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ASSESSMENT OF CAPITALS OF BUSINESS ENTITIES IN THE MODERN ECONOMY

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ABSTRACT

In this article, different approaches of scientists to the study of own and borrowed capital were evaluated. It is revealed that the fundamental methodological position about their essence and content is largely undeveloped, which in turn causes a different and sometimes contradictory interpretation of the authors' estimates of their own and borrowed capital. In connection with this, this article poses the task of assessing the state of capital, which would most fully reveal their essence and basic essential characteristics. To do this, a comparison of equity with borrowed capital. All this made it possible to determine that own and borrowed capital are sources of funds formed at the expense of own and received by the managing entity in monetary or in kind form from organizations, persons, the state on terms of return and for a fee through voluntary agreement of the parties with a view to obtaining surplus cost as a result of their productive use.

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INTRODUCTION

Research of short term and long term obligations of a company is closely related with the valuation of assets which are

grouped by level of liquidity and urgency of the debts liquidation based on accounting balance sheet. By prof. A. Arzybaev (2011, pp.97-98), it is recommended to compare them by preliminary grouping by the followings:

- Financial assets of the company, and also short term securities;

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- Fixed assets in the company's balance and other non-rolling (passive) assets;
- Current liabilities;
- Long term commitments and joined capital.

Prof. S.Omurzakov (2016, p.131) stated that the mentioned in the instructions two groups are not sufficient and rational as its not defined which group it should be used for commodities and materials, debts since it is not effective and too risky to introduce it to financial assets. Moreover, the required time which would have been spent for monetization of the various parts of the commodities and materials is different during the liquidation of accounts and bills of receivables. On top of this, the commodities and materials are not isotropic and flat, and liquidity of goods, material reserves, incomplete production and raw materials are differentiated significantly.

companies of the Kyrgyz Republic into the following four groups in accordance with the level of liquidity i.e. with the velocity of the assets turnover:

- Most liquid assets (A1) – cash and short term securities;
- Fast selling assets (A2) – short term assets receivable and other short term assets;
- Slow selling assets (A3) – commodities and materials, long term debts, long term investments by not taking into account fundings or investments into the capital of the branches, joint or associated companies;
- Hard selling assets (A4) – items of the chapter 2 'Non-rolling assets' by not taking into account items included in the third group.

Table 1. Analysis of company's loan capital an its compositions turnover

Indicator	Abbreviation	Value	Source or calculation method (C1+C2)/2
A	B	1	2
1. Average annual cost of the loan capital, (thousand)	LC	1601,5	(1452+1751)/2
1.1. Average annual cost of the long term liabilities (thousand).	SL	556,0	(408+704)/2
1.2. Average annual cost of the long term liabilities, (thousand).	LL	1045,5	(1044+1047)/2
2. Turnover of the loan capital	Tlc	5,942	Items 3/1
2. 1. Turnover of the short term liabilities	Tsl	17,115	Items 3/1.1
2.2. Turnover of the long term liabilities	Tll	9,102	Items 3/1.2
3. Volume of sales, (thousand).	N	9516,0	
4. Turnover of the loan capital, days	Tlc	5,942	365/item 2
4. 1. Turnover of the short term liabilities, days	Tsl	17,115	365/item 2.1
4.2. Turnover of the long term liabilities, days	Tll	9,102	365/item 2.2

(C1 and C2 are costs for the start and end of the year accordingly).

Table 2. Trends of the own and loan capital compositions in company.

