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ELABORATION OF THE BALANCE SHEET LIQUIDITY ANALYSIS - REQUIREMENTS OF THE PERIOD

Мақолада корхоналарнинг бухгалтерия баланси ликвидлиги таҳлилининг амалий ечимлари тадқиқ этилган. Бу борадаги иқтисодий таҳлилнинг усули ва ахборот манбаларини такомиллаштириш тартиблари ишлаб чиқилган.

Калитли сўзлар: доимий ҳаракатдаги активлар, тез пулга айланувчи активлар, секин пулга айланувчи активлар, ўрта муддатли активлар, қийин сотилувчи активлар, муддати келган тўлов мажбуриятлари, қисқа муддатли мажбуриятлар, узоқ муддатли мажбуриятлар, доимий пасивлар.

В этой статье изучены практические решения анализа ликвидности бухгалтерского баланса предприятия. Разработаны порядок совершенствования информационных источников и способов экономического анализа.

Ключевые слова: наиболее ликвидные активы, быстро реализуемые активы, медленно реализуемые активы, среднесрочные активы, трудно реализуемые активы, наиболее срочные обязательства, краткосрочные обязательства, долгосрочные обязательства, постоянные пассивы.

Practical solutions of analysis of accounting balance sheet liquidity were investigated in this article. Techniques and information sources of economic analysis in the subject matter were developed.

Key words: most liquid assets, quickly realizable assets, slowly realizable assets, medium term assets, hard realizable assets, liabilities in due time, short term liability, long term liability, own capital and other sources of own assets.

External and internal business partners carefully examine all actual business information relating to entities in order to know real economic situation about them and their trends for further cooperation. Complexly and systematically ordered information in the financial statements reflects and describes significant financial sides of a particular business activity. Presented information would be one of main basis for interested parties to make their proper business decisions. For example, any supplier (provide inventories, render service or implement work) examines pay ability, liquidity situations and other proper economic and financial sides of the customer entity before make a deal with it.

One more, credit organizations comprehensively study by disseminated information all possibilities of entities which asked credit. For the sake to find answer

on the question: Whether asked amount return in time without any problems by the entity? We can bring so many examples for this matter.

Developing foreign economic activities of entities in the national economy is being gradually occurred according to the reforms which are being implemented in the country. They are appeared in such relations, like export goods, import sophisticated tools and technologies, attract investments, training sphere, software and so. Similar positive relations prompt strengthen business activities between national and foreign entities.

Apparently, reported information needs not only national parties as well as foreign partners too. It required entities to prepare financial statements information on international financial accounting standards. This approach to facilitate understanding disseminated information for both parties without additional explanations. It entirely regard to techniques of financial analysis and its information base. Similarities of financial analysis techniques and their information base ensured identical effects.

But it should emphasize there are several methodological differences between international experiences and national practice in the field of financial analysis. We want to bring a sample for that our opinions. The sample regard to Balance sheet liquidity and its analysis in the national accounting system.

It is known that Balance sheet information is base for the Balance sheet liquidity analysis. Necessary information in the Balance sheet is arranged in the table 1 according to their liquidity level as well as at the beginning and ending a given period.

Table 1

Arrangement of the assets on liquidity level

Assets' groups	Reference designation	Information source (Balance sheet 1)	At the beginning of the year	At the ending of the year	Deviation (+;-)
A	B	C	D	E	F
1. Most liquidity assets	A ₁	Cash and cash equivalents (320 code)	203678,0	245876,0	42198,0
2. Quick liquidity assets	A ₂	Receivables (210 code)	447859,0	607888,0	160029,0
3. Slowly liquidity assets	A ₃	Inventories (140 code)	653945,0	708123,0	54178,0
4. Hard realizable	A ₄	Long term assets	1754632,0	1896540,0	141908,0

assets		(130 code)			
Total sum	X		3060114,0	3458427,0	398313,0

Source: The article possesses methodological character. That's way entity's name is not shown. In here: A – asset.

