PRACTICAL IMPORTANCE OF ANALYSIS OF ACCOUNTS RECEIVABLE IN THE FINANCIAL AND ECONOMIC ACTIVITY OF AN ENTERPRISE

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Abstract:
This article analyzes the significance of the analysis of accounts receivable in the analysis of the financial and economic activities of business entities, its role in improving the financial condition of the enterprise and the state of solvency. The standard level of receivables is discussed as part of the company's assets.
In addition, the receivables turnover ratio and the tasks that should be performed to accelerate it have been studied, as well as an analysis of the turnover period and significant aspects of these obligations. Practical proposals and recommendations for the effective organization of accounting and analysis of accounts receivable in business entities have been developed, and conclusions have been drawn.

Key words: Business entity, debtor, accounts receivable, creditor, accounts payable, accounts receivable turnover ratio, accounts receivable turnover period, solvency, cash flow, overdue accounts receivable, trend, balance sheet, legal entity, net sales revenue.

Introduction:
There are business entities whose goal is to make a profit from their activities. In the course of their activities, enterprises interact with other enterprises. These relationships can be services, sales of goods, raw materials, materials and other types of activities. When carrying out this activity, they, of course, encounter monetary relations. For this reason, business entities want to correctly and timely carry out mutual monetary relations with all parties with whom they cooperate. This serves to increase the solvency of the enterprise, improve cash flow and, as a result, improve the stabilization of the financial situation. This requires effective organization and implementation of accounting and analysis of accounts receivable at enterprises.
Since accounts receivable plays a very important role in cash flow management, maintaining accurate accounts receivable records is essential to accurately assess a company's liquidity as well as its overall financial health. Credit issuers and potential investors carefully consider accounts receivable when making financial decisions and provide the basis for management decisions.

JournalZone Publishing, Ilford, United Kingdom

Literature review:

Accounts receivable accounting and analysis sources indicate that this topic has been studied by many economists.

The author A. M. Petrov examined in detail the historical stages of the formation and development of accounts receivable in his scientific works. In his article "Problems of modern economics" the author covers the period from the 15th century to the present day[1]. Thus, according to A. M. Petrov, the Italian mathematician Luca Pacioli noted the development of the accounting theory of settlements with debtors and creditors in the 15th-16th centuries. In describing the life cycle of the economy, it was analyzed that L. Pacioli identified and explained four aspects that should be reflected in accounting. These are subject, object, time and place[2].

Kaverina V.S. studied the analysis of receivables of energy supply directorates. By studying the dynamics of accounts receivable, the problems of eliminating the negative consequences arising from a decrease in the solvency, financial stability and investment attractiveness of the company have been studied, and proposals have been made[3].

Михаленок Н.О. и Шнейдер О.В. have analyzed and studied the principles, classification and methods of internal control of the analysis of receivables and payables, formulated practical recommendations and conclusions[4].

In addition, several scientists have completed a number of scientific works on the analysis and calculation of the obligations of the debtor and, in turn, the creditor.

Research Methodology:

This scientific work uses methods of comparison of economic analysis, vertical comparative analysis, horizontal comparative analysis, justified comparative analysis, induction, deduction, calculation of relative indicators.

Analysis and results:

Accounts receivable analysis is important not only for local entrepreneurs, but also for entrepreneurs around the world. From this it can be seen that the bulk of an enterprise's funds are usually formed from accounts receivable. However, one thing should be kept in mind: the formation of receivables on the balance sheet of an enterprise is a positive situation, but if this debt is not controlled, then over time these funds will not bring economic benefit to the enterprise. Firstly, the volume of production will decrease, and secondly, the enterprise may lose solvency (decrease in cash flows to the budget, delay in monthly wages to employees, damage to the financial independence of the enterprise)

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[1] Палий В.Ф., Палий В.В. Финансовый учет: учебное пособие. – М.:ФБК-Пресс, 2001.

[2] Петров А.М. Из истории экономической мысли и народного хозяйст-ва [Электронный ресурс] // Проблемы современной экономики. – 2007. –N 1 (21). – Режим доступа: http://www.m-economy.ru/art.php?nArtId=1295.

