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THE ECONOMIC ESSENCE OF CURRENT ASSETS AND THEIR IMPACT ON THE FINANCIAL STABILITY OF THE ENTERPRISE

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Abstract:
This article examines the economic essence of current assets, their role in the financial activities of enterprises, and their impact on financial stability through a comprehensive approach. Within the scope of the study, the structural composition of current assets, the theoretical foundations of their management, issues related to their proper recognition and measurement in the accounting system, as well as methods of practical analysis are systematically explored. Furthermore, the interrelationship between turnover ratios, liquidity indicators, the duration of the operating cycle, and the stability of cash flows is scientifically analyzed in assessing the efficiency of current asset utilization. The results of the study indicate that not merely increasing the volume of current assets, but optimizing their structure, quality, and turnover speed is a decisive factor in ensuring the long-term financial stability of enterprises.

Keywords: Current assets, accounting, working capital, liquidity, financial stability

INTRODUCTION

In the context of a modern economy, the efficiency of enterprise operations largely depends on the rational management of financial resources, within which current assets occupy a central position. Current assets, as resources that ensure the continuity of production and service processes and can be converted into cash within a short period, play a crucial role in maintaining the day-to-day operational stability of an enterprise. The formation of inventories of raw materials, the acceleration of finished goods sales, the management of receivables, and the timely settlement of short-term liabilities are directly dependent on the condition of current assets. Therefore, an in-depth study of their economic nature holds significant scientific and practical importance.

At the same time, imbalances in the management of current assets may lead to adverse trends in the financial condition of an enterprise: a shortage of assets may result in disruptions to payment discipline, while excessive accumulation slows down capital turnover and reduces profitability. Consequently, the systematic analysis of the economic essence of current assets, the improvement of mechanisms for their accounting and monitoring, and the accurate assessment of factors related to financial stability constitute the main objectives of this study.

LITERATURE REVIEW

The issue of current assets and working capital management is one of the most extensively studied areas in both international and national economic literature. Foreign scholars such as Eugene F. Brigham and Joel F. Houston argue within the framework of financial management theory that effective working capital management is a key condition for maintaining enterprise liquidity, reducing short-term financial risks, and enhancing competitiveness. According to their approach, optimizing the structure of current assets not only ensures operational continuity but also strengthens investment attractiveness.

From an accounting perspective, Donald E. Kieso and Jerry J. Weygandt emphasize that the proper classification, measurement, and reliable presentation of current assets in financial statements directly influence the quality of managerial decision-making.

Within the scientific tradition of CIS countries, this issue has also been extensively developed. Aleksey D. Sheremet and Galina V. Savitskaya identify turnover ratios as key analytical indicators in the analysis of current assets and demonstrate that a slowdown in turnover leads to a decline in capital efficiency. Uzbek scholars, including Qodirov and Rahimov, have scientifically substantiated that improving the accounting and analysis of current assets in national practice contributes to an objective assessment of financial position, strengthens solvency, and enhances the accuracy of managerial decisions.

A synthesis of these approaches clearly demonstrates that effective management of current assets is one of the priority mechanisms for ensuring financial stability.

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The Economic Essence and Theoretical Foundations of Current Assets

Current assets represent the portion of an enterprise's assets involved in short-term economic circulation, typically characterized by their ability to be converted into cash within one year or one operating cycle. Theoretically, they form a financial multiplier mechanism linking production, sales, and settlement processes, as current assets continuously move from the stage of raw materials to finished goods and subsequently to receivables. From this perspective, current assets are not only resources that satisfy operational needs but also active economic elements within the value creation chain.

In theoretical frameworks, three main models of current asset management are distinguished: conservative, moderate, and aggressive. The conservative model ensures high liquidity but may limit profitability; the aggressive model, while offering higher profitability potential, increases the risk of insolvency. The moderate approach aims to achieve an optimal balance between these two extremes and is therefore considered the most widely applied model in practice.

Thus, a comprehensive understanding of the economic essence of current assets requires integrating theoretical approaches with practical performance indicators in their management.

