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Effective Management of Financial Assets of The Company As The Factor of The National Economy Development

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Abstract

The issues of the efficiency of the company's financial capital use, the necessity of its financial sustainability overview having an impact on the business development and the national economy are considered in the research article. The stable structure of the owned capital, and also the ability to raise borrowed funds that is to be creditworthy, determines the level of the financial sustainability. The most important condition for maintaining of the company's financial sustainability is working capital management, especially material productive value reserves. Effective management of business entities assets is an important condition of the national economy stability.

Keywords: *financial assets, investments, creditworthiness, financial sustainability, working capital.*

1. Introduction

In modern world economic and political realities, the most important condition of the national economy development is the effective and stable activity of large and small businesses in any country. The issues of formation, efficient use of financial resources, attracting investment capital show the financial status level of the company, which in its turn has an impact on the production development, increasing the works, services and products marketability.

Financial status depends on the results of company's commercial, productive, investment activity and has positive effect on its national and world image and also on its investment attractiveness. The development of the effective financial management system is one of the conditions of the stable company operation, its high creditworthiness and rational use of funds. The world practice shows that the effective model of the financial management ensuring sustainable growth of business value is founded on the status of the company's financial sustainability. The insufficient level of financial sustainability leads to a low level of entity creditworthiness, the absence of development prospects, decrease of marketability.

Financial sustainability analysis and diagnosis permits to identify and eliminate negative key positions in financial activities and also to find reserves to strengthen the company's financial status and its creditworthiness.

2. Literature review

Financial sustainability as the factor of company's successful development.

Ensuring of company's financial sustainability in particular and business in general is is an urgent global problem based on the global financial crisis, globalization of the economic space, price and financial instability. The status of company's monetary assets in which its development is ensured mainly at the expense of own funds and sufficient solvency and creditworthiness are maintained at the lowest level of entrepreneurial risk defines entity's financial sustainability. The company's creditworthiness is one of the financial sustainability factors that is the ability to pay for one's financial obligations, which result from credit, commercial, tax and other payment transactions.

The formal signs of company's positive creditworthiness are confirmed by:

– the availability of free cash in foreign currency, corporate and other bank accounts;
– the absence of the long overdue debts to contractors, suppliers, the budget, banks, staff, state extra-budgetary funds, as well as other creditors;
– the availability of working assets, net working capital at the end and beginning of the reporting period.

Insufficient creditworthiness, especially long-term (chronic), leads the company to bankruptcy (Zozulya et al, 2015).

A high level of financial sustainability is determined by the ability of the company to carry out the production process, in most cases, at the expense of its own funding sources. For this purpose, the company should have a flexible and at the same time stable structure of financial resources, as well as the ability raise borrowed funds if necessary, that is to be creditworthy. Financing of a company with the prospect of production and investment activities development is especially important in times of the economic crisis. And if a company has stable financial security, supports solvency and creditworthiness in adverse market conditions, it indicates about its stable financial position, and vice versa (Slepov, 2016).

Thus, to maintain the financial sustainability of the organization, not only the profit volume growth is necessary, but also the level of its profitability. Thanks to its own income, the company is creditworthy, and also has the ability to invest in capital costs.

It should be noted that high profitability may be associated with a significant level of risk. In practice, that means the organization may suffer losses instead of profit and even become bankrupt.

In conditions of financial sustainability and thanks to the efficient use of financial resources, the company is able not only to ensure a continuous process of production and sale of goods, works and services, but also to invest in the renovation and expansion of production. The stable work of the organization is related to the availability of financial resources and their structure, the degree of their dependence on investors and creditors. If there is an imbalance in the structure "owned capital – borrowed funds" towards the borrowed funds the organization has all the prerequisites for bankruptcy and the cessation of its existence(Terekhova, A., 2015).

3. Financial sustainability indicators used in the process of company's financial status analysis

One of the most important tasks of company's financial status analysis is to study the indicators reflecting its financial sustainability characterized by a stable excess of income over expenses, free movement of funds and their effective use in the process of current, investment and financial activities.

After analysis of the financial sustainability of the organization, it will be possible to answer the following questions:

- how much the organization is financially independent;
- whether the financial status of the enterprise is sufficiently stable.

