The planned amount of other current assets mostly consists of:

- The debit balance on the account "Goods shipped" in terms of VAT amounts, calculated at the time of shipment of goods;
- The debit balance on the account "Settlements with buyers and customers" and "Calculations with different debtors and creditors" in terms of VAT amounts calculated from advances and prepayment;
- The value of missing or damaged material values, in respect of which it was not decided to write them off into operational costs.

As shown in the table 3.19 we are planning the increase of end balance. The increment in the assets is made in accounts receivable and money with their

equivalents. We understand that the money placed in its composition lose their real value due to inflation and are distracted from circulation but still consider their increase as unavoidable.

*Table 3.19*

**Remaining current assets of LLC “Interbudtechnica”  
on 01.01.2018 year and 01.01.2019 year, thnd. ₺**

Assets: II. Current assets	01.01.2018 y. (fact)	01.01.2019 y. (plan)
Money and their equivalents	86,8	122,5
Other current assets	110,4	110,4
Total for Section II	422	526,3
Balance	455,2	558,9

The increase in the balance sheet is evidence that the assets of the company are increasing, and with them, the liabilities are growing.

We start planning liabilities and equity, shown in the table 3.20, form the first section – section of equity. The period of current payables turnover shown in the table 3.21. Here we have tried to partly reduce the uncovered loss of the company which is taking place for the last 5 years. Unfortunately, the company still does not have enough funds for full coverage of losses and even more - company go into current debt more deeply by inflating its payables.

*Table 3.20*

**Equity and Liabilities of LLC “Interbudtechnica”  
on 01.01.2018 year and 01.01.2019 year, thnd. ₺**

Equity and Liabilities	01.01.2018 y. (fact)	01.01.2019 y. (plan)
Registered capital	198,6	198,6
Uncovered loss	-771,4	-764,3
Total for Section I	-572,8	-565,7
II. Long-term liabilities	-	-
III. Current liabilities	-	-
Short-term bank credits	-	-
Current payables:	769,1	1124,6
Including goods, works, services	763,6	956,9
Other current liabilities	258,85	-
Total for Section III	1027,95	1124,6
Balance	455,2	558,9

The main risk here and fear that the current payables amount is rising. We understand that the high proportion of accounts payable reduces the financial



stability and solvency of the organization, however, payables to suppliers and contractors allow the company to use “free” money for the time of its existence. Here we have to rely on that fact that company contractors and suppliers have long-term relationship confirmed with sufficient work experience.

Table 3.21

**Period of Current payables turnover of LLC “Interbudtechnica”  
for the 2015-2018 years, days**

Period of turnover (PT)	Fact			Plan
	2015 y.	2016 y.	2017 y.	2018 y.
Current payables	204	139	169	154
Including goods, works, services	155	113	138	131

Between them and company exist a trusting relationship that allows continuing the mutually beneficial partnership. And still, the planned amount of account payable for a company is even less than its actual value in 2014 and 2015 years (1128,5 and 1287,4 thnd. ₺ retrospectively). Here for the company vitally important to stick to the gap between the turnover of payables and receivables.

So the planned state of assets and liabilities of the enterprise is presented in the form of a balance sheet in a table 3.22.

Table 3.22

**Planned Balance Sheet of LLC “Interbudtechnica”  
on 01.01.2019 y., thnd. ₺**

Assets	01.01.2019 y.	Equity and Liabilities	01.01.2019 y.
I. Non - Current assets	-	I. Equity	-
Fixed assets:	32,6	Registered capital	198,6
Initial value	277,1	Uncovered loss	-764,3
Depreciation	-244,6	Total for Section I	-565,7
Total for Section I	32,6		
II. Current assets	-	II. Long-term liabilities	-
Inventories:	169,1		
Includ. finished products	151,7	III. Current liabilities	-
Accounts receivable:	124,3		
Includ. goods, works, serv.	53,5	Short-term bank credits	-
Includ. settlements with budget	37,8	Current payables	1124,6
Includ. other accounts receivable	33,0	Incl. goods, works, serv.	956,9
Money and their equivalents	122,5	Other current liabilities	-
Other current assets	110,4	Total for Section III	1124,6
Total for Section II	526,3		
Balance	558,9	Balance	558,9

We wanted to add that the company through the years did not apply the resources of short and long-term bank credits, therefore we see no reason to persuade them to start up such practice. It seems, again, that relations with creditors are built in such a way that it allows the company to confidently rely on this type of the financing of their activities.

We are not planning other current liabilities because here mostly are amounts of debt on advances received prior to the shipment of goods. Such advances can be an important source of funding for the firm, though might not occur.

By consultation with company's expert, we have obtained information that the most lucrative are II and III quarters (bring 30% and 35% of profits) when I and IV quarters are less active (15% and 20% of profits respectively). Therefore, this is our main suggestion and we can approximately prognoses quarterly values in statements positions, shown in the table 3.23.

