

Current Assets and Their Role in Company Activity

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Abstract

The article discusses ways to increase the volume of output by analyzing the structure of current assets of the enterprise, as well as their impact on the financial results of the enterprise. The shortage of current assets is an internal problem of enterprises and as the only solution to this problem is associated with inefficient management of current assets, shortcomings of the enterprise management system as a whole. Suggestions are given for evaluating and improving the efficiency of current assets and their role in the company's activities.

Keywords: *analysis of shortage of raw materials, excess stocks of materials, work in progress, excess stocks of finished products, working capital*

Introduction

Each leader has to make different management decisions. Price, costs, sales and product structure, decisions on the use of working capital, which in turn affect the financial outcomes of the company. At the same time, the shortage of working capital is one of the main internal problems of enterprises, which is associated with unpaid debts and ineffective management of working assets, as well as shortcomings in the enterprise management system as a whole. Often, such a shortage is characterized by surplus stocks of raw materials and supplies, as well as surplus stocks of work in progress or finished goods.

In most cases, the lack of working capital is the result of inefficient use of available resources. And with a detailed cost analysis, the smartest way to solve the problem is to reduce operating costs.

Many Uzbek companies currently do not have sufficient working capital for sustainable operation. Solving this problem will affect the organization's revenue, product quality and work performed, salaries, and more.

This fact emphasizes the need to manage current assets, which is a guarantee of successful work of organizations.

Analysis of the available literature on the subject.

The definition of the concept of current assets given by Borisov V.A.: "Current assets are part of the means of production and are consumed entirely in a single production period. It usually includes materials, raw materials, fuel, energy, semi-finished products, work in progress, future costs. The value of fixed assets of production is determined by summing the costs by their individual types." [12].

Current assets are those that are fully consumed in each cycle of production, fully transferred to the finished product, and fully recoverable after each cycle of production. [12]

Analysis and results.

One of the components of an entity's assets is current assets. Rational and efficient use of current assets is one of the main conditions for the successful operation of the company. The formation of market relations determines the conditions for their organization. Payments, inflation, and other crises force organizations to change their current asset policies, study efficiency issues, and look for other sources of replenishment.

Current assets are advances made to an entity's current production assets that are fully repaid in cash after each production cycle to ensure a continuous flow.

Current production assets - labor items (basic materials and semi-finished products, raw materials, fuel, containers, auxiliary materials, spare parts, etc.), means of labor, items with a service life of not more than 12 months and tools, work and expenses for future periods. The working capital of production goes into production in its natural form and is fully consumed in the process of production, that is, it transfers all its value to the product being produced. [16]

Working capital is the amount of goods shipped by the organization, stocks of finished goods, but not yet paid, as well as cash on hand. Circulating assets are related to the support of the turnover process. They are not involved in value formation, but are its carriers.

The movement of circulating production assets is of the same nature and forms a single process. The value of working capital is replenished at the end of the production cycle as part of the proceeds from the sale of products (services, works), production of finished products and their sale.

Continuously circulating means of production and working capital ensure the uninterrupted circulation of cash. At the same time, there is a regular and constant change in the developed forms of value: from the form of money to the form of commodity, then to the form of production, then again to the form of commodity and money. (Figure 1) [17]