Table 1 information is designed to know how much assets are in each group and their liquidity level and changes them during the given period. Another side the information shows assets size in each capital circulating processes. It is allows to consider and assess assets liquidity situation.

Capital and liabilities are shown in table 2 like assets. Crucial point here items are arranged their mature date (Table 2).

Table 2

Arrangements of the Capital and liabilities on mature date

Capital and liabilities' groups	Reference designation	Information source (Balance sheet 1)	At the beginning of the year	At the ending of the year	Deviation (+;-)
A	B	C	D	E	F
1. Liabilities in mature date	Π ₁	Current payables (601 code)	198546,0	243567,0	45021,0
2. Short term liabilities	Π ₂	Short term liabilities (730 + 740 + 750 codes)	301743,0	506000,0	204257,0
3. Long term liabilities	Π ₃	Long term liabilities (490 code)	546782,0	690543,0	143761,0
4. Own capital and other sources of own assets	Π ₄	Sources of own assets (480 code)	2013043,0	2018317,0	5274,0
Total sum	X		3060114,0	3458427,0	398313,0

Source: The article possesses methodological character. That's way entity's name is not shown. In here: Π – liabilities.

Significance of the table 2 is to shows groups liabilities and own capital and other sources of own assets sources according to mature date and how much liabilities accumulated in each groups and changes them in the given period.

Next step to determine and understand of the balance sheet liquidity is to compare asset groups to liability groups and reveal them changes (Table 3). Goal of the action is to know meet or not each assets group to each liabilities group, respectively.

Table 3

Calculation the Balance sheet liquidity

Reference designation	Sum at the beginning year	Sum at the ending year	Reference designation	Sum at the beginning year	Sum at the ending year	Deviation (+;-)	
						from of the beginning year	from of the ending year
1	2	3	4	5	6	7=2-5	8=3-6
A ₁	203678,0	245876,0	Π ₁	198546,0	243567,0	5132,0	2309,0
A ₂	447859,0	607888,0	Π ₂	301743,0	506000,0	146116,0	101888,0
A ₃	653945,0	708123,0	Π ₃	546782,0	690543,0	107163,0	17580,0
A ₄	1754632,0	1896540,0	Π ₄	2013043,0	2018317,0	- 258411,0	-121777,0
Total	3060114,0	3458427,0	Total	3060114,0	3458427,0	X	X

Source: Table 3 has been prepared on the basis 1st and 2nd table information.

7th and 8th columns information of the 3ds table shows positive deviations between each asset and liability groups, respectively. These results mean each group of assets excess than each group of liabilities. The situation shows the entity possess enough assets to pay existing liabilities. Furthermore, conversion process of assets to cash (most liquidity assets) match to liabilities mature date, respectively.

In spite of these positive deviations excesses at the ending of the year (8th column) have noticeably been reduced than identical deviations of the beginning year (7th column). These changes shows amounts of each group assets are going to become equal amounts each group liabilities. Specialists of the entity should work out measures which bring to stop the decreasing process and keep the state suitable internal norms. It is necessary for expediently steers of the pay ability of the entity.

There are other peculiarities of the analysis. One of them is grouping entities according to assets liquidities. It allows determine financial sustainability of the entities (Table 4).

Table 4

Grouping entities according to assets liquidities state

Group 1	Group 2	Group 3	Group 4
A ₁ > Π ₁	A ₁ < Π ₁	A ₁ < Π ₁	A ₁ < Π ₁
A ₂ > Π ₂	A ₂ > Π ₂	A ₂ < Π ₂	A ₂ < Π ₂
A ₃ > Π ₃	A ₃ > Π ₃	A ₃ > Π ₃	A ₃ < Π ₃
A ₄ < Π ₄	A ₄ < Π ₄	A ₄ < Π ₄	A ₄ > Π ₄

Sustainable entity	Normal entity	Unsustainable entity	Bankrupt entity
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Sours: Taken from referenced literatures.

