
FINANCIAL ASPECTS OF CIRCULAR TURNOVER OF FIXED AND WORKING CAPITAL OF BUSINESS SUBJECT

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Annotatsiya

Tezisdagi xo'jalik yurituvchi subyektlarning asosiy va aylanma kapitalining doiraviy aylanishining mohiyati, tarkibiy tuzilmasi va samaradorligi yoritilgan. Shuningdek, aylanma mablag'larni rejalashtirish va undan foydalanishni tashkil qilish uchun zarur bo'lgan rejalashtirish tizimi ko'rsatib o'tilgan.

Kalit so'zlar: xo'jalik yurituvchi subyektlar, kapital, asosiy kapital, aylanma kapital, moliyaviy asoslar.

Аннотация: В тезисе раскрыта сущность, структурная структура и эффективность кругооборота основного и оборотного капитала хозяйствующих субъектов. Также показана система планирования, необходимая для планирования и организации использования оборотных средств.

Ключевые слова: хозяйствующие субъекты, капитал, основной капитал, оборотный капитал, финансовые основы.

Abstract:

The thesis describes the essence, structural structure and efficiency of circular circulation of fixed and working capital of economic entities. Also, the planning system necessary for planning and organizing the use of working capital.

Keywords: Business entities, capital, fixed capital, working capital, financial foundation.

Introduction

In general terms, fixed capital represents part of the initial capital invested in long-term assets, such as labor means (buildings, structures, transmission devices, machinery and tools, vehicles, and other assets with a useful life exceeding 12 months). In business entities' balance sheets, fixed capital appears as non-current assets, supported by essential tools. Additional components of this asset, such as intangible assets, construction in progress, income-generating tangible assets, and long-term financial flows, directly or indirectly contribute to the expanded, knowledge-intensive production associated with fixed capital. During the production of goods and services, fixed capital operates as a productive capital factor, serving as both a production driver and the technical foundation for production. Fixed capital circulates through three primary functional forms:

- Paid,
- Productive,
- Commodity.

Fixed capital's operation within these forms drives profit generation and supports the ongoing reproduction of labor resources. Unlike circulating capital, which exhausts its utility rapidly, fixed capital gradually depreciates over extended periods, transferring value to new products as it wears out. This process, called amortization, is calculated monthly based on established norms.

Literature Review

French economist R. Cantillon identifies risk as a key characteristic of business entities. He describes the entrepreneur as "one who can foresee events, assumes full responsibility and risks, anticipates gains, and is prepared for potential losses." After Cantillon, neoclassical theorists began viewing business owners involved in trade as entrepreneurs who compete by taking on unique risks. Capital, as another distinct category, initially appeared in monetary form. J. Robinson, in "Capital as a Factor of Production," notes that "Capital is the amount of money not embodied in investment finance." While perspectives on capital differ, a commonality is its potential to generate income. In this sense, capital is an investment resource used to produce goods and services and deliver them to consumers.

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ISSN (E): 2836-3612

Economists such as F. Hayek and L. Mises regard entrepreneurship as the pursuit of new economic opportunities, proposing that "anyone engaged in discovery is a potential entrepreneur."

Analysis and Findings

Analyzing the efficiency of fixed capital's circular circulation requires consideration of the following points:

- Financially, the circular flow of fixed capital depends on the establishment of adequate financial resource funds. This approach applies equally to both fixed and circulating capital.
- Evaluating the effective utilization of financial resources generated through this circular flow is essential.
- Assessing the timely replenishment of working production funds and the renewal of outdated fixed production assets is critical.

The financial resources available to business entities typically comprise both owned and borrowed funds. Regarding capital reproduction, the circular circulation of fixed capital involves accumulating depreciation funds to replace depreciated assets. Depreciation allowances for fixed assets are calculated monthly, regardless of the chosen depreciation method, and are allocated consistently throughout the year, even in seasonal production. For fixed assets under reconstruction, modernization, or conservation (for over three months), depreciation may be suspended per management decision.