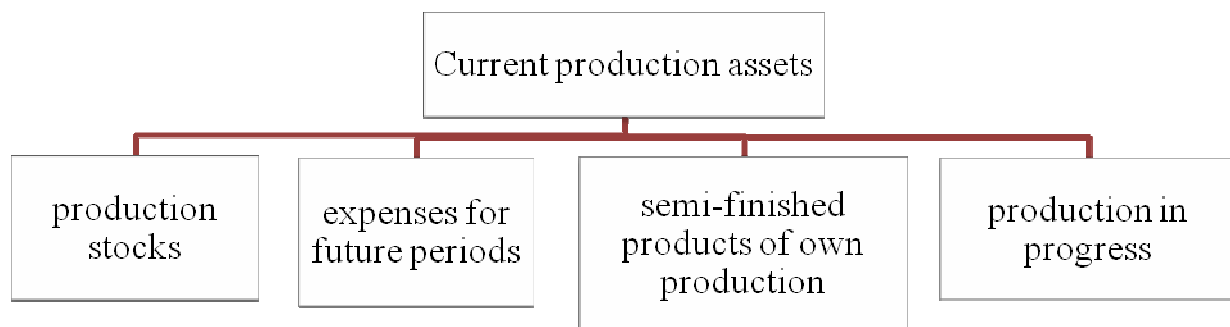


Figure 1. Current means of production [22]

Production inventories are the basis for a company's entire turnover. These are the objects of labor that allow you to create products. They include, in turn, the following elements: raw materials, basic and auxiliary materials, fuel, containers and packaging materials, components and purchased semi-finished products, low-value and obsolete items, household inventory, spare parts for regular maintenance. (Figure 2)

