The study presents major problems associated with the management of current assets components of the company, i.e. cash, accounts receivable and inventory. Bearing in mind that business operations are cyclically repeated, the total value of current assets of the company and its structure are subject to constant fluctuations as a result of changes in sales, occurrence and settlement of liabilities and collection of receivables. Therefore, the management of current assets should take into account different characteristics of its components, but most importantly the degree of their liquidity, as well as reduce assets „freezing” to the minimum when it does not result in financial benefits.

Keywords: current assets, cash, accounts receivable, inventory.

Introduction

Current assets is part of cyclically repeated business operations at periods not exceeding one year, and comprises assets of various nature. The assets of financial character are cash, securities, accounts receivable and prepaid expenses, and those of tangible nature comprise inventory of materials, goods and finished products. The components of tangible current assets require incurring costs of their purchase and storage, and at the same time they freeze capital. Additionally, the maintenance of inventory involves greater risk than the maintenance of the components of financial nature only, as before being converted into cash, it still needs to go through specific transitory phases (for example, sales resulting in receivables (Bien, 1996; Czekaj…, 2002).

The aim of this article is to present major problems concerning management of the components of current assets, i.e. cash, accounts receivable and inventory of the company.

Investigations and their results

Cash management should focus on minimizing cash position (in particular, cash in hand and at bank), but at the same time ensure it is sufficient to maintain current financial liquidity, as it is of fundamental significance for the evaluation of credit rating of the company by different partners in business turnover. One of the most important aspects of cash management in the company is acceleration of the payments availability by reducing the time of their realization. It involves being consistent with the collection of receivables, as well as the efficient process of issuing the invoice and the reduction in the cycle of the so-called cash in transit, that is when receivables are paid by cheque. Permanent cash surpluses should be deposited in long-term instruments or investment projects, whereas temporary cash surpluses should be deposited in short-term instruments, i.e. deposits of several days or weeks, which would result in notable benefits. The important thing is that tem-
The temporary cash deficit should be financed by cheap financing sources (Siudak, 1999; Dębski, 2005). The primary tool of cash management in a company should be cash budget, which would forecast cash inflows and outflows.

Receivables management comprises three elements, i.e. defining credit policy in relation to the clients, receivables controlling and debt collection. Corporate credit policy in relation to its recipients comprises defining credit period, credit standards, receivables collection policy and prompt payment discounts. Using the trade credit results in the increase in turnover, but at the same time it causes the increase in costs associated with additional, short-term external financing. Therefore, the scope of credit policy in the company should be preceded by a detailed calculation of its profitability based on the forecast of sales increase as a result of using certain trade credit policy, as well as the forecast of the increase in non-collectable receivables.

Alongside credit policy, debt monitoring system also plays an important role in receivables management. It prevents the built-up of receivables, a fall in cash flow and a decrease in sales profits due to “bad debts”. In the debt monitoring receivables rotation ratio should be used to indicate the average length of time needed for receivables collection, and the analysis of receivables age structure (Brigham…., 2005; Jarzemowska, 2004).

The risk of extending the receivables collection period can be reduced through the acceleration of their availability. In order to reduce the period of receivables collection the companies may use various instruments, i.e. discounts, providing credits in the form of bills of exchange, assignment of receivables and factoring.

The management of inventory has to do with controlling its size in terms of specific selected items. From the financial viewpoint, the management of inventory aims to minimize costs of its maintenance, while maintaining the appropriate level of the production process continuity and current payment capacity. The proper inventory management in the company enhances the effectiveness of its operations, which can be seen in the increased profitability and financial liquidity of the company. The inventory management in the company should be assessed using inventory rotation ratio, which show the number of inventory turnover cycles in a given period.

Conclusion

In conclusion, it can be stated that the key issue determining the effective current assets management in the company is to define its proper level, structure and financing sources, as it has an impact on maintaining financial liquidity, which often affects the future of the company. The management of current assets also includes current decisions regarding cycle in which current assets of tangible and legal nature are converted into cash, and one of the aims of management current assets is to minimize this cash conversion cycle. It can be achieved by reducing the inventory conversion period and receivables collection period, and by maximizing payables deferral period. However, reducing the cash conversion cycle makes
sense only within reasonable limits that is only to the extent when it does not cause the increase in costs and fall in sales.

References


TRUMPALAIKIO TURTO ELEMENTŲ VALDYMAS

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Tyrimų metu analizuoti įmonės trumpalaikio turto valdymo ypatumai, nes jo vadyba pa-grindžia finansinius sprendimus, leminčius kompanijos pajėgumą ir struktūrą. Šie sprendimai turi būti priimami atsižvelgus į skirtingas kapitalo sudedamąsias dalis, siekiant užtikrinti raciona-lų lėšų panaudojimą. Pirkėjų įsiskolinimų valdymo esminis elementas yra specialiosios verslo kredito politikos, kuri leistų užtikrinti pelningus pardavimus bei racionalių įrankių valdymą ir kt., pagrindimas ir taikymas.

Raktiniai žodžiai: pinigai, prekės, turtas.