The financial sustainability analysis makes it possible to determine the effectiveness of organizational management of own and borrowed funds during the analyzed period and in accordance with the results take time-bound measures for the prospects of the business development. It is necessary for the status of the borrowed and own funds sources to correspond to the company's development strategy, since a low level of financial sustainability indicators can lead to its financial insolvency that is to the lack of funds that are necessary for settlements with external and internal partners, as well as with the state. Working capital management,especially with material productive value reserves is the most important part of company's financial sustainability support. Excessive reserves can lead to the withdrawal of free funds from the enterprise's turnover which will ultimately affect the decrease in financial sustainability (Takhumova et. Al, 2018)

The efficiency of any organization performance is assessed by a system of indicators that determine its financial sustainability (Fig. 1).

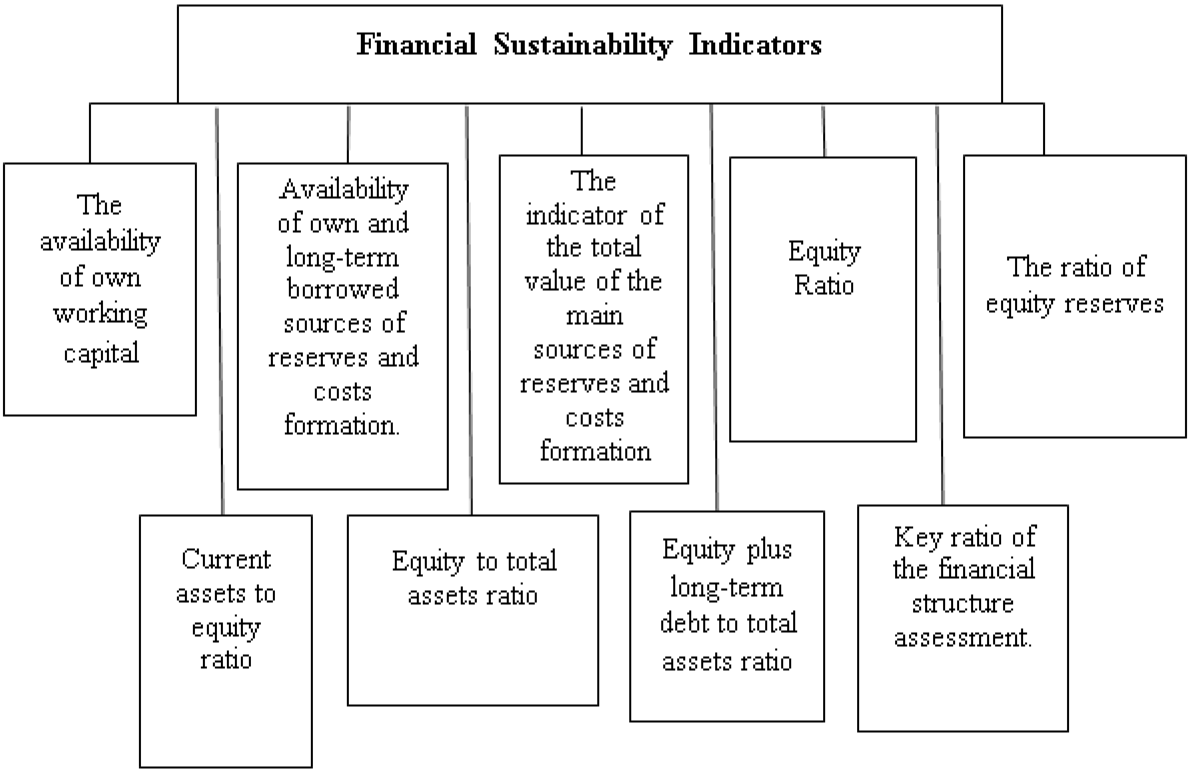

Figure 1 - The system of financial sustainability indicators.

Let's consider the content of some financial sustainability indicators. To determine the value of working capital it is necessary to find the difference between real equity, total capital assets and long-term receivables. The next indicator is the availability of own and long-term borrowed sources of reserves and costs formation which is calculated as the sum of working capital financed by owner's equity, long-term loans and borrowings, financing and special purpose receipts. The sum of own and long-term borrowed funds financing reserves and short-term borrowed sources determines the total value of the main sources of reserves and costs formation. The equity ratio makes it possible to assess the sufficiency of own funds that are necessary to finance current activities that is they ensure the company's financial sustainability. The results of the analysis of financial sustainability are affected by the most of the indicators presented in Fig. 1, in addition, the data of accounting and financial statements.

