

Principles and Importance of Asset Management in the Financial Management System

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Abstract

This article analyzes the principles of asset management, international experience and its indicators and importance in the financial management system. Also, scientific suggestions for successful management of financial assets are given.

Keywords: *financial assets, receivables, creditor, non-current assets, real assets, funds.*

1. Introduction.

It is impossible to ensure the immediate and future development of business entities without forming an effective management system of financial assets. Because the activity of any business entity represents the 3 types of production factors, they are embodied in tangible, intangible and financial assets.

It is known that in the countries that are going through the period of transition to the market economy, there will be a need for the necessary investment resources for the structural changes in the economy and the effective management of financial assets at the macro and micro levels. Because financial assets constitute the main component of investment resources, their effective management requires, first of all, the economical use of existing resources, and then, increasing the rate of profit by investing in high-income assets.

2. References

American economist Professor R. Merton emphasizes the following factors as the main financial criterion of any financial asset management, affecting the profitability required for them:

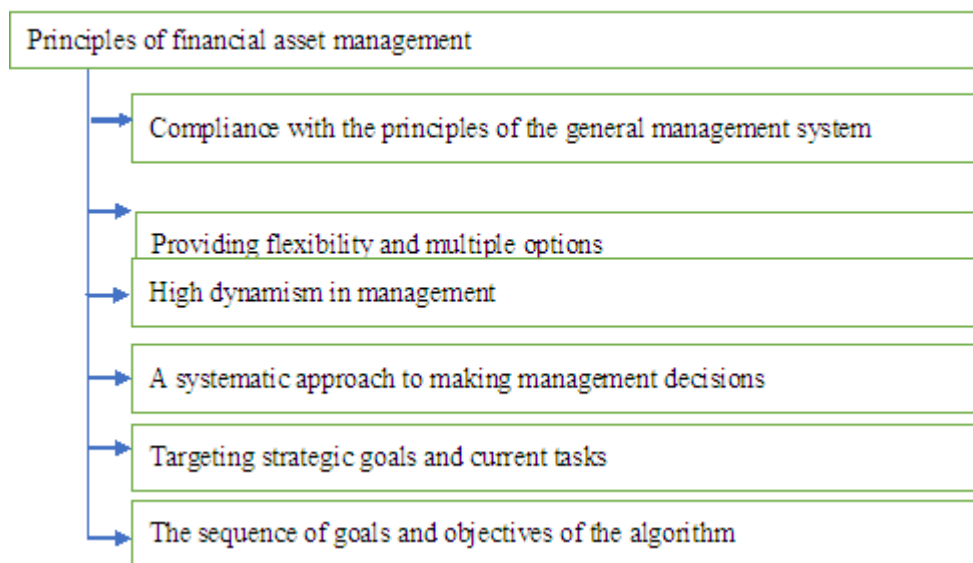
1. Risk free rate. In particular, the interest rate, which embodies the average value of the capital in the market, is taken into account, and this value is accepted as the level of risk-free profitability. Usually, government bonds are considered as a financial asset with such profitability.
2. Average profitability rate of financial assets in the financial market. In this case, the average profitability level means the average profitability level of the portfolio in the conditions of the wide arsenal of financial assets in the portfolios formed in the modern portfolio theory¹.
3. A mathematical expectation of profitability that can be formulated.

Effective management of financial assets is one of the important factors in ensuring financial stability, especially in the rapidly changing market environment in countries that are undergoing a period of transition to a market economy. In our opinion, the economist in his thoughts emphasized

¹ Merton, Robert. K. (1973). " Rational Option Pricing Theory ". *Bell Journal of Economics and Management Science*. Corporation "РЭНД". 4 (1): 141–183.

the factors to be taken into account in the management of assets consisting of various securities as an object of financial asset management. The above-mentioned factors mainly focus on the relative and absolute indicators of profitability and the possible expectation of this income.

Russian economist A.A. Adamenko, T.E. Khorolskaya and V.S. The Gorshkovs² touch upon the general principles of financial asset management and emphasize that first of all financial asset management should be integrated with the unified management system of enterprises. Summarizing these ideas, we present the principles of financial asset management in the form of the following diagram.



According to the first principle, the management of financial assets is formed in harmony with the principles of the general management system of the functional sections of finance, investments, management of operational activities, accounting. Because financial assets, as a constituent element of enterprise assets, embody certain aspects of the enterprise's development in the general strategic direction.