*Table 3.23*

**Profit and Loss Statement of LLC "Interbudtechnica"  
for 2017 year and 2018 year quarter plan, thnd. 2**

Indicator	2017 year (fact)	2018 year (quarter plan)				
		I	II	III	IV	Total
Income from sales of goods	2335,4	394,8	789,6	921,2	526,4	2631,9
Other operating income	34	5,1	10,2	11,9	6,8	34,0
Other income	958,2	129,8	259,5	302,8	173,0	865,0
Total Income	3327,6	529,6	1059,3	1235,8	706,2	3530,9
Cost of sold products	-1568,4	-265,1	-530,3	-618,6	-353,5	-1767,5
Other operating expenses	-1743,5	-261,5	-523,1	-610,2	-348,7	-1743,5
Total Costs	-3311,9	-526,7	-1053,3	-1228,9	-702,2	-3511,0
Financial result before tax	15,7	3,0	6,0	7,0	4,0	19,9
Income tax	2,8	0,5	1,1	1,3	0,7	3,6
Net profit	12,9	2,4	4,9	5,7	3,3	16,3

Approximate values of balance sheet within quarters are given in the table 3.24. Fixed assets are planned to decreased linearly, without new acquisitions. Other parts of assets were planned according to the same assumption about seasonality as were used to plan the PnL statement. The uncovered loss is covered gradually according to the coefficient of capitalization (0,43). Current payables are increasing – again mostly in II and III quarter as most sales. And other current liabilities are planned to gradually decrease and to be at zero points to the end of the year.

Table 3.24

**Planned Balance Sheet of LLC “Interbudtechnica” on 01.01.2018 year  
and 01.01.2019 with a quarter plan within 2018 year, thnd. 2**

Indicators	Fact	Plan				
	01.01.2018 y.	31.03.2018 y.	30.06.2018 y.	30.09.2018 y.	31.12.2018 y.	01.01.2019 y.
<b>Assets</b>						
I. Non - Current assets						
Fixed assets:	33,2	33,0	32,9	32,7	32,6	32,6
Initial value	282,6	281,2	279,9	278,5	277,1	277,1
Depreciation	-249,4	-248,2	-247,0	-245,8	-244,6	-244,6
Total for Section I	33,2	33,0	32,9	32,7	32,6	32,6
II. Current assets						
Inventories:	170,0	169,9	169,6	169,3	169,1	169,1
Includ. finished products	167,6	165,2	160,5	154,9	151,7	151,7
Accounts receivable	54,8	65,2	86,1	110,4	124,3	124,3
Includ. on goods, works, services	19,0	24,2	34,5	46,6	53,5	53,5
Includ. settlements with budget	3,0	8,2	18,6	30,8	37,8	37,8
Includ. other accounts receivable	32,8	32,8	32,9	33,0	33,0	33,0
Money and their equivalents	86,8	92,2	102,9	115,4	122,5	122,5
Other current assets	110,4	110,4	110,4	110,4	110,4	110,4
Total for Section II	422,0	437,6	468,9	505,5	526,3	526,3
Balance	455,2	470,8	501,9	538,1	558,9	558,9
<b>Equity and Liabilities</b>						
I. Equity						
Registered capital	198,6	198,6	198,6	198,6	198,6	198,6
Uncovered loss	-771,4	-770,3	-768,2	-765,8	-764,3	-764,3
Total for Section I	-572,8	-571,7	-569,6	-567,2	-565,7	-565,7
II. Long-term liabilities	-	-	-	-	-	-
III. Current liabilities						
Short-term bank credits	-	-	-	-	-	-
Current payables	769,1	822,4	929,1	1053,5	1124,6	1124,6
Includ. on goods, works, services	763,6	792,6	850,6	918,2	956,9	956,9
Other current liabilities	258,85	220,1	142,4	51,8	-	-
Total for Section III	1027,95	1042,5	1071,5	1105,3	1124,6	1124,6
Balance	455,2	470,8	501,8	538,1	558,8	558,8

Since we don't have enough information on disclosure of balance sheet and profit and loss statement and the company does not have investment or financial activities and use the financial report of the subject of small enterprise we see no possibility to compile a cash flow statement. Instead, we have developed rather an incoming Cash flows from customers and outgoing Cash flows to suppliers info table, shown in the respective table 3.25.



Table 3.25

**Trade Incoming Cash and outgoing Cash flows of LLC  
“Interbudtechnica” (2018 year quarter plan), thnd. ₺**

Cash Flow	2018 year (quarter plan)				
	I	II	III	IV	Total
Amount of delivered row materials from suppliers	265,0	530,0	618,3	353,3	1766,7
Incoming CF from customers	423,8	847,6	988,8	565,0	2825,2
Outgoing CF to suppliers	(270,2)	(540,3)	(630,4)	(360,2)	(1801,1)

By developing proposed current assets budget we expect that following improvements will be achieved:

- The increment of income from sales of goods on which planning is based assure growth of companies resources;
- Gradual covering the amount of uncovered loss of a company;
- Structure of current assets will be a change in favor of Accounts receivable and Money and their equivalents by decreasing Inventories and Other current assets. Current assets structure will be more balanced because all elements will be in in the border of approximately 20-30%.
- Business activity also will improve – periods of turnover of all elements of current assets will decrease consequently accelerating operational turnover.
- Working capital is planned to slightly increase to -598,3 thnd. ₺.
- The slight improvement of liquidity coefficients will be achieved. Thus Cash ratio will rise to 0,11 from 0,08, Current ratio will increase to 0,47 from 0,41 and Quick ratio will be 0,32 comparing of 0,25 in 2017 year.
- Also, the indicators of effectiveness will improve thus the effectiveness of current assets will increase from 3,26 in the 2017 year to 3,8 as well as the effectiveness of turnover- from 0,67 in the 2017 year to 0,8 in the planned period.
- Decision-making process on current assets management will be more efficient since managers see what resources are available, what incoming and outgoing flows are planned at what time period;
- Control over future financial stability will be easier since there will be a

possibility to calculate expected financial ratios;

- Formulating current assets budget helps to form formalized basement for setting the financial goals of the company;
- The personnel will be more informed and possibly motivated to achieve planned budget;
- Financial transparency and awareness will be achieved;

So in this chapter, we have formulated current assets budget (annual and quarter) within calculations of main financial statements and their values.