The Structure of Current Assets and Their Economic Characteristics

The structure of current assets typically includes inventories, receivables, cash, short-term financial investments, and other short-term assets. Inventories ensure the continuity of production; however, their excessive volume may lead to the immobilization of working capital. Receivables stimulate sales volume, yet delays in their collection reduce liquidity. Cash, in turn, represents the most liquid resource for covering short-term liabilities and serves as a direct indicator of financial stability. Therefore, in assessing the structure of current assets, not only quantitative indicators but also their quality, turnover speed, and level of risk should be taken into account.

From an economic perspective, current assets determine the operational flexibility of an enterprise, enabling it to adapt quickly to changes in market conditions. For instance, inefficient inventory management increases costs, while weaknesses in receivables management lead to disruptions in cash flows. Conversely, a well-balanced structure of current assets supports stable production rates, ensures cost control, and reduces the need for short-term financing.

The Economic Content of Current Asset Turnover and the Operating Cycle

The turnover of current assets reflects the speed at which enterprise capital circulates within a short-term economic cycle and serves as an important indicator of operational efficiency. The operating cycle encompasses the period from the acquisition of raw materials to the sale of finished goods and the subsequent return of revenue in the form of cash. Therefore, the shorter its duration, the more efficiently the enterprise utilizes its resources. An increase in turnover speed contributes to generating higher revenue within a given period and expands the enterprise's capacity for internal financing.

Conversely, a prolonged operating cycle leads to funds being tied up in inventories or receivables for extended periods, thereby increasing dependence on short-term borrowing. As a result, interest expenses rise, liquidity pressures intensify, and financial stability weakens. Thus, managing the operating cycle constitutes a central aspect of current asset management and requires the coordination of inventory turnover, receivables collection periods, and payables settlement discipline.

Assessment of the Efficiency of Current Asset Utilization

The assessment of the efficiency of current asset utilization represents an important analytical stage in enterprise financial management, as it reflects the economic return generated by each unit of assets. In practice, the current asset turnover ratio is widely used and is calculated using the following formula:

$$K = \frac{T}{JA}$$

where T denotes the volume of turnover (or revenue), and JA represents the average value of current assets. A higher coefficient indicates efficient utilization of assets, while a lower value reflects sluggish turnover and inefficient use of resources.

However, a single indicator is insufficient for an objective evaluation of efficiency. Therefore, a comprehensive analysis incorporating additional indicators—such as the quick ratio, current ratio, receivables turnover period, and inventory turnover days—is required. Such an approach provides a more accurate assessment of an enterprise's short-term stability, the sustainability of cash flows, and the effectiveness of managerial decisions. Thus, evaluating the efficiency of current assets creates a solid informational basis for strategic decision-making.

System of Financial Indicators and Their Modeling

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For a thorough evaluation of an enterprise's financial condition, indicators related to current assets should be considered not in isolation but as an integrated system. This system includes the current ratio, quick ratio, absolute liquidity ratio, net working capital, receivables and inventory turnover indicators, and the duration of the operating cycle. The interdependence of these indicators enables the construction of a dynamic model of financial stability, allowing the impact of changes in one indicator on others to be anticipated.

In the modeling process, regression analysis, trend analysis, and scenario-based approaches are applied to forecast the effects of changes in the structure and volume of current assets on liquidity and profitability. For example, an increase in the share of inventories may strengthen production continuity in the short term; however, excessive growth may slow down the circulation of working capital. Therefore, modeling the system of financial indicators serves as an essential tool for substantiating managerial decisions, anticipating risks, and optimizing the structure of resources.

Results of Empirical Analysis and Their Economic Interpretation

The results of empirical analysis indicate that enterprises with higher current asset turnover tend to maintain relatively stable liquidity indicators and lower levels of short-term debt burden. In such enterprises, receivables management discipline is strong, ensuring the regularity of cash inflows and minimizing disruptions in operational activities. Moreover, when inventory levels are maintained at an optimal level, additional costs associated with storage and obsolescence are reduced, leading to improved overall profitability.