The second principle means that when preparing management decisions on the formation of financial assets and their use in operational or investment processes, as a rule, alternative versions of these decisions should be developed in accordance with the financial criteria established by the enterprise.

High dynamism in the management of financial assets means that it is necessary to take into account the influence of changes in the external environment over time, for example, changes in the financial or commodity market, when developing and implementing management decisions related to them.

A systematic approach to management decision-making means that the asset management system should be considered as a part of the overall management system that ensures the development of interrelated management decisions related to the formation and use of assets in the other two systems (innovation and value added management).

Targeting strategic goals and current tasks means the effectiveness of administrative decision-making in relation to assets in accordance with the main goal of activity - the "mission" of the organization.

3. Research methodology.

Determining the volume and price of attracting investment resources formed as a financial asset by the enterprise is carried out based on the analysis of external and internal factors of their price. According to the proponents of the concept of modern financial management, the value of financial assets can be determined primarily by the interest rates in the country's money market and the general profitability of business entities². The main emphasis is on the liquidity characteristics of financial assets such as cash, securities or receivables and their inherent "insurance reserve" to meet Temporary financial needs.

4. Analysis and discussion of results.

Cash flow management is closely related to the management of receivables in the enterprise, since the main source of cash flow for some enterprises is the sale of goods. The sale of goods is carried out on time and in installments, that is, on the basis of credit, for non-cash settlements. Therefore, it is necessary to calculate the average time that buyers can settle with the supplier.

When managing receivables, the manager must manage the following parameters:

- ✓ receivables turnover time;
- ✓ formation of debtors based on various parameters;
- ✓ the scheme of settlements with buyers and the possibility of combining them;
- ✓ control of debtors' performance of their obligations;
- ✓ principles of consideration of doubtful debts;
- ✓ development of a system of measures to recover debts of unscrupulous buyers.

Modern methods of ensuring timely payment of receivables have traditional components, for example, discounts for timely payment, and less traditional ones, for example, insurance of financial assets. But in any case, there are two elements - calculate these future benefits and principles of selling with retention of possible losses.

The accounting system in the enterprise forms the basis of the management of receivables. Currently, enterprises have a developed system of lending goods, which the terms of lending depend on many factors.

One of the common methods of managing receivables in economically developed countries is the "**d/k brutto n**" scheme, which means:

- the buyer receives a discount in the amount of **d%** for **k** days compared to the beginning of the credit period.
- if the payment is made within the period from **(k + 1)** to the **nth** day of the credit period, the buyer pays the full price of the goods;
- In case of non-payment within **n** days, the buyer is obliged to pay an additional penalty, the amount of which varies depending on the time of payment.

The essence of this method is the ability to give a certain amount of discounts for the payment of short-term debt and apply fines to customers who delay the payment of goods for a long time.

² Abaeva N.P., Shigaeva E.V. Development of the concept of financial management. // Finance and credit. – 2013. – №47(575). – C. 25–28.

Giving a discount is beneficial for both the buyer and the seller. The buyer directly benefits from the reduction in the cost of purchasing goods. The seller benefits indirectly due to the acceleration of the turnover of funds included in receivables, in which case receivables are immobilized funds, like reserves.

The financial manager can decide on changes in the ratio of any parameter in this scheme, but the most important thing is the discount amount. It can be set in different ways, using some formalized algorithms that take into account the effect of inflation and reducing the cost of maintaining receivables financing sources.

5. Conclusions and suggestions.

Thus, the essence of the management methods proposed by the global and local operations and summarized in the diagram is reduced to maintaining and further developing the activity of the enterprise with a certain level of liquidity, financial stability and financial risk. These methods should be the central core of asset management as a whole, because they shape the future policy of the enterprise.

A characteristic of all financial assets is the right to receive and demand income in the future. Therefore, the following problems should be considered in the methodology of systematic management of financial assets:

- how long it will take to generate revenue and whether the company will generally wait for any time or sell the asset at the first opportunity;
- What additional revenue would the company prefer to receive for the regression demand waiting service;
- what methods of demand are used in management operations.
- To solve these problems, it is appropriate to use the following management methods:
- identifying and classifying the specific financial policy approach to the management of each type of financial asset;
- comprehensive financial analysis of the state of assets in all the company's resources and the liquidity and financial risks arising from this state;
- development of a system of methods for forming a portfolio of financial assets and managing the movement of securities;
- development of a system of receivables management methods;
- formation of the general credit policy of enterprises.

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