Indicators	Optimum	As of 01.01.13	As of 01.01.14	As of 01.01.15	As of 01.01.16	As of 01.01.17
1. Independency coefficient: CK/Assets	≥0,5	0,8	0,7	0,8	0,72	0,71
2. Coefficient of financial dependency: LC/Assets	<0,5	0,2	0,3	0,2	0,28	0,29
3. Coefficient of financing: CK/LC	≥1	2,0	1,9	2,2	2,58	2,48
4. Financial leverage: LC/CK	< 1	0,31	0,29	0,31	0,39	0,40
5. Maneuvering ability (CK-non-rolling assets)/CK	0,5	0,2	0,2	0,3	0,29	0,32
6. Coefficient of the own capital volume: (CK – non-rolling assets)/commodities	0,1	0,5	0,5	0,6	0,43	0,39
7. Rate of the commodities out of non-rolling assets: commodities/non-rolling assets	X	0,6	0,6	0,8	0,95	1,05
8. Rate of assets out of own capital: Assets/CK	X	1,1	1,2	1,2	1,39	1,40

Assets liquidity in the receivables depends on the document flow in banks, timely processing of bank documentations, timeframe of loan preparation for customers, its solvency and for some other reasons. Hence, by using the method developed by prof. A.Mamasadykov (2017, p. 116), where it is precisely proved belongings of each expense to separate groups, it is suggested to break down assets of accounting balance of

Passive of the balance (liabilities and own capital) in accordance with the urgency of the payment also divided into the four groups:

- Most urgent liabilities (O1) – including accounts payable (short term payables);
- Short term passives (O2)–short term loans and borrows;

- Long term passives (O3)–long term loans and borrows, long term detained tax obligations;
- Constant passives (CK) – items of the chapters of a balance. It also includes reserves and detained incomes;
- Comparison of these groups makes enable to define payment deficit or surplus and gives an opportunity for timely regulation of a balance of different groups mentioned.

For analysis of efficiency of borrowed capital there is an importance of an indicator of its turnover. Data of the table 1 shows that the total indicator of the loan capital turnover of the company is 5,942 and in average it is required 61 day for a turnover. The values 17,115 and 9,102 show the number of short term and long term liabilities. For one turnover of the short term liabilities it was required 21 days whereas for the long term ones is required 40 days. Based on the given model the average number of days for turnover both short and long term liabilities is calculated by the following formula:

$$T_{lc} = T_{sl} + T_{ll} = 61 \text{ days} = 21 \text{ days} + 40 \text{ days}$$

Though there were not defined legal levels of the indicators the lower its values the better for company. As it is shown in the model an increasing of sales leads to efficient applying of the loan capital as well as its components Calculation of each indicator of certain liabilities turnover shown the return of parts of the loan capital, and in turn, allows to determine what particular factor has effect to the resulted indicator of the loan capital turnover. Within the market economy the running of the business, extension of the production and relevant disbursement for the social and other needs are done through the self-financing i.e. by using own capital, and through the loan capital when it is shortage of funds, accordingly it is very important to have financial independence and not to rely on the external loans, although in fact it is hard to manage company without loans. In order to find out trends in composition of the capital the Table N2 depicted the trends of the own and loan capitals in comparing to the optimum values which were withdrawn from the standards and industrial norms. In the table it was considered that it's reasonable to purchase floating materials and commodities for short term loans as the floating assets should bring more return than cost of the loan. Own capital might compose the floating assets but it is not economically rational. Free assets better to use for more profitable project in order to gain an additional margin.

The mentioned rules are applicable within the stable interest rate and economy. In the condition of a big inflation it should be considered based on the situation and market trends and perspectives. Hence, for an integration of the Kyrgyz Republic economy into the international economic system and due to necessity to apply international standards, and for the sake of extended users who want to have reasonable assessment of entities' activity, it was developed and implemented methodical instructions for evaluation of own and borrowed capitals and also carefully examined the current methods of enterprises balance sheet design which is particularly applied for defining the required volumes of liabilities and own capital, materials and commodities, indicators of financial sustainability, turnover and efficiency of the own capital and loans.

Accordingly, authors suggested the balance items grouping were based on:

- Level of liquidity;
- Liabilities and own capital on the level of its payment due to urgency.

Practical application of the developed proposals will advance a quality of entities capital assessment and positively effect on administrative decision making and what is more, on efficiency of the capital.

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