

ACCOUNTING AND AUDITING

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ASSESSING THE INFLUENCE OF RECEIVABLES AND PAYABLES ON THE FINANCIAL POSITION OF THE RUSSIAN VENTURE COMPANY: A UKRAINIAN METHODOLOGY OF ANALYSIS

Abstract. *The article deals with assessment of the impact of receivables and payables on the financial position of the Russian Venture Company using the latest achievements of Ukrainian methods of financial analysis.*

Keywords: *receivables, payables, financial position.*

Today's Russia is a mega-state influencing the development of different national economies. However, there is a decrease in its innovative positions now due to the lack of financial resources in the innovation sphere. A possible way out of this situation is the creation and effective use of venture capital structures in Russia. It is important to study the financial position of venture capital companies according to their financial statements. A special place in the study of the financial position of a company is analysis of the ratio of its receivables and payables using modern Ukrainian financial analysis techniques, hence the relevance of the chosen subject of research.

The aim of the article is to reveal the analysis of the ratio of receivables and payables as exemplified by the Russian Venture Company (RVC) according to its financial statements using the latest achievements of the Ukrainian methodology of financial analysis.

Analysis of RVC's receivables and payables was covered in previous publications [1-6].

According to the RVC official website and the company's annual financial report we will present our method of analysis of the ratio of receivables and payables and show the impact of this ratio on the financial position of the company [7].

Central to external financial analysis in the study of receivables and payables is the Balance Sheet, as the main information base on the financial position of a company supplemented by the Notes to the Balance Sheet and the Income Statement [7].

The main methods of analysis of the ratio of receivables and payables according to the financial statement are: absolute and relative values, time series, comparison, grouping, cost measurement, tabular, graphical, generalization.

In many scientific, educational, and methodological publications, receivables and payables are studied according to the financial statements but separately from each other using the standard scheme:

- assessment of the place of receivables in the total assets, assessment of the place of receivables in the current assets, assessment of the dynamics of their composition, assessment of the dynamics of their structure, analysis of their efficiency in terms of turnover ratio and the duration of one turnover of the total current receivables and, separately, commercial receivables (these indicators may also be called indicators of quality and liquidity of receivables), generalization of the results obtained;

- assessment of the place of payables as part of the total sources of funding, assessment of the place of payables as part of the current liabilities, assessment of the dynamics of their composition, assessment of the dynamics of their structure, analysis of their efficiency in terms of turnover ratio and the duration of one turnover of payables, generalization of the results obtained.

However, analysis of the ratio of these types of liabilities and its impact on the financial position of a company are not covered in them.

It is important to study the amount of receivables and payables in their relationship. Large amounts of receivables and payables are the result of unauthorized redistribution of a company's current assets.

Large receivables are withdrawal of significant cash from the turnover (activity) of the owner-company.

Large receivables are interest-free lending to other companies.

Large receivables are evidence of the causes of financial difficulties of the company.

Large payables are evidence of difficulties with the company's solvency.

Large payables are evidence of financial tension of the company.

To study this question, it is advisable to make a special analytical table (Table 1).

Table 1

Analysis of the ratio of RVC's receivables and payables

Parameters	On 31.12.2016	On 31.12.2017	On 31.12.2018	Difference (+,-)	
				between 31.12.2017 and 31.12.2016	between 31.12.2018 and 31.12.2017
Receivables	1 787 664	4 590 954	1 628 350	+ 2 803 290	- 2 962 604
Payables	325 822	789 312	775 482	+ 463 490	- 13 830
Active residue	+ 1 461 842	+ 4 511 642	+ 852 868	+ 3 049 800	- 3 658 774
Passive residue					
BALANCE	1 787 664	4 590 954	1 628 350	+ 2 803 290	- 2 962 604
Receivables- Payables Ratio	5,5	5,8	2,1	+ 0,3	- 3,7

Active residue: Receivables are greater than payables ($R > P$).

Passive residue: Payables are greater than receivables ($P > R$).