## CONCLUSIONS AND PROPOSALS

In this final qualifying paper, the wide range of concepts was studied and analyzed as well as wide range of goals were achieved.

Current assets management – is a management paradigm aimed at efficient management decisions on current assets` (e.g. managing volume of current assets that is needed, composition, types and components of current assets while optimizing the structure of sources of their financing, turnover, profitability, current assets costs and losses) which correspond to specifics of operational cycle of company with determination to eliminate risks by inner and outer environment and solve current financial problems as well as stay strategically focused.

We have considered the main goals of current assets management in the context of their components but can highlight the similarities amongst them such as:

- Forming sufficient size, structure, composition;
- Optimizing their circulation and turnover speed;
- Ensuring the efficiency of use, analyze the necessary level of liquidity;
- Forming optimal reserves, lower costs and risks;
- Forming accounting and credit policy, investment program;
- Building systems for monitoring, controlling and forecasting;
- Ensuring the continuity of the operation of the enterprise and market value growth.

Amongst various principles of current assets management we have proposed our new vision and formulated principles of of capital value invested (company should raise capital for current assets that would provide a balance between risk and profit as well as the opportunity for gain or loss by using current assets in companies activities), Self-contained Debt (the maturity of the source of financing of current assets should correspond to the length of time to which that financing is needed) and Operativeness (management of current assets must be quick, accurately, objective, reflect reality, and be justified by precise analytical calculations).

The analysis of the current assets begins with the study of their volume,



composition, structure, and dynamics. The absolute and relative indicators of the company's liquidity assessment, business activity, and effectiveness are studied. Here we again have analyzed this topic in the context of the current assets components, have specified different approaches for inventories, current accounts receivables, and cash and cash equivalents. For inventories basically, exist two main inventory management systems - a system with a fixed order size and a system with a fixed interval of time between orders.

To propose a new vision in this field we offer to make cycle counting of inventories instead of doing a full physical inventory at the end of the year. We propose to determine a batch percentage of inventoriable items and check the actual quantities versus the records weekly, monthly, quarterly. Also as a new approach to inventory management could be its dropshipping. Company may not always keep the products in stock and instead purchase the inventories from a third party and shipped it directly to the customer when selling. And at last we want to propose to observe diverse movements of inventory and paying attention to slow moving and obsolete items. We simply propose to determine which type of inventories are the time-longest in possession of a company and make their re-market or removing.

For current accounts receivables, the specific methods are connected to the analyses of debtor's solvency, debt recovery, the quantity of bad debts. Here we have proposed to calculate the trend line, as a method for current account receivables management analysis. We suggest forecasting the number of receivables using the outstanding balance of the receivables at the end of each month for the several last years. It would help to compare the percentage of bad debts with sales over a period of time. If this percentage shows a strong recurring trend, management may want to take action. For example, if the percentage of bad debts increases, management may change work conditions with customers to stricter. And visa versa, if the percentage of bad debt is low, the management may decide to reduce the loan to increase sales.

Also, we have proposed a methodological approach to analyzing the quality of accounts receivable. To understand is there a possibility that debt will be redeemed we need to focus our attention on analyzing the extent to which company's

customers-debtors are diversified within economical or industry sector - if our debtors are mostly involved in the building sector, an economic crisis or downturn may vastly affect them and all customers with high probability will not pay their debts. And visa versa if the company has a diversified base of customers that involved in different sectors of the economy it became less vulnerable and affected from changes in the economy.

For cash and cash equivalents, there are specific methods as calculation of operational and financial cycles, determination the optimal level of cash, cash flow synchronization, drawing up a cash budget, normalization, extrapolation, dynamic analysis models etc. Here we have proposed to analyze the cash flow by taking into account the risk factors. The company should calculate how large the deviation of the actual cash flow would be for the current period from the planned or budget value with some percent probability over the next 12 months due to fluctuations in basic risk factors. It will help to determine the most significant risk factors and their influence in monetary value, to prognosis what influence it will have on the company's operations and give opportunity to prepare for possible consequences.

There exists a vast methodological base that is used to analyze and manage the current assets of the enterprise. In this chapter we have study most common methods for current assets in the terms of their types that are met in scientific literature, have proposed a few new approaches to study in this field.