If we consider information in the table 3 by criterion the table 4 in that case the analyzed entity get into group 1. It means the entity is financial sustainable according to assets liquidities. Financial sustainability is a significant source to external partners to take proper business decisions.

Above mentioned technique (Table 3 and 4) is designed to determine assets liquidities and criterion on grouping entities is known out of all learnt uzbek and russian literatures (1, 2, 3, 6, 7) as well as this order are widely used in practice.

However, we think there is inadequate in the approach which required elaborate according to international experience. For example, conversation period of each group of assets to cash unconformity to maturity date of each group of liabilities (table 5)

It is obviously that analytical groups of assets and liabilities not meet each other according to conversion period and mature date (Table 5). By comparing information 2 and 4 columns reader can see inadequacies.

Table 5

Assets and liabilities circulating period

Assets groups (on reference designation)	Conversion period of assets to cash, on days	Liabilities group (on reference designation)	Mature date of Liabilities or length of circulating period, on days
1	2	3	4
A ₁	They must be available in proper accounts on that day	Π ₁	Within 90
A ₂	Within 90	Π ₂	It can be until one year
A ₃	120 (Conditional. It is depend on production technology and accepted accounting policy)	Π ₃	Over one year
A ₄	One and over one year	Π ₄	X

Source: information on the basis Tables 3 and 4.

We reckon up that there is a way to eliminate above mentioned inadequacies (Table 5). Achieve for the goal some appropriate adjustments regard to the matter should be done (6 and 7 tables).

Table 6

Suggested assets structure and their circulating periods

Assets groups	Reference designation	Information source (Balance sheet)	Conversion period of assets to cash, on days
A	B	C	D
1. Most liquidity assets	Φ_1	Cash and cash equivalents (320 code)	They must be available in proper accounts on that day
2. Quick liquidity assets	Φ_2	Receivables (210 code)	Within 90
3. Slowly liquidity assets 1	Φ_3	Inventories (140 code)	120 (Conditional. It is depend on production technology and accepted accounting policy)
4. Slowly liquidity assets 2	Φ_4	Long term receivables (110 carp)	Over one year
5. Hard realizable assets	Φ_5	Long term assets (130 carp – 110 codes)	One and over one year

Source: Made by author.

In here: Φ – asset, suggested asset group is painted

There is substantiated reason to separately reflect the long term receivables (Φ_4) in among assets groups. For example, long term receivable gradually are converted to short term receivable as well as cash during proper years. It increases cash inflows. The cash which would be taken in further periods on the long term basis can be considered payments for long term payables.

Deferece of long term receivables than other long term assets is that in most case long term receivables gradually become receipts at appointed time. It means that long term receivable possesses stable liquidity character (Except bad debts).

The structure of liabilities and their mature date (Table 7) and the structure of assets and their conversion period to cash (Table 6) is adequate, respectively. This approach eliminated inadequacies which are exists in practice.

Table 7

Suggested structure of liabilities

Liabilities groups	Reference designation	Information source (Balance sheet)	Payment period, on days
A	B	C	D
1. Liabilities in due time	P_1	Liabilities in mature date (600 A) code) (suggestion)	They must be paid in this days (1 month)
2. Short term liabilities	P_2	Current payables (601 code)	90

3. Middle term liabilities	P ₃	Short term liabilities (730 + 740 + 750 codes)	Until one year
4. Long term liabilities	P ₄	Long term liabilities (490 code)	Over one year
5. Own capital and other sources of own assets	P ₅	Sources of net assets (480 code)	X

Source: Made by author.

In here: P– liabilities. Suggestions are painted.

We reckon up suggested groups of asset and liability eliminate above mentioned shortages in the balance sheet liquidate analysis. Consequently, it provides accurateness of the results of analyzing (Table 8).

