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IMPROVEMENT OF CURRENT ASSETS FINANCING POLICY

Operational activity is an important business process. Financial managers are trying to find an appropriate amount of operating activity. The money used by companies in their daily activities is mainly concerned with the integrated management of the liquid assets of any business and its liabilities [1].

A significant contribution to the development of theoretical foundations and directions for the formation and effective use of working capital was made by such well-known domestic and foreign scientists economists as Firman, D., & Alam, A., 2020; Furqoni, M. I., 2019; Imanah, M., 2020; Lubis, C., Marpaung, B. S., & Marpaung, A. M., 2018; Purba, M. N., Sinurat, E. K. B., Djailani, A., & Farera, W., 2020; Chubka, O.M., Politylo, M.P., & Moroz, N.V., 2018 [2] etc. However, a number of questions regarding the further generalization of the principles of effective use of the company's current assets, research and search for ways to increase the efficiency of their use and development of optimal ways of financial management remain relevant.

The negative effects of the financial crisis, inflationary processes lead to an increase in the debt burden in the country. For ensuring the efficient formation and use of current assets, it is necessary to apply modern mechanisms of management of accounts receivable, stocks, current financial investments, and cash (Chubka, O.M., Politylo, M.P., & Moroz, N.V., 2018) [2].

Competent management of the working capital of the company contributes to the reduction of production costs and sales of products. Reduction of the specific consumption of raw materials, materials, and fuel provides production with great economic benefits. The saving of material resources greatly contributes to the reduction of the cost of industrial products.

The efficiency of the use of working capital is characterized by the speed of their rotation, turnover. The less they linger on individual stages, the faster their cycle is completed.

The economic value of turnover is that it depends on the amount of funds needed by the company to carry out the process of production and sale of products. Reversibility working capital directly affects final capital the results of the company, in particular, growth profit and level of profitability.

Acceleration of working capital turnover causes: firstly, an increase in the volume of production for each monetary unit of the company's current expenses; secondly, the release of part of the funds and thanks to this creation of additional reserves for expansion of production.

Acceleration of the rotation of current assets leads to both an increase in the efficiency of their use and an increase in the efficiency of the company. Under the conditions of profitable operation of the company, the consequence of the acceleration of the process of rotation of working capital is an increase in the amount of produced products and annual profit.

Working capital management policy should ensure a trade-off between the risk of loss liquidity and efficiency of the company.

The search for ways to improve the effective use of working capital also involves the introduction of modern technologies and other achievements of scientific and technical progress that ensure savings resources, lowering the cost of production and growth product quality.

Thus, the improvement of the financial policy regarding current assets contributes to the improvement of the financial condition of individual companies, ensures the strengthening of economic ties, and the improvement of financial and payment discipline.

References:

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