The different approaches exist in consequence of current assets management. We have developed a brand new approach to understanding the main steps of the current assets management complementing the weaknesses and enlightening new aspects and areas of current assets management comprehension and have formulated them in the following the order:

1. Strategy formulating on current assets developing;
2. Designation of governance distribution;
3. Current assets stocktaking;
4. Selection of the enterprise's current assets formation policy;
5. Business processes assessment concerning current assets;

6. Risk evaluation;
7. Formation of current assets budget, timeline;
8. Current assets optimization;
9. Performance and controlling over current asset management with periodic feedback;
10. Additions and changes depending on the results of periodic feedback.

We believe that managing the company's current assets in the proposed consequence of performing stages would improve and develop the company's performance. The main trend in current assets dynamic in the company is a diminution. The biggest decline in 01.01.2018 comparing with basis year has Money and their equivalents (50%) and Inventories (38%). The biggest rise has Other current assets. Only 2015 year showed positive dynamics in indicators rising, other years narrowed down its current assets volume and consequently showed a reduction of activities. The whole volume of current assets throughout these years has reduced by 18%, balance value reduced by 13%.

The number of inventories and money with their equivalents had the biggest part in structure through the years – when inventories have the biggest part (on 01.01.2014 -53% and 01.01.2018 - 40% ) the money followed in second place after them (on 01.01.2014 -34% ) or other current assets( on 01.01.2018 - 26 %). And visa versa – money has the biggest structure on 01.01.2016 - 48% when inventories have the smallest historical structure of 21%. Within Accounts, receivable biggest part through years held other accounts receivable. The last year has changed the structure of other current assets of the enterprise (from 3% on 01.01.2017 to 26% on 01.01.2018). This change mostly was done by reducing the amount of money and their equivalent and accounts receivable about 2 times.

The working capital through the years is negative – therefore it indicates that a company is illiquid and all operating activity company makes by using debt resources. Liquidity indicators are all below the normative point and the dynamic is downsloping. The analyses showed that companies solvency is in risk state, a bankruptcy possibility is really high because the company would be unable to pay



current accounts if the company fail in normal operating activities.

The business activity indicators do not cause concern. The period of turnover of total assets in 2017 is 79 days, and the period of turnover of current assets - 74 days. The period of turnover of current accounts receivable is 17 days versus Period of turnover of current accounts payable 169. It indicates that there is a good payment discipline by buyers (they pay their obligations fast) and reflects a successful company's loan policy towards debtors.

The profitability of assets is extremely small - at the end of the investigated period, 100 hryvnias invested in assets generated 3,04 hryvnias of operating profit or 2,50 hryvnias of net profit. All effectiveness indicators calculated (Return on assets, Net return on assets, Effectiveness of current assets and turnover, the Net effectiveness of turnover) are decreasing. In terms of percents, almost all values showed a reduction by two times. Though the obtained profitability indicators of assets rather small, but nevertheless indicate that the assets of the company are capable of generating profit.

The factor analyses were made on the impact of the effectiveness of turnover and current assets turnover on the level of effectiveness of current assets. It showed that the effectiveness of turnover has a big impact on current assets effectiveness (decreasing of the effectiveness of turnover by 0,48%, led to the falling of current assets effectiveness by 2,32 %).

Comparable analysis with LLC "PromTechService" - company-analog, that operate in the same market niche and similar to LLC "Interbudtechnica" in term of scopes of activities and financial results showed that:

- The volume of inventories is increasing and the volume of money has a decreasing trend, as well as one of the biggest structure of current assets elements, have inventories and money and their equivalents – which makes the structure of current assets of "Interbudtetchnica" more or less reasonable;
- Working capital is negative which we may consider as possible practice for wholesale and retail trade companies of machinery and its equipment as well as the excess of current liabilities and a shortage of current funds that would

not be sufficient to cover these debts on occasion is too applied to both companies.

- Business indicators have similar features – a period of accounts receivable turnover is aiming at a minimum, while the period of accounts payable to maximum. Duration of the financial cycle has a negative number. Here as a suggestion “Interbudtechnica” should try to reduce its business activity indicators of periods of current assets turnover to be within a one-month period.
- The effectiveness of business lying down within finance results, which “Interbudtechnica” has really low. Therefore, measures must be taken to improve the profitability of the business.
- LLC “Interbudtechnica” is a worthy competitor in this sector of the economy and not dramatically differ from financial indicators of analog, but still, there are a lot of directions for improvement.

We have to say that after analyzing the company`s current assets it can`t be argued that in general, its financial state is in crisis condition. Only looking at the balance sheet the increase of uncovered loss is visible and as a consequence the growth of current liabilities of the enterprise. Available positive effectiveness indicators of current assets are very small, and the state of solvency ratios is extremely threatening - if there would be a need to repay its obligations quickly, the enterprise will be able to do this with little probability. The financial stability is low, there is a large dependence on partners and lenders as well as various uncontrolled factors of the overall market situation.

The company faces a wide range of problems and inconveniences. The following problems of informational support of current assets management and proposals for their improvement were identified:

- The absence of a systematic approach to the assessment of the composition of the information base;

We propose to form a system of indicators in the context of financial marketing, investment, operational activities and using them analyze the influence

of factors on current assets management, identify reserves and propose alternative management options.

- The absence of grouped sources of information on current assets in accordance with the tasks of inner analysis;

We propose to build an informational base by groups of the directions:

- Volume, composition, structure, dynamic;
- Efficiency and performance indicators;
- Forecasting and risks evaluation.