[3] European Journal of Natural History. – 2022. – № 2 – P. 97-101

[4] https://cyberleninka.ru/article/n/debitorskaya-i-kreditorskaya-zadolzhennost-printsipy-analiza-klassifikatsii-i-metodika-vnutrennego-kontrolya/viewer

and may even go bankrupt. In economics, untimely collection of receivables affects the financial condition of the enterprise, and also negatively affects the circulation of money in circulation.

Generally, if a receivable is not collected within 90 business days from the date it was incurred, the receivable is classified as an "overdue receivable." The problems listed above are associated with this type of debt. Therefore, accounts receivable should always be under analysis.

In economics, the cycle of money circulation in the sphere of production can be expressed as follows: supply-production-sale. At the initial stage, money is converted into raw materials and materials, and then converted into finished products. At the last stage, the finished product is returned to its original state. The purpose of these processes is to make a profit. During these processes, the company establishes contact with various buyers and clients and initiates collaborations. Thus, the terms **"debtor"** and **"creditor"** are widely used among businesses. Debt obligations usually arise between two organizations. An enterprise sells its goods or services to another organization, as a result of which the organization that used the service becomes temporarily indebted to the other party. In economics, such debt obligations are considered **accounts receivables.**

The term "debtor" is used to refer to an individual or legal entity that pays a certain amount to a specific business. Enterprises receive payment for services and goods already provided, recognize such debts as assets and reflect them on the enterprise's balance sheet. The occurrence of such debts can have both positive and negative consequences for the enterprise. Positive effects include:

• the company provides active service;

• sells goods or services to its reliable and regular clients and customers, etc.

As a result, the company purchases the necessary raw materials and supplies and expands production volumes with the funds received. This ensures production integrity. Let's think about the reasons for the occurrence of overdue accounts receivable in an enterprise. Below are the causes and causes of overdue accounts receivable at the enterprise and the negative consequences as a consequence:

• enterprises do not have solvency;

• mutual contractual relations are not established;

• restriction of modern forms of payment for the shipment and sale of goods;

• lack of a sense of responsibility for property and its ownership.

Based on international experience, 39% of invoices worldwide are not paid on time by business partners, on average 48% of cases are paid late by clients, and in 62% of cases they are paid within 60 days[5].

Different economists define accounts receivable in different ways, for example, some say that it is funds that are not part of the working capital of the company, while others

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[5] www.webicare.com/best-accounts-receveible-automation-softwere/accounts-receveible-automation-statistics/#5

define it as money that must be paid by another party. Among local scientists, A.V. Vakhobov and others defined it as "funds of an enterprise that have gone out of circulation and are held by other individuals and legal entities"[6], R.D. Dumuratov and A.S. Boltaev stated that "These are obligations that an economic entity must receive from other enterprises and organizations"[7]. M.Yu. Rakhimov and N.N. Kalandarova determined that "this means the term obligations of the counterparty that must be paid to the enterprise," and Z. Sagdillaeva and others determined that "this means the withdrawal of funds from the turnover of an enterprise and their use by other enterprises"[8]. So, from the above definitions, we can conclude that accounts receivable is the money that a company must pay to a counterparty over a certain period of time in connection with the use of a certain type of goods or services.

Accounts receivable analysts typically work with large volumes of data, such as invoices and customer information. Failure to properly analyze such valuable data could result in significant losses or missed opportunities. If you approach the analysis correctly, you can find answers to important questions for the enterprise:

• What income does the company plan to receive;
• How long it took clients to make their payments;
• Assessment of the financial condition of the enterprise, etc.

The list goes on. However, what we have mentioned above shows the importance and level of significance of accounts receivable analysis.

The main purpose of analyzing receivables is to develop measures to improve the financial condition of the enterprise by accelerating the repayment period of obligations to customers. The financial documents required for the analysis process are as follows:

• Information on the "Balance Sheet" of the enterprise (Form 1);
• "information on accounts receivable and payable";
• relevant information on accounts, reflecting accounts receivable and payable according to accounting, etc.

