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THE ESSENCE OF CAPITAL TURNOVER AND ITS ANALYSIS AT THE ENTERPRISES

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Nowadays, when Ukraine's economy implements market methods of functioning, each enterprise bears responsibility for itself. Just created and already operating enterprises independently decide what to produce and at what price to sell.

Due to this the importance and actuality of the capital turnover becomes indisputable.

It is the capital of circulation alongside with the fixed capital stock that guarantees an enterprise activity. If there is no circulating money there is no production. An example of this statement is the modern state of Ukraine's industry.

For optimal functioning of an enterprise it is necessary to reduce the time of converting money that can be found in raw materials, finished commodities and trade liabilities into the money at the settlement accounts. The efforts of reduction of money of circulating period can be paid off by reduction of financial and operational needs to zero or even to conversion into the unfavorable value when the enterprise has more money funds than it is necessary for continuous work, when the enterprise is interested in prolongation of debit indebtedness payment term,.

It results the problem of effective use of the rest of circulating money. The value of financial and operational need (FON) is often defined as necessity of negotiable money or as operational need calculated as difference between the sum of money in circulation capital, invested in raw materials, finished commodity, debit indebtedness and trade liabilities.

The ways of defining financial and operational need (FON) are numerous. Practically feasible is to define FON in percents to net revenues. For example if the result is 50% - it means that shortage of current capital of an enterprise is equivalent to one half of its annual return; that is 180 days of a year the enterprise is operating only to cover its financial and operational needs.

After marketing research at the enterprise PAT "ZAZ" some norms concerning the result of finished commodity was calculated to May.1, 2010. Comparing the norm with real rests of the circulating money one can determine its surplus or shortage. From the calculation presented in table 1 it is clear that there is circulating capital shortage at the enterprise, in finished products, in particular it comprises the sum of 85482 hryvnas that corresponds to 63% of money to finance finished products. This shortage is to be eliminated for normal and regular conditions of work of the enterprise.

To do this some optimal resources of circulating capital financing must be chosen. Six variants of replenishing of circulating money were analyzed.

Calculation of remnants as to Motor cars PAT "ZAZ" to May, 1, 2010.

Motor cars	Remnants to 01.05.2010		Norm		Surplus(+),shortage(-) in trading network		
	Pieces	thousands of hryvnas	pieces	thousands of hryvnas	pieces	thousands of hryvnas	%
Tavria	1278	13828	1690	18630	-412	-4802	-34.98
Slavuta	2255	28830	2680	34496	-425	-5666	-19.72
Sense	873	19600	1530	36173	-657	-16573	-84.99
Lanos	1155	31178	2385	67411	-1230	-36233	-116.59

Nubira	380	13553	540	21241	-160	-7688	-57.15
Lehansa	112	947	0	0	112	947	100
Opel	228	8338	324	14517	-96	-6179	-75.01
Mercedes	147	13295	180	22560	-33	-9265	-70.22
Dachia	399	6855	400	6878	-1	-23	-0.34
Total	6827	136424	9729	221906	-2902	-85482	-63.15

Table 1

One variant has been chosen after calculation. Such approach is the most optimal in such financial position. It proves that regular necessity in current capital is financed from internal and long-term loan sources (table 2). It means that the sum of “working capital” is supported in the minimal rate in reserve and in the middle rate with debtors’ payments.

Circulating capital balance

Circulating capital	The Sum	Sources of formation	The Sum
Constant part of Circ.capital	94607	Net worth	66269
Reserve	91826	Long-term loans	28337
Debit indebtedness	2781	Short-term loans	2144
Variable part of Circ.cap	2139		
Money and its equivalents	2082		
Expenses of future periods	4		
The total growth of Circ.cap	96750	Total sources of formation	96750

Table 2

The main trends of functioning of an enterprise in the management of the circulating capital sources are: 1) to determine: the enterprise need in circulating capital; 2) to find out internal funds and optimize their volume; 3) to calculate external funds and monitor the efficiency of their functioning with the help of any methods; 4) to define the norm of external funds and balance internal funds to it; 5) to return the sum of debit indebtedness to the enterprise; 6) not to perform orders for non-solvent clients; 7) to determine the volume of output taking into consideration the level of the enterprise profitability; 8) to intensify the methods of production; 9) to raise gradually the volume of the enterprise legal capital to finance internal funds.

On the basis of the research, analysis and generalization of scientific approaches concerning the essence of current capital it can be defined as the follows:

Current capital is the advanced value put into the elements of production assets and funds of circulation to the period of one year or an operational cycle to ensure continuous process of production and sale of finished products to gain the target of profitability of the enterprise.

The research of current capital at the enterprise helps to find out the drawbacks in management to focus one’s attention on financing circulating funds, to modernize the model of the sources of financing depending on the strategic direction of development of the enterprise development and, as a consequence, – to raise the effectiveness of use of the enterprise current capital.