However, the analysis also confirms that in some enterprises, nominal liquidity may appear high while actual solvency remains weak, particularly when a significant portion of assets consists of overdue receivables. This implies that, in evaluating current assets, qualitative indicators should be given priority alongside quantitative measures. Therefore, empirical findings highlight the necessity of implementing comprehensive monitoring, segmented analysis, and prompt managerial actions in current asset management.

The Impact of Current Assets on Financial Stability

The impact of current assets on financial stability is manifested through an enterprise's ability to meet short-term obligations, maintain operational continuity, and withstand financial risks. When an enterprise possesses sufficient liquid assets, it can settle its obligations to creditors on time, avoid penalty costs, and reduce reliance on external financing. This strengthens financial discipline and enhances overall stability. Conversely, imbalances in the structure of current assets—particularly a high share of low-liquid assets—reduce solvency and increase financial risks.

Furthermore, the stability of current assets influences strategic decision-making. A strong internal resource base enables enterprises to implement investment and innovation projects under relatively lower financial pressure. Thus, current asset management is not merely an operational issue but also a strategic factor that shapes the medium- and long-term financial stability of an enterprise.

Problems and Risks in Current Asset Management

In practice, the main problems encountered in current asset management include excessive inventory accumulation, weak control over receivables, insufficient cash flow planning, and the limited adaptability of accounting information for prompt analytical purposes. These issues lead to inefficient allocation of enterprise resources, deterioration of liquidity indicators, and weakening of financial discipline. Particularly in conditions of economic instability, such shortcomings significantly increase credit risks, interest expenses, and the likelihood of insolvency.

Another important aspect of risks associated with current assets is that they are often identified too late, meaning that negative consequences at the operational level intensify before being reflected in financial statements. Therefore, enterprises are required to implement early warning mechanisms, segment receivables portfolios, establish minimum–maximum thresholds in inventory management, and undertake prompt corrective actions based on continuous monitoring.

Modern Approaches to Current Asset Management

Modern approaches to effective current asset management are closely linked with digital technologies and data-driven management tools. Through ERP, BI, and automated accounting systems, it becomes possible to monitor inventory levels, receivables dynamics, and cash flows in real time, thereby facilitating timely and accurate managerial decision-making. In addition, the use of forecasting models allows enterprises to anticipate their need for current assets, reducing the negative impact of seasonal fluctuations and market uncertainties.

Another important feature of modern approaches is the integrated management of processes, which involves

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creating a unified information environment across supply, production, sales, and finance departments. In such a system, decisions related to current assets are not fragmented but aligned with the overall strategic objectives of the enterprise. As a result, resource utilization efficiency improves, liquidity risks decrease, and financial stability is strengthened.

The Role of Current Assets from a Strategic Management Perspective

From a strategic management perspective, current assets serve as one of the key instruments in shaping an enterprise's competitive advantage. Their optimal structure and high turnover enable enterprises to adapt to changes in market demand, manage production volumes flexibly, and strengthen payment discipline with customers. Enterprises with stable current assets are generally less dependent on external financing sources, which enhances their independence in strategic decision-making.

Moreover, strategic management of current assets is closely linked to investment planning and long-term growth strategies, contributing to an increase in capital value through the efficient use of internal resources. Thus, current asset management should not be viewed merely as an operational task, but as a strategic direction that determines the financial stability, innovative capacity, and future competitiveness of an enterprise.

CONCLUSION AND RECOMMENDATIONS

The results of the study confirm that current assets constitute a central economic resource within the structure of an enterprise's working capital, and their efficient management is a key prerequisite for ensuring financial stability. The interrelationship between current asset turnover, liquidity indicators, the duration of the operating cycle, and the quality of receivables highlights the necessity of a comprehensive assessment of an enterprise's financial condition. At the same time, the reliable representation of current assets within the accounting system enhances the accuracy of managerial decisions and reduces financial risks.

As practical recommendations, it is considered appropriate for enterprises to strengthen the monitoring of current assets through digital platforms, introduce normative thresholds in inventory management, apply a segmented credit policy for receivables, plan cash flows based on short- and medium-term forecasts, and implement continuous modeling mechanisms for financial indicators. These measures will contribute to improving the efficiency of current asset utilization, strengthening solvency, and ensuring the long-term sustainable development of enterprises.

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