



Evaluation of the State of Working Assets in the Analysis of Economic Potential

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Abstract:

The article discusses the economic content and the main aspects of the analysis of indicators of economic potential associated with working assets of the enterprise. They discuss the increase in economic potential and ensuring the financial stability of enterprises based on the analysis of the effective use of working assets. The thesis discusses the economic content and the main aspects of the analysis of indicators of economic potential associated with working assets of the enterprise. Increasing the economic potential and ensuring the financial stability of enterprises is discussed based on an analysis of the state of working assets.

Keywords: economic potential, working assets, availability of working assets, net assets, working capital, economic efficiency, financial stability

1. Introduction

Achieving macroeconomic and financial stability in the conditions of economic development in our country is one of the main tasks. It is important to analyze the indicators representing their economic potential in increasing the financial stability of economic entities. Indicators representing the economic potential of the enterprise are reflected in the asset part of the balance sheet, and the study of the structure of their assets helps to determine the state of net assets and measure the standard of opportunity. The economic potential of the enterprise means all material and labor resources and intangible assets that fully support the economic process carried out in it. The analysis of indicators representing working assets occupies the main place in the economic potential of the enterprise. Working assets is the most important material basis, and the activity of the enterprise directly depends on them. Because in the implementation of enterprise activities, they start work only after forming raw materials and materials, money and other working assets. As a result of analyzing the timely and uniform supply of current assets to enterprises, their effective use, it will be possible to develop the necessary recommendations to increase their economic efficiency and improve their financial condition. The results of the analysis are used in the development of measures to identify domestic economic opportunities for increasing production efficiency and to attract them to the production cycle. The activities of enterprises of various properties are directly dependent on working assets. These funds will be used and increased as soon as they are established.

1.1. Literature review

The issues of improving the analysis of economic potential of economic entities have been widely studied in the scientific works of economists of our republic and the

Citation: Tojiboyeva, S.A.
Evaluation of the State of Working Assets in the Analysis of Economic Potential. *American Journal of Economics and Business Management* 2024, 7(2), 93-99.
<https://doi.org/10.31150/ajebm.v7i2.2685>

Received: 5 December 2023

Revised: 11 December 2023

Accepted: 25 January 2024

Published: 21 February 2024



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Commonwealth of Independent States. In these studies, some problems and organizational aspects were studied based on the general methodological bases of economic potential analysis. According to economist M.Q. Pardaev [1] "economic potential of an enterprise means all material and labor resources and intangible assets that fully support the economic process carried out in it." The composition of economic potential can be seen in Figure 1 below.

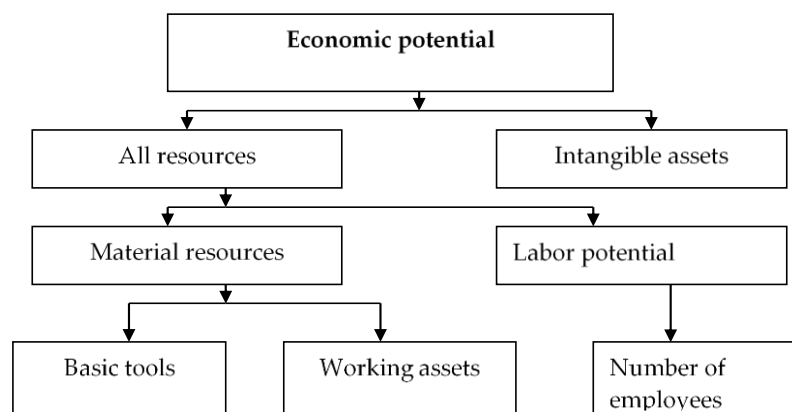


Figure 1. The composition of the enterprise's economic potential

Source: [1]

In the process of analysis, it is also important to determine and analyze the system of indicators representing working assets. Scientists have reached a consensus on solving this problem. That is, it is recommended to use a system of indicators to represent working assets. But there are different views among scientists on what indicators to use and their classification. "Analysis of Enterprise Assets" is briefly reviewed only in some parts of some literature [2,3].

Some researchers recommend studying indicators representing working assets in three parts. For example, in the textbook "Economic analysis" [1], indicators evaluating working assets are divided into indicators representing its condition, supply and efficiency (Figure 2).

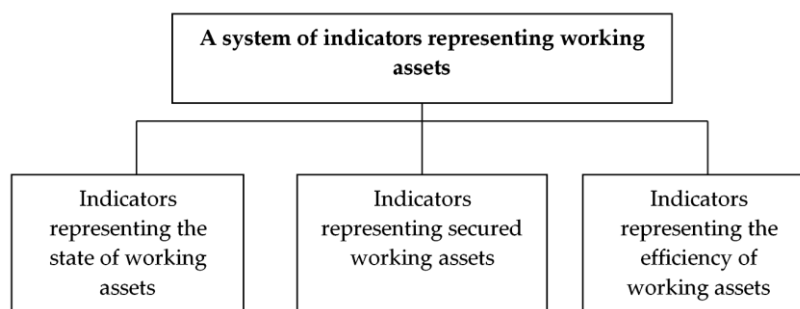


Figure 2. A system of indicators representing working assets

Source: Compiled by the author based on literature

Published in the following years, economic indicators [4,5] dedicated to the assessment of the financial condition of the enterprise, which represent working assets, have received little attention. Naturally, such an approach is not enough for a complete solution to the problem.