- The absence of a developed system of requirements for an information base on current assets;

We propose to build system of information requirements within categories as:

- Adequacy and Comparability;
- Comprehensibility and Efficiency;
- Relevance and Reliability;
- Sufficiency and Timeliness;
- Level of detail, Representativeness;
- Uniqueness.

- The absence of an approach to assessing the significance and accessibility of the information base on current assets;

We propose to build the matrix of the significance and accessibility of information on current assets as well as using other types of imposed requirements (efficiency, relevance, reliability etc.).

The following problems of organizational support of current assets management and proposals for improvement were identified:

- Undeveloped organizational structure of a company;

We propose our vision of forming a most suitable organizational structure with defining responsible personnel and centers of financial responsibility;

- Unsystemized business processes;

We propose our vision on allotment the most important business processes of a company formulated on the base of proposed steps of current assets management.



We have define KPI for each step of current assets management with attention to 5<sup>th</sup> step where procurement management, logistics management, storage management and management of the sale of goods concerned through productivity, costs and quality, responsible personnel and needed documents for each business processes.

The following problems of economic support of current assets management and proposals for improvement were identified:

- Reduction of inventories by almost 38%;

We propose to use ABC-analysis, which will allow identifying the most popular groups that bring the greatest and lowest profit.

- The rise of settlements with the budget by 150%;

We propose to make no overpayment of taxes and pay exactly according to tax calculation.

- Reduction of money and their equivalents by 50%;

We propose to determine the minimum necessary money and their equivalents requirements (Baumol, Miller - Orr models).

- The rise of other current assets by 1771%;

We propose to not consider this problem rather understand as cash in transit and therefore trade receivable.

- Total current assets reduction by 18% with reduction of balance by 13%;

We propose to make steps in direction of revenue growth by increasing the markup on goods or increase the number of sales, turnover of funds trough identifying reserves of savings of capital invested in inventories (based on XYZ-analysis of inventories), optimization of the payment discipline of the enterprise (based on ABC-XYZ-analysis of receivables and payables), investing temporarily free cash in circulation with the aim of obtaining additional profit, and subsequent reinvestment.

- Negative working capital;

We propose to apply measures to correct and accurate reallocation of company's working capital, to increase liquid cash funds and reduce the amount of less liquid inventories.

- All liquidity coefficients are under the recommended values;

We propose to apply measures to increase profits, reduce costs and optimize the structure of capital.

- Current assets obtain almost 93% in total assets;

We propose to increase part of non-current assets in the total amount of assets at least 10%, mostly investing in fixed assets.

- Inventories obtain 40% in current assets;

We propose to reorganize the inventory setting the marginal volumes of inventories of each type of goods, setting the marginal volumes of the cost of storage and supply, get rid of the excess inventories with the lowest demand and organize the storage system at the lowest cost. In case of incomplete use of the warehouse, rent it partially.

- The rise of the period of turnover of current accounts receivables;

We propose to take measures in direction of increasing sales revenue and reducing the receivables for the period.

- The rise of the period of turnover of current accounts payable;

We propose to understand it as rather a good trend, but such as should be taken under control. To reduce the number of company liabilities we propose to restructure payables, namely by netting between organizations.

- Reduction of effectiveness indicators by two times for analyzed period and a small value of indicators

We propose to increase profits by increasing turnover, changes in the structure of turnover, trademark management, better work with clients. Also we propose to increase sales by creating a system of work with regular customers of spare parts, simplify payment procedure, use marketing communication systems, review the assortment list and getting rid of goods with the lowest demand.

Another thing we propose to increase to lower costs by a reduction in commercial and administrative expenses and changing conditions of work with suppliers. Also we propose to increase to improve the efficiency of resources by systematic control over the distribution of goods, increasing in material, financial,

labor productivity, and improving the efficiency of use of working capital.

Another important set of problems connected to the field of methodological support of current assets management for a company, with proposals for improvement were identified:

- The problem of the absence of methodological support for work with debtors;

We propose the methodology of debtors assessment with the division of debtors into four categories: the volume of orders, the frequency of orders, the maturity and the delay and overdue payments. It is needed to calculate integrated estimation on existing debtors of LLC "Interbudtechnica. We also propose matrix of credit policy conditions of LLC "Interbudtechnica" with suitable recommendations on arriving at decision whether or not to work with company-debtor, on what terms.

- The problem of the absence of a systematic approach to work with inventories;

We find out what types of inventories are groping in what categories and have formulated inventories management suggestions based on ABC analysis and XYZ analysis for each group of inventories.

- The problem of short-term obligations coverage;

We propose definite approaches to solve the problem through suggestions on working capital, current assets, and equity capital management and three sources of cover - accounts payable, short-term loans and long-term loans.

The planned state of assets and liabilities of the enterprise was formulated in the form of a balance sheet and PnL statement by quarter division. Income from sales of goods is planned for 2631,9 thnd. ₺ with Net income of 16,3 thnd. ₺. Total cost is planned in the amount of -3511 thnd. ₺. In balance statement, no acquisition of fixed assets is planed. The planning tendency is to decrease the number of inventories and accounts receivable but we are planning the increase of end balance to 558,9 thnd. ₺ in comparison of 455,2 thnd. ₺ of last year.