When analyzing accounts receivable, two indicators are important: the turnover ratio and the turnover period. Turnover ratio means the period of collection and turnover of debt obligations, i.e., it represents the period of time for converting funds into cash, in how many days. In addition, the share of overdue receivables is studied, which is considered one of the main problems. Its share in total assets and current assets is determined and compared with previous periods. Several formulas can be used to calculate these indicators. The accounts receivable turnover ratio is calculated using formula 1.

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[6] "Moliyaviy va boshqaruv tahlili / Darslik: A.V. Vahobov, N.F. Ishonqulov, A.T. Ibrohimov; Oʻzbekiston Respublikasi Oliy va oʻrta maxsus taʼlim vazirligi, Toshkent moliya instituti.3-qayta ishlangan va toʻldirilgan nashri. – T.: «Iqtisod-Moliya», 2013. – 600 b.

[7] "Moliyaviy tahlil" / Darslik: R.D. Dusmuratov, A.S. Boltayev; Oʻzbekiston Respublikasi Oliy va oʻrta maxsus taʼlim vazirligi

[8] "Moliyaviy tahlil" Darslik. / M.Y.Raximov, N.N.Kalandarova; - T.:"Iqtisod-Moliya",2019. – 736b

$$K(ay) = \frac{MSST}{DQ}(1)$$

Here:

K(ay)- accounts receivable turnover ratio;

MSST- net proceeds from sales of products (works, services);

DQ- The amount of accounts receivable.

This ratio shows how many times receivables were turned over during the reporting period. The higher this ratio, the more positive it is for the company.

Our next indicator is the receivables turnover period, which is calculated in days. We can calculate this indicator as follows.

$$K(d) = \frac{DQ}{MSST} * 360(2)$$

Here:

K(d)- receivables cycle period;

MSST- net proceeds from sales of products (works, services);

DQ- The amount of accounts receivable.

As a result of our scientific research, the analysis of receivables was studied and analyzed based on information from "Special Real Construction" LLC.

Table 1 **Analysis of the turnover period and accounts receivable ratio of "Special Real Construction" LLC[9]**

Reporting years	2019 y.	2020 y.	2021 y.	2022 y.	2023 y.
turnover period, in days	118,19	186,01	226,55	448,96	191,74
turnover ratio	3,046	1,935	1,589	0,802	1,878

From the data in Table 1, we can conclude that in 2019, the receivables turnover ratio of Special Real Construction LLC was equal to 3.046, and the collection period corresponded to 118.19 days. Over the next four years, a downward trend in this ratio can be observed. In 2020, the turnover ratio decreased by 1.111 to 1.935. The reason for this was the COVID-19 pandemic, which spread in 2020. Because the process of working with other clients and partners of the enterprise has slowed down. In 2022, the rotation rate showed its lowest level at 0.802, and the rotation period also reached its highest level at 447 days. This situation should be assessed negatively for the financial condition of the enterprise. Because accounts receivables have been included in the company's assets for more than a year.