2. Method

Analysis, synthesis, grouping, comparison and coefficient methods are used in the scientific article. In particular, the methods of analysis and synthesis are used in the analysis of the economic potential and turnover structure, and in summarizing the results of the analysis [6,7,8]. The method of analysis and synthesis work together in the process of analysis. The comparison method is the most basic method of analyzing the company's activity, and it is also used in the analysis of economic potential. Because every metric, every number, control, and forecast used for benchmarking is meaningful only when compared to a similar metric. Grouping is a widely used method, especially in the analysis of economic potential [9,10]. Because, based on the grouping of the composition of working assets related to economic potential, it allows to increase the quality of the analysis process, taking into account their characteristics and main aspects. The method of coefficients is the main method used in the analysis of economic potential. Because on the basis of the method of coefficients, it will be possible to assess the level of the ratio of factors affecting the composition of economic potential.

3. Results and Discussion

When analyzing the state of economic potential, special importance should be attached to changes in the structural structure of working assets. The content of the analysis of working assets comes from the tasks set before it. In the analysis, important importance is given to the level of provision of the enterprise with material resources, the state of their effective use, the importance of proper management of materials in increasing the volume of production, the determination and creation of internal opportunities for the economy of material resources. The main purpose of the analysis of working assets is to identify the shortcomings in the management of working capital in time, to determine the possibilities of their intensive and effective use [11].

The analysis of the structure of working assets shows that the financial stability of the enterprise largely depends on the optimal location of the processes of the stages of capital circulation [12,13,14]. Production working assets includes production reserves, funds, they are used in one cycle of production, and their value is fully transferred to the cost of manufactured products. The presence, state, and level of use of both fixed and working assets in production affect the financial status of enterprises. If the working assets is used effectively, the cost of production will decrease, the profit will increase, and the level of profitability will increase. But when analyzing the financial situation of enterprises, only one problem is analyzed - the relationship between the turnover of working assets and the financial situation of enterprises, because the change in the turnover of working assets has a direct and quantitative impact on the financial situation of enterprises. In addition, practice shows that other indicators of the company's financial condition are positive even in a situation where the circulation of working assets has weakened, and on the contrary, if the circulation of working assets has accelerated, other indicators of the financial condition of the enterprise may have worsened [15].

Currently, among the important factors that affect the adaptation of production enterprises to the requirements of practice, they are provided with working assets, and the methods of analyzing the efficiency of use require improvement. Because the analysis of the movement of working assets is one of the important activities that ensure the development of economic activity. The fact that enterprises are provided with working assets on time, in the required amount, in the specified quality and in the same manner, and their rational use ultimately has a comprehensive effect on its economic development and progress.

When the economic potential of economic entities is analyzed, the structure of working assets on the balance sheet is determined and its changes are studied, it is determined how well the funds are allocated, and a preliminary assessment of the financial situation of the enterprise is made [7,8]. In the process of analysis, it is necessary

to evaluate the composition and structure of working assets (Table 1).

Table 1. Analysis of the composition of working assets of "Star" joint stock company

Indicators	Start of year		End of year		Changes	
	In thousand	Share	In thousand	Share	In thousand	Share
	UZS	(%)	UZS	(%)	UZS	(%)
Working assets, incl:	166,638,743	100	289,449,769	100	+122,811,026	-
- Inventory	60,547,411	36.33	213,126,944	73.63	+152,579,533	+37.30
- Debtors	104,695,681	62.83	72,303,305	24.98	-32,392,376	-37.85
- Funds	1,172,695	0.70	3,824,098	1.32	+2,651,403	+0.62
- Short-term investments	204,422	0.12	195,422	0.07	-9,000	-0.05

Source: Compiled on the basis of information from the financial report of "Star" JSC.

As can be seen from the data of Table 1, the working assets of "Star" joint stock company amounted to UZS 289,449,769 thousand at the end of the year and increased to UZS 122,811,026 thousand. The share of material reserves in its composition was 36.33 percent at the beginning of the year, and 73.63 percent at the end. The share of receivables in the working capital of the enterprise was 62.83% at the beginning of the year, and 24.98% at the end of the year, and decreased to 37.85%. The high volume of receivables has a negative impact on its financial condition. The share of cash in working assets of JSC "Star" increased from 0.70% at the beginning of the year to 1.32% by the end of the year. The share of short-term investments in the society is not significant in the structure of working capital, that is, proportionally it is 0.12 and 0.07 percent. The results of the analysis show that at the beginning of the year, the share of receivables took the leading place in the current working assets of the company, and by the end of the year, the weight of inventories took the leading place.

When analyzing the working assets of economic entities, the available amount of own working assets is determined on the balance sheet and the extent to which it is provided with them is assessed. Even if, according to calculations, their working assets is more than the working assets of tangible assets, in practice there are cases of their shortage in many enterprises. For example, production stocks, surplus of finished products exceeding the norm, increase of overdue receivables lead to a decrease in the available amount of working assets. We refer to Table 2 for analysis.