Of course, the assets of the company are increasing, and with them, the liabilities are growing. In the section of Equity, we have tried to partly reduce the uncovered loss of the company which is taking place for the last 5 years.



Unfortunately, company does not have enough funds for coverage of losses. Company went in debt more deeply by inflating its payables to 1124,6 thnd. ₺.

By consultation with company's expert, we have obtained information that the most lucrative are II and III quarters (bring 30% and 35% of profits) when I and IV quarters are less active (15% and 20% of profits respectively). Therefore, this was our main suggestion and we approximately prognosed quarterly values in statements positions and have developed an incoming Cash flows from customers and outgoing Cash flows to suppliers info table.

By developing proposed current assets budget we expect the following improvements:

- The increment of income from sales of goods on which planning is based assure growth of companies resources and gradual covering the amount of uncovered loss of a company will be maintained in future;
- Current assets structure will be more balanced because all elements will be in in the border of approximately 20-30%.
- Business activity also will improve – periods of turnover of all elements of current assets will decrease which consequently will accelerate operational turnover.
- Working capital, liquidity coefficients, indicators of effectiveness will slightly improve as well as the financial stability of a company;
- Decision-making process on current assets management will be more efficient since managers see what resources are available, what incoming and outgoing flows are planned at what time period and financial transparency and awareness will be achieved.

## REFERENCES

1. Andreeva, G.I. The role of analysis of the contingent debt members in the evaluation of the validity of managing decisions [Text] / G. I. Andreeva // Economic Sciences. Accounting and Auditing. — 2017. — №3. — P. 75-78.
2. Ashraf, C. K. The relationship between current assets efficiency and profitability [Text] / C. K. Ashraf // Journal of Accounting and Management.— 2015.— № 2. — P.121-127.
3. Balabanov, I.T. Fundamentals of Financial Management [Text] / I.T. Balabanov. — M.: Finance and Statistics, 2001. —525 p.
4. Banos-Caballero, S. Working capital management, corporate performance, and financial constraints [Text] / S. Banos—Caballero //Journal of Business Research .—2016.— № 67. — P. 332-338.
5. Bland, R. L. The effect of cash management innovations on the investment income of local governments [Text] / R. L. Bland // Economics and Economic Sciences. — 2016. — №18. — P. 20-25.
6. Blank, I. A. Financial management. 2 nd ed.[Text]: textbook / I. A. Blank. — K .: Finance and Statistics, 2004. — 656 p.
7. Blank, I. A. Management of cash flows [Text]: textbook / I. A. Blank. — M .: Omega—L, 2013. — 752 p.
8. Blank, I.O. Financial Management of Enterprises and Associations [Text]: Teaching manual for students of economic specialties of higher educators institutions / I.O. Blank, G.V. Sytnik. — K.: KNETU, 2009. — 183 p.
9. Bondarenko, O.S. Methodological bases of management of current assets of enterprises [Text] / O.C. Bodarenko // Investment Practice and Experience. — 2008. — №4. — P. 40-44.
10. Brigham, E. F., Daves, P. R. Intermediate Financial Management / E. F. Brigham, P. R. Daves .— Ohio: Thomson, 2014. — 332 p.
11. Bunich, P.G. Economic and mathematical methods of working capital management [Text] / P.G. Bunich, V.L. Pearlmurov, L.H. Sokolovsky. — M.:

Finance, 2013. — 276 p.

12. Chistyakova, N.O.: Debt receivables management at the enterprise [Electronic resource] — Access mode:  
<http://earchive.tpu.ru/bitstream/11683/24583/1/TPU135683.pdf>.
13. Chobitok, V.I. Management of the Enterprise's Current Assets: Theoretical Aspects [Text] / V.I. Chobitok // Bulletin of the Economy of Transport and Industry. — 2013. — №13. — P. 231-233.
14. Deineka, O.V. Managing current assets of the enterprise [Text] / O.V. Deineka // Finances and Statistics. — 2016. — №14. — P. 142-162.
15. Dobronravin, O.R. The theory of inventory management in the construction of logistic systems [Text] / O.R. Dobronravin // Res. entrepreneurship. — 2014. — №11. — P. 97-100.
16. Drozdov, P. A. Fundamentals of Logistics [Text]: Teach. manual / P. A. Drozdov. — Minsk: View of Grevtsova, 2012. — 208 p.
17. Efimova, O.V. Analysis of current assets of the organization [Text] / O.V. Efimova // Accounting. — 2010. — №10. — P. 47-53.
18. Efimova, O.V. Analysis of liquidity indicators [Text] / O.V. Efimova // Accounting. — 2017. — №7. — P. 70-77.
19. Efimova, O.V. Revolving assets of the organization and their analysis [Text] / O.V. Efimova // Accounting. — 2015. — №19. — P. 72-78.
20. Eljelly, A. Liquidity—Profitability: An Empirical Investigation on Current Assets [Text] / A. Eljelly // International Journal of Commerce & Management. — Vol. 14. — № 2. — P. 48-61.
21. Enqvist, J. The impact of working capital management on firm profitability in different business cycles [Text] / J. Enqvist // Research in International Business and Finance.—2014.— №32 — P. 36-49.
22. Govorushko, T.A. Factoring as a form of refinancing of accounts receivable [Text] / T.A. Govorushko // Finance and taxation. — 2016. — №6. — P.76-82.
23. Gruzinov, V.P. Business Economics [Text]: Textbook for University Students / V.P. Georgians. — M.: UNITI, 2003. — 795 p.