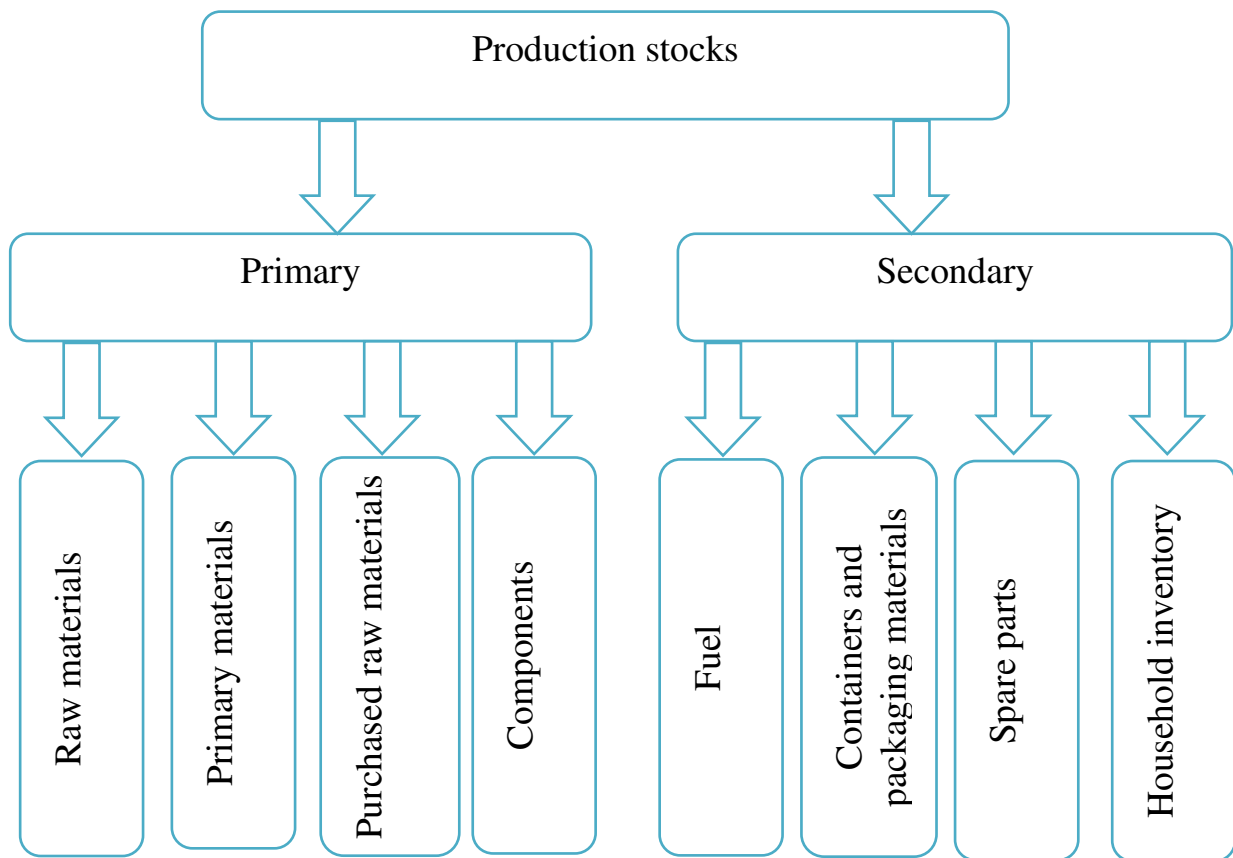


Figure 2. Classification of inventories by functional role and purpose in the production process [22]

In-process and semi-finished products include work items included in the production process: components and products in assembly or processing, spare parts, materials, and semi-finished products of own production.

Deferred expenses include intangible elements of working capital, which are included in the cost of acquisition and preparation of new products produced in the current period (year, quarter) but related to future products.

Turnover means consist of the following elements:

- finished products in warehouses;
- transit goods (shipped goods);
- cash;
- funds in accounts with consumers of the product.

Finished goods are goods intended for use by end users (actually consumers, investors, government, exporters) as opposed to intermediate goods. In practice, the finished products are separated from the mass of goods.

Goods on the way are goods that are sent to the buyer and taken to the warehouse, but have not been received by the buyer or have not yet reached him/her.

Cash is funds in national and foreign currencies, cash, accounts in foreign and local banks, foreign exchange and other accounts, easily traded securities, as well as payments and cash documents.

The most important condition for the continuity of production is the constant restoration of its material base - the means of production. In turn, the mobility of the means of production, which occurs in the form of its own rotation, predetermines.

Working capital is always available at all stages of the organization's operations, and working capital is replaced by fuel, raw materials, auxiliary and basic materials through the production process. As part of working capital, production stocks go into production, become finished products, and leave the organization.

Working capital is completely reused during the production process and transfers its value to the finished product. With the direct involvement of working capital and the direct involvement in the creation of new products, they would gradually decrease and disappear by the end of the cycle.

The presented cases form an objective need to separate the current production assets and working capital turnover.

A comparison of current assets and current turnover, which are the current form of working capital, leads to the following results. The process of selling goods (services, works) completes the organization's cash flow. For this process to be standard, they must have current and fixed assets as well as working capital.

The turnover of the means of production is inextricably linked with the turnover of the means of production and serves as its continuation and completion. These funds combine to form a joint turnover, during which the value of working capital transferred to the product of labor passes from the sphere of production to the sphere of circulation, and the value of working capital at the advanced value - from the stage of turnover to the stage of production. This is how the integral flow of advanced capital, which goes through various functional forms and returns to its original form, takes place.

Working capital includes not only material but also monetary resources, not only the material production process, but also the financial stability of the organization depends on their well-organized and efficient use.

Conclusion

So, in short, you can only use your own capital based on the maximum need, it is economically safe, but the money will not be used. It cause temptation to spend them on inconsistencies.

The second option is to finance working capital only from borrowed funds. It's useless and dangerous: if you have to pay interest to use the loan, and any complexity of the business can lead to bankruptcy.

In view of the above, we offer the following to increase the current assets and their role and efficiency in the company's activities:

- development of practical recommendations for improving the current regulatory documents on accounting for current assets;
- development of proposals for improved composition of current assets on the basis of international and national accounting standards;
- developed and improved new primary accounting documents for current assets;

- develop a procedure for the effective organization and conduct of the analysis of current assets.

It should be noted that the use of a current asset management system, taking into account the specifics of the organization and a comprehensive approach, allows to achieve high economic profit of the enterprise. This process requires a very laborious, serious approach; to operate effectively, an enterprise must pursue a qualified accounting policy.

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