

ANALYSIS OF THE CURRENT STATUS OF ASSESSMENT OF SOLVENCY IN BUSINESS ENTITIES

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Abstract

This article presents studies on the theoretical and methodological issues of assessing the solvency of business entities, the economic content of the concepts of solvency and creditworthiness, and the relationship between solvency and other economic indicators, and draws conclusions as a result.

Keywords: Solvency, bank, credit, collateral, liquidity ratio , cash.

Introduction

In the world and the escalation of various conflicts, in particular, the pandemic that began in 2020 and, as a continuation, the increase in inflation from 2022, negative trends in the financial condition of economic entities are also intensifying. According to the data, "some sectors, including some branches of pharmaceuticals, the medical sector, and computer technologies, had a positive impact, while the production and service sectors had a negative impact, which ultimately led to a deterioration in the financial condition of enterprises and a decrease in their profitability." The negative change in the solvency of economic entities, in turn, has a negative impact on the credit portfolio and asset quality of commercial banks. According to statistics, "the increase in the inflation rate in the world economy has reduced the profitability of economic entities by 12.2 percent, and as a result, the quality of banks' loan portfolios has deteriorated by 7.1 percent." Such situations demonstrate the relevance of researching ways to assess the impact of economic entities' solvency on the activities of banks.

LITERATURE REVIEW

Many foreign scientists, including S.U. Doka, R. Anyin, N.R. Emmanuel, A. Dahiyat, H. Yusuf, L. Soenen, N. S. Abryutina, and others , have conducted research on the theoretical and practical aspects of determining the solvency of business entities. Among the CIS scientists , M. Q. Pardaev , E. Akramov, M. Yu. Rakhimov, S. Z. Abdullaeva, B. J. Khakimov, N. Mavlanov, G. Turdieva, and others have made significant contributions.

If we look at LA Soenen's opinion, we can see that the emphasis is on current assets and current liabilities. That is, here it is current assets that are considered as elements close to cash and quickly converted into cash, the availability of which is expressed in the fact that it is sufficient to cover current liabilities.

Abryutina, on the other hand, admits that in modern economic conditions, maintaining long-term and short-term liquidity (solvency) is becoming increasingly important for the existence and activity of an enterprise. Today, ensuring liquidity is becoming the most important condition for the existence of an enterprise and the main criterion characterizing its ability to develop and management style.

This author's thoughts are more complete than the above ones in that an enterprise should not limit itself to achieving current solvency in its financial management strategy. At the same time, it is advisable to constantly calculate long-term solvency, draw conclusions accordingly, and make appropriate management decisions.

Another author, Kalashnikova, argues that in cases where the financial recovery of an enterprise is carried out without increasing the amount of urgent liabilities, bringing the enterprise to the standard values of the current liquidity ratio and equity requires compliance with the following conditions:

RESEARCH METHODOLOGY

In the process of organizing and conducting the research work, methods such as expert assessment, comparative analysis, content and inventory analysis, systematic and factor analysis were used based on accounting methods.

ANALYSIS AND DISCUSSION OF RESULTS

The good or bad solvency of business entities directly depends on the state and behavior of the assets and liabilities of this entity. Therefore, the concept of solvency and the relationships surrounding it cannot be assessed without studying and analyzing the assets and liabilities of business entities.

In general, assets are considered the assets of the enterprise, and their increase is considered positive for business entities, not a decrease, but rather the opposite. At one time, even when explaining the concept of income of business entities, information is provided that it is precisely the increase in assets that is being considered.

Our studies show that information on assets is also obtained from the accounting balance sheet. In accordance with the Resolution of the Minister of Finance of the Republic of Uzbekistan dated 24.01.2003 "On Approval of Financial Reporting Forms and Rules for Filling Them Out", assets are placed in the accounting balance sheet in the following sequence:

Based on the above, we will consider the analysis of the composition of assets according to the accounting balance sheet.



