

## IMPROVING ANALYSIS OF CASH FLOWS

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**Abstract:** *This article is devoted to the issues of management and methods of the analysis of recently occurred money streams of business entities. The analysis a management in our country are supposed to be a new function and connected to the great amount of different problems that demand from time rethinking of methodical working of analysis of money streams of business entities.*

**Key words:** *cash, cash equivalents, cash flows, statement of cash flows, operating activities, investment activities, financial activities.*

### Introduction

Currently, when many business entities have financial problems, cash flows are becoming one of the main objects of analysis and management. The creation of a mechanism for their effective management is important for any enterprise. The purpose of such a mechanism should be to maintain an optimal balance of funds by ensuring a balance of receipts and expenditures.

Today, not only unified concepts related to cash flows have not yet been developed, but even a unified terminology is lacking. Along with the phrases "cash flows", "cash flow", the broader concept of "financial flows", cash-flow, is used. There is an ambiguous interpretation of cash flows among economists. Two positions stand out most clearly. The first defines cash flows as the difference between cash received and paid by the enterprise over a certain period of time. The second position considers that the cash flows of the enterprise represent cash flows, that is, their receipt and expenditure over a certain period of time. Since there are two main ways of measuring values: for a certain date, when the momentary state is fixed, and for a certain period, when the movement is taken into account, then proceeding from this, the concept of cash flows as the difference between the cash received and paid by the enterprise.

### Material and Methods

Cash flows are cash money, that is, their receipt and expenditure over a certain period of time. There is no comprehensive approach to the study of factors that directly and indirectly affect cash flows.

The statement of cash flows, being a relatively new document, is becoming increasingly important for analysis and financial planning. Its role is great in the formation of forecast reporting.

In world practice is actively developing predictive reporting, as information about future profits and income is more relevant for investors.

Studying international experience and comparing it with Russian practice can give an additional impetus to both the development of national accounting and analysis.

According to N.N. Khakhonova should broader disclose information in the reporting of cash flows and be considered "not only as cash flow or cash substitutes, but also as a cost increment across the entire composition of assets and liabilities of the enterprise for the period" [3, p.185].

The statement of cash flows reflects all changes in the financial resources of the enterprise in terms of cash flows.

Cash flows from operating, investing and financing activities are reflected in a manner that allows the relationship between cash balances at the beginning and at the end of the reporting period to be established.

Under the item "Cash at the beginning of the year" (p. 230), the amount of cash balances on the cash accounts (5000, 5100, 5200, 5500, 5600, 5700), listed in column 3 of line 320 of the company's balance sheet, is shown.

The item "Cash at the end of the year" (page 240) shows the amount of cash balances on the accounts of cash (5000, 5100, 5200, 5500, 5600, 5700), listed in column 4 of line 320 of the company's balance sheet [3].

In accordance with the legislation of the Republic of Uzbekistan, the format of the cash flow statement is somewhat different from the IFRS format.

A cash flow statement in accordance with IFRS can be prepared by two methods, direct and indirect. When drawing up a report using the direct method:

- The main types of gross cash receipts or gross cash payments are disclosed.

- Reconciliation between profit before tax and cash generated from operating activities is presented in the note to the statement of cash flows.

When drawing up a report by the indirect method, profit / loss for the reporting period is adjusted taking into account:

- the impact of non-monetary transactions; deferral or accrual;
- investment or financial cash flows.

### *Results and Discussion*

The purpose of cash flow analysis is primarily to analyze the financial stability and profitability of an enterprise. Its starting point is the calculation of

cash flows primarily from operating activities. This indicator characterizes the degree of self-financing of the enterprise, its financial strength, profitability.

To achieve this goal, it seems necessary to solve the following tasks:

- Establishment of sources of income and directions of spending funds;
- determination of the balance of the inflow and outflow of funds in terms of volume and time;
- calculation of the level of sufficiency of cash inflows;
- determination of the reasons for the deviation of the net balance of funds from the net financial result (form No. 2) received by the company for the period under study;
- assessment of the effectiveness of the use of funds (form No. 4);
- study of factors that have a direct and indirect impact on cash flows;
- identification of reserves and ways to maintain the liquidity of an economic entity.

The most complete solution of the formulated tasks can be achieved by analyzing cash flows not only throughout the entire enterprise, but also at the level of its structural divisions.

While some information about the sources and uses of cash can be obtained from balance sheets and income statements, accurate information about this important line of business can be obtained from the statement of cash flows. The information contained in it allows you to analyze the dynamics of the enterprise's cash flows by factors that have a direct impact on cash flow.

However, it should be noted that at present the information that is reflected in the "Statement of Cash Flows", which is recommended by the Ministry of Finance of the Republic of Uzbekistan, does not differ in its completeness and reliability. The use of such information in the analysis contributes to the fact that the analytical conclusions about the formed cash flows of the enterprise for a certain period of time have no practical significance.