24. Ilysheva, N.N., Krylov, S.I. Analysis in the management of the financial condition of a commercial organization. Finance and statistics [Text] / N.N. Ilysheva, S.I. Krylov. — M.: INFRA—M, 2014. — 240 p.
25. Ilysheva, N.N., Krylov, S.I. Analysis of financial statements of a commercial organization [Text] / N.N. Ilysheva, S.I. Krylov. M.: UNITI—DANA, 2016. - 240 p.
26. International Financial Reporting Standards dated on 01.01.2012 No. 929\_010 [Electronic resource] // Official site of the Verkhovna Rada of Ukraine. — Access mode: <http://zakon.rada.gov.ua>.
27. Kalmakova, N. A. Operative management of circulating assets of an industrial [Text] / N. A. Kalmakova. — Ch.: South. state University, 2010. — 236 p.
28. Karpova, E.V. Trading company resources [Text]/ Y.V. Karpova. — M.: KNORUS, 2005 — 256 p.
29. Khrapkin, V.V. : Methods of asset management of the enterprise [Electronic resource] — Access mode: [http://portal.tpu.ru:Education/FinMan/Tab/FinMan\\_03\\_02\\_Management.pdf](http://portal.tpu.ru:Education/FinMan/Tab/FinMan_03_02_Management.pdf).
30. Khromih, N.A. Analytical indicators of financing of current assets of the organization [Text] / N. A. Khromyh // Economic analysis: theory and practice. — 2015. — № 11. — P. 45=48.
31. Kovalev, V.V. Finances of enterprises [Text] / V.V. Kovalev. — M.: TC Welby, 2004. — 352 p.
32. Kovalev, V.V. Financial Analysis: Methods and Procedures [Text] / V.V. Kovalev. — M.: Finance and Statistics, 2005. — 559 p.
33. Kovalev, V.V. Financial Management: Theory and Practice [Text] / V.V. Kovalev. — M.: Prospect, 2014. — 1104 p.
34. Kovalev, V.V. Introduction to Financial Management [Text] / V.V. Kovalev. — M.: Finance and Statistics, 2004. — 768 p.
35. Krylov, S.I. Improvement of the methodology of analysis in the system of management of the financial condition of a commercial organization [Text] / S.I. Krylov. Yek.:VPOUGTU—UPI, 2017. — 357 p.

36. Kugel, O. V. Management of accounts receivable at the enterprise of the electric power industry [Text]: Teach. manual / O. V. Kugel. — Minsk: View of Grevtsova, 2016. — 212 p.
37. Kulik, M.V. Analysis of current assets. Topical issues [Text] / M.V. Kulik // Natural sciences and the humanities. — 2010. — № 57. — P. 40-50.
38. Kumar, S. Principles of Working Capital Management Policy [Text]/ S. Kumar // Journal of Financial Analysis.— 2017.— №14.— P. 110-114.
39. Kuznetsova, I. D. Management of cash flows of the enterprise [Text]: Teach. manual / I. D. Kuznetsova. — M.: Ivanovo, 2016. — 193 p.
40. Ministry of Finance: Inflation Index [Electronic resource] — Access mode: <https://index.minfin.com.ua/economy/index/inflation>.
41. Musaev, T.K. Tools for financial supervision and management of current assets [Text] / T.K. Musaev // Problems of regional development. — 2017. — № 1. — P. 160-165.
42. Myokova, G.I. Principles of the organization of revolving acts [Text] / G.I. Miokova. — M.: Finance and Statistics, 2014 — 243 p.
43. National Accounting Standard No. 1 "General Requirements for Financial Statements": Approved by Resolution of the Cabinet of Ministers of Ukraine dated February 7, 2013 № 73 [Electronic resource] // Official site of the Verkhovna Rada of Ukraine. — Access mode: <http://zakon.rada.gov.ua>.
44. Nezamaykin, V.M. Financial Management [Text] / V. N. Nezamaykin. — M.: Yurayt, 2016. — 467 p.
45. Nikshin, N. A. Improving the system of indicators characterizing working capital of the enterprise [Text] / N. A. Nikshin. — M.: Finance and Statistics, 2015. — 250 p.
46. On Accounting and Financial Reporting in Ukraine: Law of Ukraine dated 16.07.1999 No. 996—XIV [Electronic resource] // Official site of the Verkhovna Rada of Ukraine. — Access mode: <http://zakon.rada.gov.ua>.
47. Onyang D.O., Current assets management practices for small and medium enterprises [Electronic resource] — Access mode:

<http://erepo.usiu.ac.ke/bitstream/handle/11732/79/Deno.pdf?sequence=1&isAllowed=y>.