Table 1 Analysis of the composition of the accounting balance sheet of the joint-stock company "Uzmakshusmontajqurilish"**(in million soums)**

Indicators	2018	2019	2020	2021	2022
Total assets (400)	60,7 81	60,8 72	60,8 65	61 137	60,018
Long-term assets (130)	60,4 87	60,6 93	59,3 01	59,447	59,581
Far of long - term assets in all activities Weight , %	99.5	99.7	97.4	97.2	99.3
Current assets, total (390)	294	179	1564	1689	436
Current assets in all activities Weight , %	0.5	0.3	2.6	2.8	0.7
TMZ (140)	1	6	4	3	9
Share of TMZ in current assets, %	0.3	3.4	0.3	0.2	2.1
Accounts receivable (210)	19	85	1,51 6	1,596	389
accounts receivable in current assets, %	6.5	47.5	96.9	94.5	89.2
Money (320)	253	87	41	88	36
Share of cash in current assets, %	86.1	48.6	2.6	5.2	8.3
O ' z funds sources (480)	60,5 86	60,6 47	60,7 52	60,939	59,908
Total sources (780)	60,7 81	60,8 72	60,8 65	61 137	60,018
O ' z funds of sources total in the sources Weight , %	99.7	99.6	99.8	99.7	99.8
Compulsory (770=490+600)	181	164	113	177	109
Long-term liabilities (490)	0	0	0	0	0
Current liabilities (600)	181	164	113	177	109
Far long - term of compulsory total in the case of compulsory Weight , %	0	0	0	0	0
Current of compulsory total in the case of compulsory Weight , %	100	100	100	100	100

Analysis of these indicators shows that the business entity operates mainly on the basis of long-term assets, including fixed assets. Therefore, the share of long-term assets in total assets indicates this.

Now, if we look at the share of current assets in total assets, it was 0.5 percent in 2018, 0.3 percent in 2019, 2.6 percent in 2020, and 2.8 percent in 2021, while in 2022 this indicator will be 0.7 percent.

Of course, this situation indicates a lack of current assets, but if it is not related to its main activity, it is not scary. Because it is impossible to draw conclusions without analyzing each situation individually, depending on the subjects and their types of activity. Even in some service enterprises, there may not be enough raw materials, products, goods, receivables, and cash in the

warehouse. However, the constant flow of funds from the service of the fixed asset constantly meets their current solvency and prevents a decline in stability.

Therefore, in our opinion, the fact that an economic entity has low current assets does not lead to the conclusion that it is insolvent. On the contrary, the fact that it is conducting activities may be sufficient and current obligations may be covered by a constant income stream.

Analyzing the composition of current assets, we can see that the share of inventories in current assets was 0.3 percent in 2018, while in 2022 this indicator was 2.1 percent, that is, it increased significantly.

At the same time, if we analyze this indicator in relation to receivables, the above change, albeit partially, provides an answer to the initial conclusion. That is, while the share of receivables in current assets was 6.5 percent in 2018, in 2022 this indicator increased sharply and amounted to 89.2 percent. That is, as we learned above, the share of inventories in current assets increased by 2.1 percent in 2022, that is, no significant changes occurred. This means that the sale of products, works and services increased in 2022, but inventories did not have a significant impact, causing only an increase in the composition of debtors.

In our opinion, as a result of the company working with more contracts, cash was almost not saved. That is, the share of cash in current assets was 86.1 percent in 2018, but in 2022 it was only 8.3 percent.

While analyzing the composition of assets and liabilities within the entity, we consider it appropriate to also consider the share of own funds in total resources. That is, in the business entity, the share of own funds in total resources was 99.7 percent in 2018, and in 2019 this indicator was 99.6 percent. By 2022, we can see this indicator reaching 99.8 percent.

From the above, we can see that the high share of long-term assets in total assets and the high share of own funds in total sources indicate that a large part of the assets of this enterprise are formed not at the expense of debt obligations, but on the account of private capital.

At the same time, this indicates the financial stability of the business entity and its financial independence, which in some sense also has a significant impact on its own capital.

From the data in Table 2.6, we can see that the amount of corporate assets in this enterprise is also significantly large, and the composition of long-term assets in it has a tendency to change over the years. In particular, if in 2018 the share of long-term assets in total assets was 64.03 percent, in 2020 this indicator was 65.85 percent. In 2022, it was 65.10 percent, a decrease compared to 2020.

It should be noted that the share of long-term assets in total assets decreased by entity in 2019 and 2021, which indicates the need to draw conclusions by analyzing the composition of current assets.

If we look at the share of current assets in total assets, it was 35.97 percent in 2018, 36.32 percent in 2019, and 34.16 percent in 2020, while in 2021 this indicator was 36.09 percent. In 2022, it was 34.9 percent. As mentioned above, there were few changes in the composition of long-term assets, and this indicator also remained stable.