The use of the financial ratios for analysis should focus on the following criteria:

- the availability of necessary and important information, the calculation of estimated figures ensured through the use of public reporting data of companies. This condition allows to control the changes in the financial position of the organization to all the participants in the economic process and also makes it possible to assess the effectiveness and objectivity of the integrated assessment methodology itself;

– elimination of duplicate ratios that are connected by an obvious linear relation (Takhumova et. al., 2018).

To analyze the financial status, accounting and financial statements are used which makes it possible to assess the position of the company (Order of the Ministry, 2010). It analyzes the balance sheet, the statements: on financial results, on changes in equity, on cash flows, on the planned use of funds. Report on financial results, which contains a comparison of the sum of all the company revenues from the sale of goods or other income with the sum of all expenses incurred by the company to maintain its activities. The result of the analysis may be gross (balance sheet) profit or loss for the period under review.

An in-depth analysis of absolute and relative indicators, which is carried out according to the financial and accounting statements allows to assess the level of financial sustainability of the organization and take time-bound measures at critical points of its financial activities. The information that meets the certain requirements is necessary for the analysis (Fig. 2).

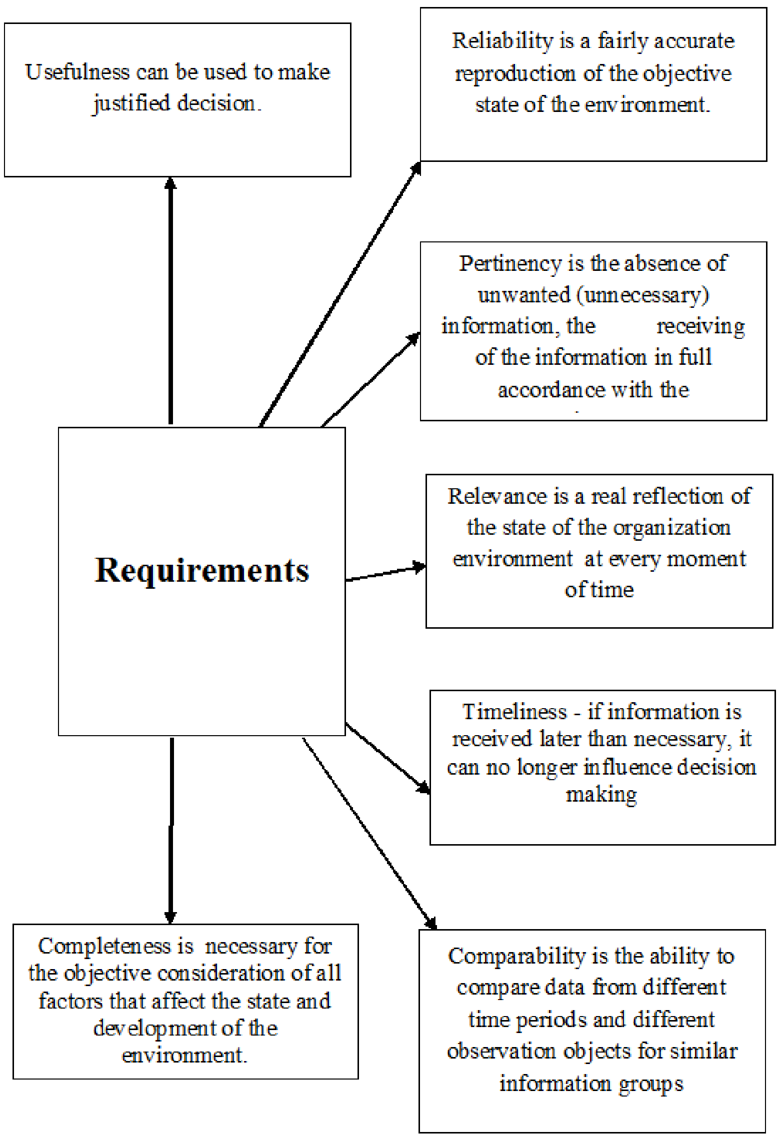

Figure 2 - Information requirements for analysis

The financial sustainability of the organization is characterized by a sufficient level of its creditworthiness and the level of financial independence The level of financial independence is determined by the ratio of various articles and sections of the asset and liability of the company's balance sheet (Vinogradskaya, 2015).