Working Capital

Working capital represents the portion of capital allocated to the current assets of business entities, appearing in the second section of the balance sheet as "Current Assets." Working capital serves various functions, including:

- Reproduction,
- Incentive,
- Distribution,
- Unifying production and circulation,
- Ensuring production continuity, and more.

Sources for working capital formation and financing include:

- Authorized capital,

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- Retained earnings,
- Emission income.

Table 1 The balance sheet report of JSC "Bukhara Regional Power Network Enterprise" for the first half of 2021

Assets		Passives	
<i>Basic tools</i>		<i>Private equity</i>	
<i>Initial value</i>	389 419 456.0	<i>Authorized capital</i>	18 102 540.0
<i>Depreciation amount</i>	136 143 266.0	<i>Reserve capital</i>	80 503 446.7
<i>Residual value</i>	243 276 190.1	<i>Retained earnings</i>	67 803 527.4
<i>Intangible assets</i>		<i>Target revenues</i>	79 134 130.7
<i>Securities</i>	206 614.6		
<i>Installation equipment</i>	29 620 856.7	<i>Obligations</i>	
<i>Capital investments</i>	94 825 939.9	<i>Other long-term arrears</i>	366 632 653.7
<i>Long-term receivables</i>	627 875.7	<i>Long-term bank loans</i>	50 000 000.0
<i>Current assets</i>			
<i>Production reserves</i>	285 852 969.5	<i>Debt to suppliers and contractors</i>	111 364 908.6
<i>Future period costs</i>	3 359 294.3	<i>Loans to economic societies</i>	5 188 416.5
<i>Customer and customer debt</i>	54 320 192.2	<i>Received lumps</i>	108 609 232.4
<i>Debt of Business Associations</i>	188 090 008.4	<i>Debts for payments to the budget</i>	526 195.6
<i>Bonuses given to employees</i>	197 043.1	<i>Insurance debt</i>	28 833.5
<i>Vouchers for suppliers of goods</i>	2 886 528.7	<i>Debt for payments to special state funds</i>	10 551.6
<i>Payments of taxes and other fees to the budget</i>	6 203 290.3	<i>Debt to founders</i>	45 800 186.7
<i>State funds for insurance purpose</i>	509 195.0	<i>Debt for payment of wages</i>	2 936 018.6
<i>Debt of employees for other operations</i>	154 179.1	<i>Other payables</i>	446 185.8
<i>Other receivables</i>	9 432 007.4		
<i>Funds on the account</i>	4 487 238.4		
<i>Other cash and equivalents</i>	2 845 843.0		
<i>Other current assets</i>	100 593.6		
<i>Total assets</i>	936 995 859.9	<i>Total liabilities</i>	936 995 859.9

Source: Compiled by the author based on the information of the stat.uz website.

From the table above, we can see that the value of Bukhara HETK JSC's fixed assets at the beginning of 2021 was 389,419,456.0 soums. After accounting for depreciation (amortization) over the 6-month reporting period, their residual value amounted to 243,276,190.1 soums. With reserve capital totaling 80,503,446.7 soums and authorized capital of 18,102,540.0 soums allocated by the founder at the start of the period, the company achieved a distributed profit of 6,780,527.4 soums by period's end. By the close of the reporting period, the assets and liabilities of Bukhara HETK JSC balanced at 936,995,859.9 soums, ensuring equilibrium.

The efficiency of working capital use in a market economy is influenced by numerous factors, with payment discipline and the volume of deposits in various functional elements of working capital being key. Efficient use of working capital in production relies on waste-free, high-tech methods, reduction of material costs, minimization of production and transaction expenses, optimal organization of production reserves, efficient inventory flow, and effective management practices.

Summary

In short, the efficiency of fixed capital's circular circulation largely determines the targeted use of depreciation allocations and the reinvestment of emission income and net profit to develop production capacities. The adoption of advanced technological systems, optimal machine and tool utilization, timely renewal of main production assets, and the active engagement of all financing sources play a critical role.

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