It shows that current assets in the entity have a significant share in the total assets. In particular, we can see that this indicator is significant in 2020. It is natural that this will have a positive impact on the current solvency of the enterprise.

**Table 2 Analysis of the composition of assets of the joint-stock company
"Ahangaronsement"¹**

(in thousand soums)

Indicators	2018	2019	2020	2021	2022
Total assets (400)	149,604	160,543	152 288	228 244	249,585
Long-term assets (130)	95,785	102 233	100 276	145,870	162,480
Far of long - term assets in all activities Weight , %	64.03	63.68	65.85	63.91	65.10
Current assets, total (390)	53,819	58,310	52,012	82,374	87 105
Current assets in all activities Weight , %	35.97	36.32	34.15	36.09	34.90
TMZ (140)	25,487	26,589	28,478	36,584	30,678
Share of TMZ in current assets, %	47.36	45.60	54.75	44.41	35.22
Accounts receivable (210)	17,845	25,874	14,789	19,947	25,840
Accounts receivable of the compulsory in current assets Weight , %	33.16	44.37	28.43	24.22	29.67
Money (320)	10,487	5,847	8,745	25,843	30,587
Share of cash in current assets, %	19.49	10.03	16.81	31.37	35.12
O ' z funds sources (480)	84,786	87,458	88,504	105,744	125,800
Total sources (780)	149,604	160,543	152 288	228 244	249,585
O ' z funds of resources total in the sources Weight , %	56.67	54.48	58.12	46.33	50.40
Compulsory (770)	64,818	73,085	63,784	122,500	123 785
Long-term liabilities (490)	34,587	37,845	42,584	66,485	88 298
Current liabilities (600)	30 231	35,240	21,200	56,015	35,487
Far long - term of compulsory total in the case of compulsory Weight , %	53.36	51.78	66.76	54.27	71.33
Current of compulsory total in the case of compulsory Weight , %	46.64	48.22	33.24	45.73	28.67

Analyzing the composition of current assets, we can see that the share of inventories in current assets was 47.36 percent in 2018, while in 2021 this indicator was 44.41 percent. In 2022, the share of inventories in current assets decreased compared to previous years and amounted to 35.22 percent. In general, a decrease in indicators was observed over the past year. Therefore, it is worthwhile to study the cause of this decline.

¹Formulated by the author based on data from business entities.

The weight of accounts receivable in current assets was 33.16 percent in 2018, while in 2019 this indicator was 44.37 percent. In 2022, the weight of accounts receivable in current assets was 29.67 percent.

The share of cash in current assets was 19.49 percent in 2018, 10.03 percent in 2019, 16.81 percent in 2020, 31.37 percent in 2021, and 35.12 percent in 2022.

While analyzing the composition of assets and liabilities within the entity, we consider it appropriate to also consider the weight of its own sources of funds in total sources. That is, the share of own funds in the total resources of an economic entity was 56.67 percent in 2018, 54.48 percent in 2019, 58.12 percent in 2020, and in 2021 this indicator was 46.33 percent. If we look at 2021, we can see that it has increased to 50.4 percent.

The high share of long-term assets in total assets, excluding 2021, and the high share of own funds in total assets indicate that a large part of the assets of this enterprise are formed not at the expense of debt obligations, but on the account of private capital, and have a positive impact on the financial independence of the business entity.

Analyzing the liabilities of a business entity, we can see that the share of long-term liabilities is high. That is, in the analysis of this entity for the period 2018-2022, the share of long-term liabilities in total liabilities was 53.36 percent in 2018, while in 2020 this indicator was 66.76 percent. In 2022, it exceeded 71 percent.

CONCLUSION AND SUGGESTIONS

In conclusion, if we look at the figures, there is a very significant trend, which, however, indicates that the entity is operating mainly at the expense of long-term liabilities, and it shows that long-term debt obligations will be incurred in 2021 and 2022.

the share of current liabilities in total liabilities, it will be more than 46 percent in 2018, 33.24 percent in 2020, and 28.67 percent in 2022. The decrease in the share of current liabilities in 2021 can be considered a normal situation. However, only by analyzing the amount, percentage, and repayment period of long-term liabilities can their impact on solvency be assessed.

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