Considering the vast territory of the Russian Federation alignment of interbudgetary relations takes a lot of time and energy that seriously undermines the financial sustainability of the economic entities. Moreover, the available tools and levers of influence on the budget deficit do not have sufficient maneuverability and accordingly the positive effect can not be determined immediately. It is also necessary to take into account the general state of the economy of the Russian Federation, which does not allow to increase the amount of subsidies today. Under the current conditions, the issue of analyzing the financial sustainability of economic entities in order to search and identify the most convenient conditions and sources of financing becomes especially important.

4. Optimization of the structure of the company's current assets formation sources.

Analysis of the structure of the balance sheet liability allows to determine the causes of financial unsustainability of the enterprise, which may lead to its non-creditworthiness. The reasons may be the following: the organization's equity (sources of equity) is used irrationally; the overestimated share of borrowed capital attracted to finance the company's business activities; ineffective working capital management.

Cost minimization can be achieved first of all by optimizing the structure of the enterprise's current assets formation sources. This can be achieved by the most appropriate combination of own and borrowed liabilities.

To achieve the absolute financial sustainability, the enterprise must have a volume of inventories less than the number of bank loans and working capital for these inventories. In this case, the financial sustainability of the company is ideal. However, such a state must be controlled, maintained and the threats and dangers identified in a timely-bound manner.

The most of the large corporations have a normal level of financial sustainability that ensures the creditworthiness of the company. It occurs in the case of an equality between the value of inventories and the amount of own working capital and loans for goods dispatched, including payable accounts set off by the bank when lending (Gukova, 2015; Bandurin et al., 2017).

Unsustainable financial condition poses a danger to business and, as a rule, the company's creditworthiness is violated. In this case, the possibility of restoring the balance between the means of payment and the payment obligations remains at the expense of funds sources that are used in the company's economic turnover. They, in turn, relieve the financial stringency of temporarily free cash in reserve capital, as well as special funds. These are accumulation and consumption funds that exceed undue payable accounts over receivable accounts. In the case of a financial crisis, when the value of inventories exceeds the sum of its working capital and bank loans, the company is on the verge of bankruptcy.

5. Conclusion

Thus, the basis of a sound financial standing of a company is the ratio between the value of inventories and their sources (borrowed and own).

Financial sustainability is the result of a certain margin of safety that protects the company from the unforeseen circumstances and the sudden changes in external factors. The effective management of assets of business entities, their financial sustainability, as well as the development of productive forces and production relations are important conditions for the stability of the national economy in the context of systemic economic crises, political realities of the confrontation of countries, primarily in business. (Bondarenko et al., 2018).

In unstable economic conditions, business entities need an assessment that allows to verify their balanced development for their effective functioning to maintain their financial stability. Each

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business entity has a certain potential for financial sustainability, which is understood as the financial status of the organization that allows to achieve balanced functioning and dynamic development (Badalov et al., 2016).

The values of various indicators affecting the financial sustainability of the business entities at the same time deviate from the recommended values in the direction of deterioration by different values. Some indicators deviate by a smaller value while others by large values. In this situation, the value of the financial sustainability potential will depend on which particular indicators deviated and how large the value of their deviation is. First of all, it is advisable to monitor the most informative indicator in terms of the financial sustainability that is the equity to total assets ratio and the value of its deviation. Due to various values of indicators affecting financial sustainability, the potential of the financial sustainability of business entities can range from 5.43 to 1.0 and lower to the negative values, which will correspond to its high, fairly high, medium or low values. The negative values indicate the functioning of business entities at the expense of borrowed capital. If some indicators deviate by (50-80)%, the potential of financial sustainability of business entities can be low, and when other indicators deviate by (40-60)%, the potential of financial sustainability will be average (Natocheeva, N.etal., 2017).

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