Table 2. "Star" joint-stock company analysis of available working assets

Indicators	Start of year	End of year	Changes
	(in thousand UZS)	(in thousand UZS)	
1. Sources of own funds (form 1, ln. 480)	119,965,378	72,348,385	-47,616,993
2. Long-term loans and debts (form 1, lns. 570 & 580)	21,750,000	10,100,000	-11,650,000
3. Total resources (1-2)	141,715,378	82,448,385	-59,266,993
4. Long-term assets (form 1, ln. 130)	105,941,390	100,595,977	-5,345,413
5. Available amount of working assets and equivalent funds (3-4)	(+)35,773,988	(-)18147592	-17,626,396
6. Tangible working assets (inventories) (form 1, ln. 140)	60,547,411	213,126,944	-152,579,533
7. Surplus (+), shortage (-) of working assets (5-6)	(-) 24,773,423	(-)194,979,352.00	+170,205,929.00
8. Material working assets coverage ratio (5 x100:6), %	59.08	8.51	-50.57

Source: Compiled on the basis of information from the financial report of "Star" JSC.

According to the data of Table 2, "Star" joint stock company's availability of working assets was UZS 35,773,988 thousand at the beginning of the year, and by the end of the year it was UZS 18,147,592 thousand, and decreased to UZS 17,626,396 thousand. At the beginning of the year, the lack of working assets amounted to UZS 24,773,423 thousand, and by the end of the year it was UZS 194,979,352 thousand. So, at the beginning of the year, 59.08% of reserves and expenses in the enterprise were covered by its own working assets, and 40.92% were covered by borrowed funds. At the end of the year, 8.51 percent of reserves and expenses were covered by own working assets, while the share of borrowed funds was 91.49 percent.

It is important to determine the net current assets in the analysis of the available amount of the company's working capital and its supply. In foreign countries, own working assets is called "Working capital" [11]. The level of the current liquidity ratio largely depends on the sources of reserves, long-term liabilities and the company's equity capital. In order to increase its level, it consists in replenishing the capital with resources, keeping the growth of assets and receivables stable. It is recommended to use this indicator to assess the liquidity of the company's asset and to determine its solvency in the long term. Current assets twice more than short-term liabilities create a basis for stable growth of production and financial condition of the enterprise. As a result, working capital or "Net current asset" is formed. Liquid reserves of working capital are calculated and used to cover unexpected costs due to gaps between cash inflows and debt obligations. Net working capital is a part of net assets, used as collateral for bank-creditors in case the company fails to repay the bank loan. For analysis, we make the following Table 3.

Table 3. Calculation of working capital of "Star" joint stock company

Indicators	Start of year (in thousand UZS)	End of year (in thousand UZS)	Changes
Current assets	166,638,743	289,449,769	+122,811,026
Current liabilities	130,865,295	307,597,361	+176,732,066
Working capital (1-2)	(+) 35,773,448	(-) 18,147,592	-17,626,396

Source: Compiled on the basis of information from the financial report of "Star" JSC.

According to the results of Table 3, the surplus of current assets of "Star" joint-stock company over short-term liabilities amounted to UZS 35,773,448 thousand at the beginning of the year. By the end of the year, the shortage of current assets was UZS 18,147,592 thousand. A dynamic change in the absolute amount of working capital leads to a change in the level of liquidity. This indicator represents the amount of surplus generated after covering current liabilities. Therefore, the growth of this indicator represents the stabilization of the company's liquidity. But in the object of analysis, we can see that this indicator has decreased by UZS 17,626,396 thousand.

The efficiency of using working assets as part of the enterprise's economic potential is determined by their speed of circulation, profitability and profitability, that is, by the amount of profit per UZS of working capital.

In the conditions development of the economy, the assessment the state of working assets in order to increase the efficiency of the enterprises and ensure their financial stability is one of the main stages of the analysis of their economic potential, and it should always be in the center of attention of the head of the enterprise, analysts and auditors. Taking this into account, the necessary measures for the development of financial analysis are being implemented in our country [9,10,11]. After all, in the analysis of indicators of the economic potential of economic entities related to working assets, it is an important issue to study whether the company's own funds are sufficient or insufficient to cover the working assets. This indicator is especially important in

determining the financial independence, stability, and creditworthiness of the enterprise. The results of the analysis show that the joint-stock company "Star" is insufficiently provided with the current amount of its working assets. This, in turn, has a negative impact on the level of economic potential of the enterprise.

4. Conclusion

According to the results of the analysis, the number of opportunities for effective use of working capital in increasing the economic potential of the society was determined, the following necessary practical recommendations were given: increase the volume of production and sale of products, improve their quality; timely and correct conclusion of product delivery and purchase contracts; timely and correct processing of settlement payment documents; studying the financial situation of product suppliers and buyer enterprises; timely analysis of the financial situation of the enterprise. We believe that the application of these recommendations in the practical activities of the enterprise will allow to accurately diagnose the financial situation, increase efficiency, raise its economic potential and ensure its financial stability.

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