CASH FLOW STATEMENT AS AN IMPORTANT OBJECT OF ACCOUNTING

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Abstract. *This article discusses the basic principles of accounting and reporting of the company's funds. The relevance is determined by the importance of competent and correct accounting of funds and reporting according to international standards. The stability of the enterprise in the market is achieved with sufficient and coordinated control of cash accounting.*
Keywords: *money, asset, account, reporting, operating activities, investment activities, financial activities, cash flows, segment financial statements.*

Introduction. The importance of an asset like money is immeasurable for any business. Cash is the most liquid asset of all businesses. The main problem of most enterprises is the lack of funds for production activities. One of the reasons for the lack of cash is its irrational use. Therefore, the correct accounting of funds in accounting is of particular importance. Accounting and checking of cash is one of the main stages of management in the enterprise. Cash flow disclosure is regulated by National Accounting Standards No. 14 (NAS) and International Accounting Standards No. 7 (IAS).

Entities may have to make a number of judgments when reporting the movement of cash and cash equivalents for the period in the statement of cash flows.

Also, the company is required to disclose in the notes to the financial statements the important sources of uncertainty that may cause changes in the value of assets or liabilities in the next year[1-6].

In practice, difficulties may sometimes arise in determining whether an item is cash or cash equivalents. For example, a bank overdraft. Consideration should be given to determining whether it is part of the company's cash management. Cash flows are classified by types of operating, investment and financial activity. The statement of cash flows shows the cash flows divided into three activities. According to it, it is possible to think about the activities to which cash flows belong. As a result, the company should continue to consistently reflect the way it has chosen to do business.

Analyze literature.

Scholars such as contributed for the development of cash flow statement problems. V.P.Astakhov, A.S. Bakaev, V.R.Bank, P.S.Bezrukikh, I.A.Blank, M.A.Vakhrushina, L.N.Gerasimova, V.G.Getman, L.V.Gorbatova, E.N.Dombrovskaya, V.N.Kuznetsov, M.V.Melnik, V.D.Novodvorsky, V.F.Pali, S.N.Polenova, O.V.Rojnova, L.V.Sotnikova, T.V. Terenteva, L.I.Sharova, N.P.Shirokova, N.P.Shishkina, L.Z. Shneidman. At the same time, the negative events that hinder the growth of the informative statement of cash flows have not yet been sufficiently studied and require the study of the possibilities of achieving further development [6-18].

Due to the importance of cash flow in the information presented in the reports, many foreign economists: L.A.Bernstein, Sidney Dj.Gray, T.R.Carlin, B.Colass, Belward E. Needles, B.Ryan, J.Rishar, D.Stone, N.K.Siropolis, D.G.Siegel, K. Hitching, E.Helfert, Dj. K.Van Horn, D.K.Shim The works of authors are mainly devoted to the methods of compiling reports and the methodology of financial analysis, and are researched without taking into account specific methods of increasing the informativeness of reports.

Russian economists also made a significant contribution to the development of money flow issues, including V.G.Artemenko, V.I.Barilenko, T.S.Belikova, M. V.Bellendir, N.S.Belokurenko, V.V.Bocharov, E.V.Bykova, L.V.Dontsova, E.G. Julina, T.V.Zakharova, N.N.Ilysheva, S.V.Kamysovskaya, M.G.Kudinova, S.V. Levicheva, T. Y.Nateprova, N.S.Plaskova, I.A.Slabinskaya, E.M.Sorokina, E.S. Stoyanova, A.D.Sheremet. In the works of these economists, the methodology and analytical capabilities of cash flow statement analysis, the problems that arise in the formation of cash flow statement indicators from the point of view of analytical functions, as well as the mechanisms of practical application of theoretical rules are considered in detail. among other things, the informativeness of cash flow statements aimed at specific user groups has not been fully demonstrated and needs further research.

Historically, in the 15th century, Luca Pacoli emphasized the need to focus accounting on the needs of users. It has been proven that accuracy should be considered as a basic postulate of accounting and that it should provide understandable information to users [12]. This statement is still relevant today.

Thus, many economists, including V.P.Astakhov [7], A.S.Bakaev [8], M.A. Vakhrushina [9], T.V.Terenteva [17] states that one of the most important conditions for a company to enter the international financial markets and attract investments is to ensure the transparency of its financial information, which means, in our opinion, it is impossible to imagine the financial situation of the company without the cash flow statement. Therefore, this work is devoted to the problem of cash flow statement.

In our opinion, the financial statement is the most reliable source of information for assessing the liquidity of the enterprise in achieving the modern goal is the cash flow statement. This opinion was expressed by a number of Russian and foreign economists, including A.S.Bakaev [8], M.A.Vakhrushina [9], B.Ryan, D. Stone conducted separate scientific research.

According to some experts, a profitable company is always liquid, and if a positive financial result is regularly reflected in the statement of financial results, then such a company is always liquid. In this regard, we consider it necessary to consider the concepts of profitability and liquidity of the company, which should be distinguished.

According to the definition given by A.K.Ibragimov, "profitability is the ability to earn enough profit to attract and retain investment capital. Liquidity means the availability of sufficient means of payment to repay debts on time" [6].

By liquidity we understand the ability of the enterprise to cover payment obligations at its own expense. Economists believe that this opportunity can only be fully assessed from the statement of cash flows. L. A. Bernstein, D.Middleton [10], B.Needles[19], V.F.Pali [104, p. 289-291], N.K.Siropolis, A.D.Sheremet [18] also pointed out.