It is also important to examine the weight of accounts receivable within current assets, which is considered important when considering solvency.
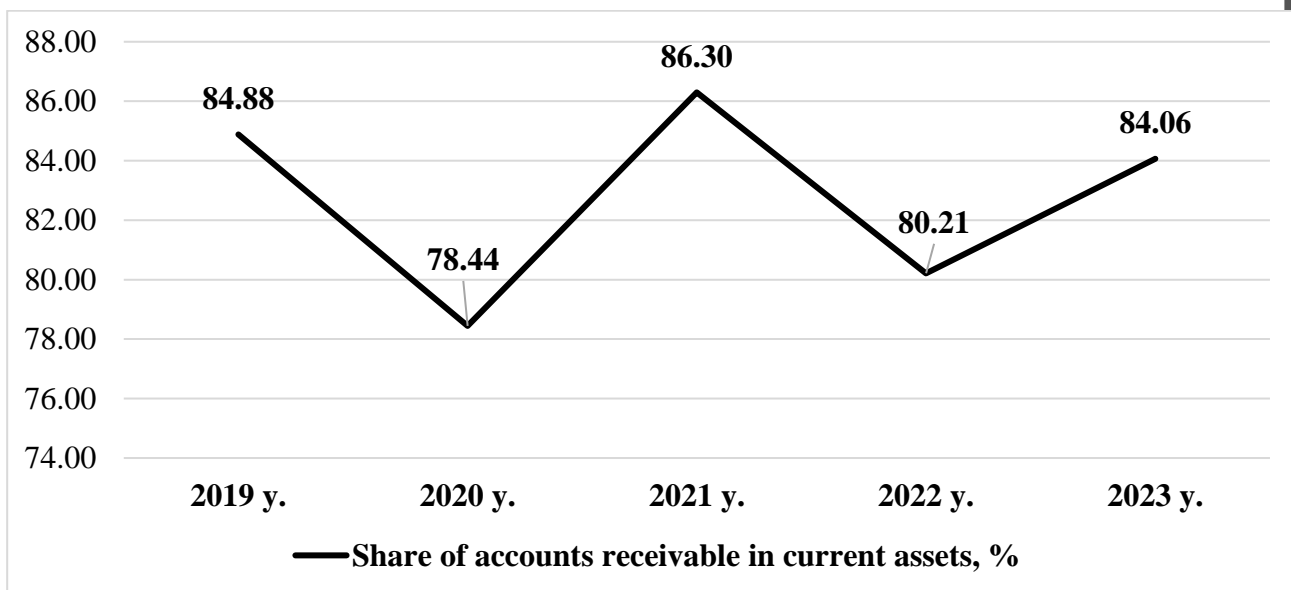
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[9] Author's development, prepared on the basis of the financial statements of "Special Real Construction" LLC.

Table 2 **Analysis of the weight of receivables in current assets**[10]

Reporting years	2019 y.	2020 y.	2021 y.	2022 y.	2023 y.
Accounts receivable, total	4 729 465,59	4 905 197,7	7 758 833,63	8 600 176,27	7 471 866,25
Current assets, total	5 571 913,29	6 253 201,05	8 990 871,36	10 721 482,38	8 888 616,71

in thousand soums

Based on Table 2, you can analyze the ratio of the value of the enterprise's receivables to current assets. In 2019, the company's accounts receivable amounted to 4,729,465.59 thousand soums or equal to 84.88% of current assets. In the next three years, until 2022, we can see the value of accounts receivable increase by almost one and a half times, and current assets - almost double. An increase in current assets due to accounts receivable should be assessed negatively. Because the company's liquid assets were outside the business process. We can see the trend in the weight of receivables in total current assets in Figure 1.

Figure 1. Share of accounts receivable in current assets [11].

Using the data in Figure 1, we can see the dynamics of the share of accounts receivable in current assets. Accounts receivable accounted for almost 80% of current assets. In 2020, the share of receivables fell sharply. The reason for this was the pandemic this year and it amounted to 78.44%. The following year, this figure reached its highest level

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[10] Author's development, prepared on the basis of the financial statements of "Special Real Construction" LLC.
[11] Author's development, prepared on the basis of the financial statements of "Special Real Construction" LLC.

and recorded 86.30%, and this situation should be assessed negatively. Because 86% of the company's funds did not bring economic benefit. As of January 1, 2024, the percentage of receivables decreased by 2.24% to 84.06%, the reason is that the value of receivables decreased by 1,128,310,000 soums compared to 2022, and this situation can be assessed positively.

Conclusions and Suggestions:

In conclusion, it should be noted that accounts receivable, which is part of the company's assets, is important for strengthening the solvency of the company. Enterprises are encouraged to continually reduce receivables repayment periods and take measures to ensure early availability of cash. As a result, the company's financial condition improves, assets are used efficiently, and most importantly, the expected income is achieved.

We would like to give several practical recommendations for further reducing the collection period for an enterprise's receivables:

1. Encourage buyers and customers who pay their obligations on time;
2. In order to increase responsibility, include clauses on serious liability in the contract;
3. Studying the payment capabilities of organizations wishing to cooperate before cooperation;
4. Automation of settlement operations, etc.

If an enterprise analyzes the enterprise's receivables based on the above practical recommendations, the enterprise's solvency will increase and the enterprise's balance sheet will become liquid. In a general sense, it will be possible to achieve stabilization of the financial situation.

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