Adequacy of assets conversion periods to liability payment periods allows correctly manage means of entities. For example, internal norms of each assets and liabilities group can be worked out and appointed. Strengthen control on assets liquidities and liabilities payments and so.

Procedures of the balance sheet liquidity analysis by use above mentioned suggestions are similar that the orders which reflected in table 8.

Table 8

Balance sheet liquidity analysis

Assets groups (Reference designation)	Conversion period of assets to cash, on days	Liabilities groups (Reference designation)	Payment period, on days
1	2	3	3
Φ ₁	They must be available in proper accounts on that day	P ₁	They must be paid in this days (1 month)
Φ ₂	Within 90	P ₂	Within 90
Φ ₃	120 (Conditional. It is depend on production technology and accepted accounting policy)	P ₃	Until one year
Φ ₄	Over one year	P ₄	Over one year
Φ ₅	One and over one year	P ₅	X

Sours; prepared on the basis of 6 an 7 tables

Entity grouping criterion according to suggested assets liquidities are shown in table 9.

Table 9

Entity grouping criterion according to suggested assets liquidities

Group 1	Group 2	Group 3	Group 4
$\Phi_1 > P_1$ $\Phi_2 > P_2$ $\Phi_3 > P_3$ $\Phi_4 > P_4$ $\Phi_5 < P_5$	$\Phi_1 < P_1$ $\Phi_2 > P_2$ $\Phi_3 > P_3$ $\Phi_4 > P_4$ $\Phi_5 < P_5$	$\Phi_1 < P_1$ $\Phi_2 < P_2$ $\Phi_3 < P_3$ $\Phi_4 > P_4$ $\Phi_5 < P_5$	$\Phi_1 < P_1$ $\Phi_2 < P_2$ $\Phi_3 < P_3$ $\Phi_4 < P_4$ $\Phi_5 > P_5$
Sustainable entity	Normal entity	Unsustainable entity	Bankrupt entity

Source: made by author.

Here question is appeared. For example, about information source of suggested “Liabilities in due time” (P_1) in the structure of liabilities (Table 7).

There are three way for it. One of them that information about the liabilities which due to pay in within month that would be calculated out of appropriate documents of financial accounting, additionally. They may be short term liabilities (P_3) (730 + 740 + 750 codes) and current liabilities (P_2) (601 code) or internal reports of current liabilities. But, this order possess following shortage:

- this procedures required additional works in accounting;
- only specialists of entity can use those information.

May by the information disseminate by means of footnote. It is most suitable way.

Third way, we think it should make necessary amendment in the effective Balance sheet. New supplementary item which titled “Liabilities in due time” (600 A) code) in “Current assets” (600 code) structure should be entered. This item is designed to reflect the liabilities to be paid within a month. The quantity of “Liabilities in due time” is not add in items of “Total liabilities” (770 code) and “Total balance” (780 code) too. However, it is not subtracted from items of “Current pay abilities” (601code) and “Short term liabilities” (730 + 740 + 750 codes). Because, it is supplementary.

The suggested item has fallowing advantages:

- Balance sheet liquidity is accurately calculated;
- Balance sheet information transparency is increased;
- Information would be accessible for every user: internal and external.

Perhaps, various opinions may be expressed by specialists or other interested parts against to the suggestions. But, we think the core of suggestions is eventually provides the usefulness of information.

If the solving problems direction is designed to facilitate the work of accountants and simplify the statement structure in that case usefulness of information of financial statement can be decreased.

If the aim is to enhance benefits of information in the balance sheet then accounts additional works would become the part of existing procedures in accounting information system of entity according to requirements. So, expenses are occurred on computation of the information would reasonably be less than the positive results which eventually gathered by using those information.

Here we should emphasize this point that suggested opinions in the article had been expressed out of interests of various entities.

Information about the balance sheet liquidity and results of analysis lead to effective use of means of entities. It need for external and internal partners to substantiate accurate business decisions. Crucial point here financial accounting information and analysis results should be precise and practical.

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