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THEORETICAL APPROACHES TO THE FORMATION OF AN EFFECTIVE SYSTEM OF THE ENTERPRISES SOLVENCY MANAGEMENT

Solvency means that the enterprise has cash and cash equivalents sufficient for accounts payable that require immediate repayment. The main signs of solvency are: the availability of sufficient funds on current accounts and the absence of overdue payables. Solvency management consists in the analysis and management of the movement of cash flows, that is, it involves a targeted influence on the processes of accumulation of cash funds, and therefore, their spending and redistribution. For effective solvency management, it is necessary to determine which types of activities and elements of assets or liabilities contributed to the growth or decrease of cash, and to what extent. At the same time, it is necessary to consider – the peculiarities and duration of the operating and financial cycles of the enterprise in terms of individual types of activity, and then determine in which direction these or other items of accounting statements need to be changed so that the amount of cash flow increases. The financial condition of the enterprise from the perspective of a short-term perspective is assessed by indicators of liquidity and solvency. The concepts of property (absolute) liquidity and financial (relative) liquidity are distinguished. Property (absolute) liquidity means the ability of an asset to transform into funds. The degree of asset liquidity is determined by the length of time required for this transformation. The company's solvency reflects its availability of funds and their equivalents, sufficient for accounts payable, which require immediate repayment.

Characteristic signs of the company's solvency are the presence of sufficient funds on the current account and the absence of overdue payables. The solvency of the enterprise may change: due to late repayment of receivables, the enterprise may become insolvent, because it is time to pay creditors, and there are not enough cash resources in the current account to repay this debt. Therefore, it is necessary to have enough liquid funds to repay the necessary payments. However, it should be noted that solvency indicators were considered the most important for reflecting the financial state of the enterprise even in the conditions of the administrative-command economy. In Soviet times, solvency was associated with the willingness to timely and fully make payments with industrial and non-production personnel, suppliers, the budget, etc. In general, the assessment of the company's solvency is based on the characteristics of the liquidity of current assets, that is, the time required to convert them into cash. Analysis of solvency ratios is carried out by comparison with similar indicators of previous years. For a more in-depth analysis of solvency, the cash flow method is used, which focuses more on managerial aspects of financial activity. The application of this method has high practical significance, as it allows considering infrastructural changes in cash flows and managing their individual components, which has the direct goal of ensuring the current solvency of the enterprise and indirectly affects solvency in a strategic plan.

References:

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