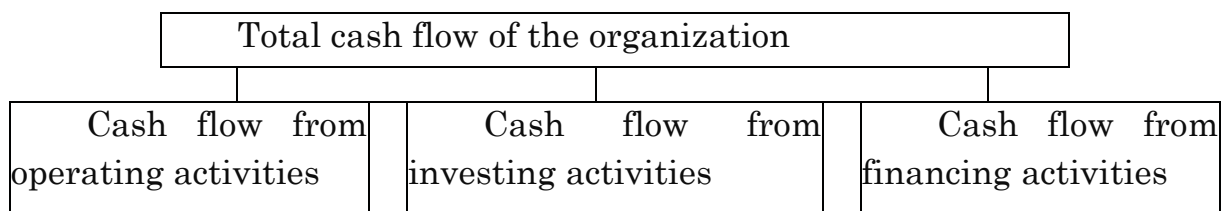
To eliminate this situation, the cash flow statement needs changes in terms of content. At the same time, the adoption of appropriate decisions depends both on the bodies that regulate accounting and reporting, and on the enterprises themselves.

One of the problems, the presence of which contributes to a decrease in the quality of information, is the accounting in the statement of cash flows only of cash and the lack of information on cash equivalents (assets of an enterprise that do not have absolute liquidity, but, if necessary, can acquire it at any time). Another problem is related to the reflection in the cash flow statement of

purchases and sales of foreign currency. When such operations are carried out, there is no increase or decrease in funds, only the type of currency changes.

In order to avoid double counting, the report should only reflect the difference between the amount spent and received in the amount equivalent, which may arise if during the period of buying or selling foreign currency there was a change in the exchange rate of the national currency. The problem is the lack of regulations governing the procedure for drawing up and submitting financial statements of a specific definition of the content of an article in the cash flow statement. The independent solution of this issue by each accountant leads to a decrease in the objectivity of the reporting information.

A certain problem is created by the need to provide reporting information on the cash flows of economic entities in the context of operating, investment and financial activities (Figure 1).



**Fig. 1.** Types of cash flows

Operating activities are the main activities of an economic entity that generate income, as well as other economic activities of an entity that are not related to investment and financial activities.

Investing activities are the acquisition and sale of long-term assets and other investees not included in cash equivalents.

Financial activity is the activity of an economic entity, the result of which is a change in the amount and composition of equity and borrowed funds [1].

The cited formulations of definitions of current, investment and financial activities do not provide answers to some questions that arise in the process of practical work. For example, it is not clear to what type of activity the proceeds from the sale of long-term financial investments (shares) should be attributed, if they were acquired for the purpose of generating income, but were sold; contributions of the founders to the authorized capital; targeted funding and receipts; funds received or transferred free of charge, etc. One of the requirements for reporting information by all regulations governing the preparation and presentation of financial statements is the requirement to bring data for at least two years - reporting and preceding reporting - for each numerical indicator accounting statements. In the sample form No. 4 "Statement of cash flows", approved by the Ministry of Finance of the Republic

of Uzbekistan, this requirement is not met, since the reflection of data for the previous period is not provided. This negatively affects the completeness of the reporting information. The cash flow statement should enable interested users to assess the ability of the enterprise to generate cash flows. It is impossible to identify a trend for one reporting period.

The preparation of the statement of cash flows is enshrined in all national standards of the economy of developed countries. Despite the growing role of the cash flow statement as the main tool for analyzing cash flows, even in foreign practice, it is still little used for control and management.

In the short term, it is advisable to use it to manage liquidity. In the medium and long term, the statement of cash flows could be used as a basis for strategic financial planning and management, as well as for assessing the performance of an enterprise. Analysis based on reporting information makes it possible to assess cash flows in the context of past events in the financial and economic activities of the enterprise.

To solve the same strategic tasks, information is needed about the future cash flows of the enterprise, that is, their forecast values. Currently, the economic literature offers different methods for forecasting cash flows, but they all have the same approach to determining future cash flows. The forecasting procedure is reduced to the construction of tables reflecting the possible sources of income and the direction of use of funds. In order to raise cash flow forecasting to a qualitatively new level, a methodology is needed to assess the impact on cash flow of planned enterprises or expected events. This will allow assessing the consequences of events, which, in turn, contributes to a significant increase in the effectiveness of management decisions.

#### Conclusion

In order for the control system to work in the mode of preventing undesirable situations, and not in the mode of correcting the consequences, it is necessary to promptly monitor the formation of each indicator, and timely identify possible deviations. With regard to cash flows, the importance of operational analysis is further enhanced by the fact that cash is the most mobile assets of an enterprise. They are associated with almost all financial and economic processes occurring at the enterprise, therefore, in order to avoid significant deviations of planned indicators from the real state of cash flows, these indicators must be clarified. A prerequisite for conducting an operational analysis is the existence of a plan.

If all of the above proposals for cash flows are used in practice by an economic entity, then the process of analyzing cash flows will achieve its goal.

LITERATURE:

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