

Importance of cash flow optimization of enterprises

The necessity of cash flows steady monitoring proved and importance of their optimization determined. Factors influencing onto the cash flows volume and character of their forming in time determined.

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Cash flow management is an important part of financial policy, part of financial management that reaches out to the whole enterprise system. The quality of cash flow management influences onto further development of the enterprise and final result of its financial and operational activities [1, p. 249].

Enterprise cash flow analysis for the prior period is one of the most important stages of its management. Such analysis is based on exploring the system of financial statements over time, determining main trends and regularities aiming to reveal stocks of the enterprise cash flow management efficiency improvement. Cash flows and their movement analyses give true information to the management of the enterprise and other interested observers (stock holders, investors) about its current financial state and possible prospects. This data lets control current paying capacity and financial balance of the enterprise, take prompt actions as to stabilizing financial state, and anticipate investment prospects. Cash flow analysis differs from other financial state estimating methods, and gives a possibility to answer the questions: in which volumes and which sources the enterprise has received money from, and what were the main directions of its spending; whether the enterprise is able to incur its current liabilities; whether the enterprise has got enough own money to finance investment activities and others.

The results of analyzing cash flow lets determine the necessary cash flow management model basing on certain principles: reliability of information that includes timely and full financial information displaying, structured in accordance with the model requirements; balance – reasoned usage of criteria and grouping method for the cash flow management requirements, draw the balance and generalization of cash flows; efficiency – determining optimum capacity of funds disposition in place and time to minimize spendings to achieve the necessary effect; other principles coming from the characteristic aspects of a certain enterprise activities [2, p. 307].

The important factor to optimize cash flows is to determine the factors influencing onto their volume and nature of generation in time. External factors include general issue of payment failures, low production and consumption level, unfavorable crediting conditions, tax policy imperfection. Inner factors influencing onto the cash flow of the enterprise are high product cost, low competitiveness,

absence of product markets, lack of sources of longtime financial investments, etc. [1, p. 247].

Both deficiencies and excess of money give negative results for the solvency of the enterprise. Balancing cash flow volumes and their synchronizing in time gives the possibility to keep the current paying capacity and contributes to net cash flow growing, which essentially works towards the enterprise development. [3, p. 689]. The following cash flow optimization methods grouping acquired the widest expansion: balancing cash flows in volumes; synchronizing cash flows in time; maximizing net cash flow (Cash-Flow).

Two first methods require management automatization from enterprises as well as cash flows controlling. Main instruments for balancing cash flows of enterprises are cash flows operating planning, managing working assets of enterprises, budget control over the requests to spend financial resources and plan-fact analysis. Sufficient level of liquidity provision can be realized through synchronizing positive and negative cash flows. Synchronizing cash flows in time happens as a result of estimating and planning of the necessary cash flow volume in every time point and determining periods when its deficiencies or excess are expected, providing to avoid crisis situations and use enterprise resources smartly. [4, p. 72]. Maximizing net cash flow as a part of enterprises financial resources efficient usage is based on applying Baumall and Miller-Orr models.

Thus, increasing cash flows efficiency management requires from Ukrainian enterprises applying system analysis of indices of cash flows analyzing on the grounds of operational information about cash flows volumes in a certain period of time and taking in account field specificity of enterprises functioning. Efficiency of cash flow management at the enterprise is important, as the quality of cash flows analyses and their management influences onto the payment capacity and enterprise stability in a certain period of time, as well as its potential to further development and obtainment of a profitability necessary level in a long-run period.

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