During 2017, RVC's receivables increased by 2 803290 thousand rubles (156%), i.e. 2,5 times; and during 2018 they decreased by 2 962 604 thousand rubles (65%), i.e. almost 3 times.

During 2017, RVC's payables increased by 463 490 thousand rubles (142%), i.e. almost 2,5 times; and during 2018, on the contrary, they decreased by 13830 thousand rubles (2%).

However, for two years the company had a surplus. In 2017, it increased in dynamics by 3 049 800 thousand rubles, and in 2018 it decreased by 3 658 774 thousand rubles.

Today, among academic economists there is no single point of view concerning a standard ratio of receivables and payables. A recommended sign of a company's satisfactory balance is the approximate value of the growth rate of its receivables and payables.

To make analysis of the receivables-payables ratio fuller, it is recommended to determine the latter as the ratio of the amount of receivables to the amount of payables. This ratio shows the company's ability to settle with creditors through debtors. The recommended value for the indicator should be equal to one.

As can be seen from Table 1, at the beginning of 2017 RVC had a quite high value of this ratio – 5,5, at the end of the year it increased to 5,8, which is more than 5 times higher than the recommended value. However, during 2018 it decreased and at its end (January 1, 2019) reached 2,1, i.e. only twice the recommended value (Fig. 1).

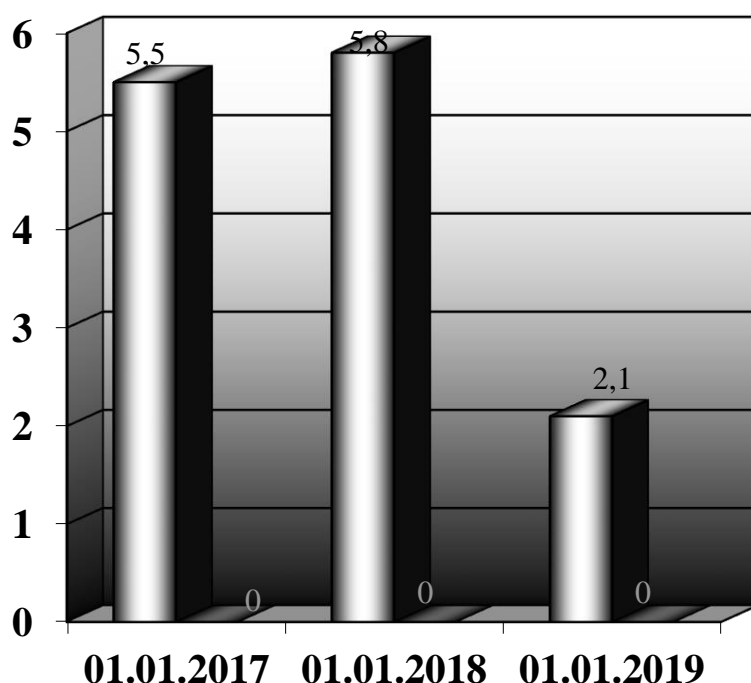


Fig. 1. Dynamics of the Receivables-Payables Ratio of RVC

This means that RVC improved its financial condition: it reduced the withdrawal of its own funds from circulation and reduced interest-free lending to other companies.

Thus, the results of the study allow us to make the following conclusions:

- to carry out a full cycle of analysis of receivables and payables according to the financial statements, it is necessary to study them not separately, but also in conjunction;

- it is recommended to determine an active residue or passive residue and the receivables-payables ratio;

- the recommended value of the receivables-payables ratio should be equal to one;

- during 2017-2018 RVC had an active residue and its receivables exceeded its payables;

- in 2017, the receivables-payables ratio exceeded the recommended value more than 5 times, and in 2018 it stabilized and reached the level of 2.1;

- in 2018, RVC improved its financial position by reducing the receivables-payables ratio, reduced the withdrawal of its own funds from circulation and reduced interest-free lending to other companies.

In analytical studies of receivables and payables, it is necessary to identify the admissible (normal) debt, which arises as a result of contractual principles, and inadmissible (unjustified) debt, which arises due to breach of contractual terms and payment discipline. This will be a matter for future research in internal financial analysis.

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