48. Ostapenko, V.V. Business Finance [Text]: Teach. Manual / V.V. Ostapenko. — M.: Omega—L, 2006. — 303 p.
49. Pogorelova, V.G. Financial Management [Text] / V.G. Pogorelova. — Kharkiv: KSNMG, 2015. — 64 p.
50. Purlik, V. Operational and financial cycle as drivers of operational efficiency of business [Text] / V. Pourlik. — Kharkiv: Accounting, analytical support, 2013. — 220 p.
51. Radchenko, V.M., Morozova, N.A. Management of working assets of the enterprise in the general complex of problems of increasing the efficiency of their use [Text] / V. M. Radchenko, N. A. Morozova // Concept. — 2015. — № 23. — P. 96-100.
52. Radian, A.R. Management of valuation and management of industrial stocks and circulating assets of the enterprise [Text]: Training manual / A.P. Radian. — M.: Economics, 2015. — 613 p.
53. Raitsky, K.A. Organization Economics [Text]: textbook for universities /K.A. Raitsky. — M.: Dashkov and K, 2003. — 1010 p.
54. Rayzberg, B.A., Lozovsky, L.Sh. Dictionary of modern economic terms [Text] / B.A. Reisberg, L. Sh. Lozovsky. — M.: Pravda, 2008. — 480 p.
55. Romanenko, O. G. Methods of management of money in the organization [Text]: Teach. manual / O.G. Romanenko. — Minsk: View of Belarus, 2016. — 256 p.
56. Romanovsky, M., Vostroknutova, A. Corporate Finances Standard of the Third Generation [Text] / M. Romanovsky, A. Vostroknutova. — St. P: Peter, 2013. — 592 p.
57. Ruzhanska, N. Methods of optimization of trade organization inventories: models and possibilities of application [Text] / N. Ruzhanska // Res. entrepreneurship. — 2016. — № 7. — P. 57-62.
58. Savitskaya, G.V. Analysis of economic activity of enterprise [Text]: Textbook.



- manual / G. V. Savitskaya. — Mn.: New Knowledge, 2002. — 704 p.
59. Seleznev, N.N. Current assets — challenges in management. Analysis of financial and economic activities of the organization [Text] / N. N. Seleznev. — M.: Publishing house "Accountancy", 2015. — 312 p.
  60. Semenova, N.V. Theoretical and methodical bases of the management of the enterprise's current assets [Text] / N. V. Semenova // Central scientific bulletin. — 2017. — № 21. — P. 45-47.
  61. Shchurina, S.V., Prunenکو, M. A. Management of receivables of the company: theory and practice [Text] / S.V. Shchurina, M. A. Prunenکو // Naukovedenie. — 2017. — №9. — P. 110-112.
  62. Sheremet, A. D., Negashev, Y.V. Methodology of financial analysis of the activities of commercial organizations — 2nd ed., Reworked and add [Text] / A. D. Sheremet, Y. V. Negashev. — M.: INFRA—M, 2008. — 208 p.
  63. Sheremet, A.D., Ionova, A.F., Business Finance: Management and Analysis [Text]: Textbook / A.D. Sheremet, A.F. Ionova. — M.: INFRA—M, 2006. — 479 p.
  64. Snitkina, A.A. Features of management of commodity stocks in trade organizations [Text] / A.A. Snitkina // Finance and Statistics. — 2015. — №7. — P. 45-48.
  65. State Statistics Service: Statistical Yearbook of Ukraine [Electronic resource] — Access mode: <http://www.ukrstat.gov.ua>.
  66. Sterligova, A. N. Optimal order size, or Mysterious Wilson formula [Text] / A. N. Sterligova // Logistics & System. — 2017.— №2. — P. 64-69.
  67. Strelnikov, D. V. The Fundamentals of Asset Management [Text] / D. V. Strelnikov // Journal of Financial Analysis.— 2017.— №14.— P. 121-125.
  68. Tinyakova, V. I. Management of cash flows of enterprises: problems and methods [Text] / V. I. Tyniakova // Financial Management. — 2015. — №14.— P. 157-163.
  69. Vakhovskaya, M.Y. ABC analysis as a modern logistics tool: Features and scope [Text] / M.Y. Vakhovskaya // Economic Analysis: Theory and Practice.

— 2015. — №23. — P. 250-253.

70. Van Horn, J.K. Fundamentals of Financial Management / J.K. Van Hor. — M.: Finance and Statistics, 2013. — 800 p.
71. Varlakov, A.Y. Reserves in the economic system of the enterprise [Text] / A.Y. Varlakov // Economics and Economic Sciences. — 2017. — №10. — P.15-23.
72. Veretennikova, O. B. Estimation of the efficiency of working capital of economic entities [Text] / O. B. Veretennikova // Economics Management Marketing. — 2016. — №13. — P. 65-69.
73. Vlasova, N.O. Managing Current Assets in Retail Entrepreneurship [Text] / N.O. Vlasova. — Kharkiv: KhDUHT, 2014. — 258 p.
74. Voronchenko, T. V. Forecasting and analysis of cash flow [Text] / T. V. Voronchenko // Financial Management. — 2015. — №10. — P. 149-154.
75. Vostroknutova, A.I. Corporate finance [Text]: Textbook for universities / A. I. Vostroknutova. — St. Petersburg: Peter, 2014. — 592 p.
76. Zimovets, A.V. Short—term financial policy [Text] / A. V. Zimovets. — Taganrog: LEU VPO TIUE, 2017. — 80 p.

**APPENDICES**