A.Sh.Toshpolatov formed the concept of solvency of the enterprise taking into account the above circumstances: "solvency in a broad sense is the ability of the enterprise to fulfill its payment schedule to its creditors without violations, and in a narrow sense, the availability of sufficient funds and their equivalents for settlements on accounts is a demand to be paid directly." [20]. Accordingly, the parties may interpret solvency in different ways. Despite the objective nature of timely performance of the obligations specified in the contract, the payer may adjust the payment date due to subjective factors. According to T.V.Teplova, a financially healthy company is an organization that is "able to pay its obligations on time, manage capital and assets effectively, and attract new capital" [17]. The author proposes to study the parameters of a financially healthy company in the context of three forecasts:

liquidity projection (is responsible for the ability to generate cash and the ability to pay obligations);

projection of the current economic efficiency of the activity (indicates the efficiency of resource use based on profitability indicators);

business growth balance sheet projection (includes asset valuation and shows feasibility and feasibility of business expansion).

Only with satisfactory indicators for three forecasts, it is possible to draw a conclusion about the stable financial condition of the enterprise under study.

Research methodology.

Studying the existing scientific research on the nature and basis of the statement of cash flows, the use of statistical data and economic comparison and analysis, logical thinking, scientific abstraction, information grouping, analysis and synthesis, induction and deduction methods were widely used.

Analysis and discussion of results (main part).

It is known that International International Accounting Standard (IAS) No. 7 "Statement of Cash Flows" applies to financial statements covering periods beginning on or after January 1, 1994. In 2007, as a result of new terms and requirements introduced in IAS No. 1 "Presentation of Financial Statements", IAS No. 7 was renamed from "Statement of Cash Flows" to "Statement of Cash Flows".

IAS No. 7 helps to understand the changes during the period of the most liquid assets of the enterprise, which are called cash and cash equivalents.

Information about a company's cash flows helps users of financial statements assess the company's ability to generate cash. Economic decisions made by users require an assessment of the company's ability to generate cash, as well as the timing and accuracy of their generation.

Also, such information increases the comparability of reports on the results of operational activities of different organizations, as it does not allow applying different accounting procedures for the same operations and events. The purpose of IAS No. 7 is to determine the principles of preparation of the report on the correctness of the movement of funds prepared by enterprises and the procedure for preparation of other comments.

Users of financial statements are interested in knowing how a company generates and uses cash. Businesses, despite their different types of income-generating activities, need funds for basically the same reasons.

Enterprises need funds mainly for the following purposes:

• implementation of receivables transactions;
• making payments on creditor obligations;
• paying investors their earnings.

Therefore, a cash flow statement is required by all businesses.

What issues does International Standard 7 of Financial Statements address?

Explains the basic concepts of the statement of cash flows.

1. Explains the general principles and format for presenting a cash flow statement.
2. Explains the methods of presenting cash flows from operating activities.
3. Explains the following issues related to the cash flow statement:

• Presentation of cash flows on a net basis;
• Cash flows in foreign currency;
• Interest and dividends;
• Profit taxes;
• Investments in subsidiary and dependent organizations, joint ventures;
• Changes in ownership shares in affiliated organizations and other businesses;

Explains the disclosure requirements for non-cash transactions, changes in liabilities arising from financing activities, and components of cash and cash equivalents.

In accordance with paragraph 10 of the international standard of financial reporting No. 7, "Cash funds - includes cash and demand deposits, as well as "Cash equivalents - these are short-term, easily convertible into cash of a fixed amount and of an insignificant level in terms of changes in value. are highly liquid investments with risk" - defined as. So, cash flows are the inflow and outflow of cash and cash equivalents.

Cash flows for the reporting period are presented in the statement of cash flows classified by operating, investing and financing activities. In accordance with paragraph 6 of IAS No. 7:

"Operational activity is the main income-generating activity of the organization and other types of activities except for investment and financial activities.

Investing activities - purchase and disposal of long-term assets and other investments that are not included in cash equivalents.

Financial activity is an activity that leads to changes in the amount and composition of capital and debt funds invested by the organization.

The presentation of an enterprise's cash flows by operating, investing and financing activities provides detailed information for users to assess the possibility of cash generation. This information can also be used to assess the interdependence between these activities. In practice, the same transaction may involve cash flows of different classifications. For example, if a loan repayment includes principal and interest, the interest portion may be classified as an operating activity, while the principal portion may be classified as a financing activity. Figure 1 provides a general guide to the type of activities that cash flows should be classified into, according to which operating activities are the company's primary income-generating activities and activities other than investing and financing activities. According to paragraph 13 of the IAS No. 7, "The amount of cash flows from operating activities reflects the extent to which the organization has generated sufficient cash flows to pay off debts, maintain operational capabilities, pay dividends, and make new investments without resorting to external sources of financing." is the main indicator. Information about specific components of cash flows from operating activities in past periods, combined with other information, is useful in forecasting future cash flows from operating activities. Cash flows from operating activities are derived primarily from the company's primary revenue-generating activities. Here, the basic income refers to the income of the company. In accordance with NAS No. 15 "Revenue from contracts with customers", the revenue is the revenue arising from the normal activity of the company. Therefore, cash flows from operating activities are usually the result of transactions or other events that are taken into account in determining profit or loss.

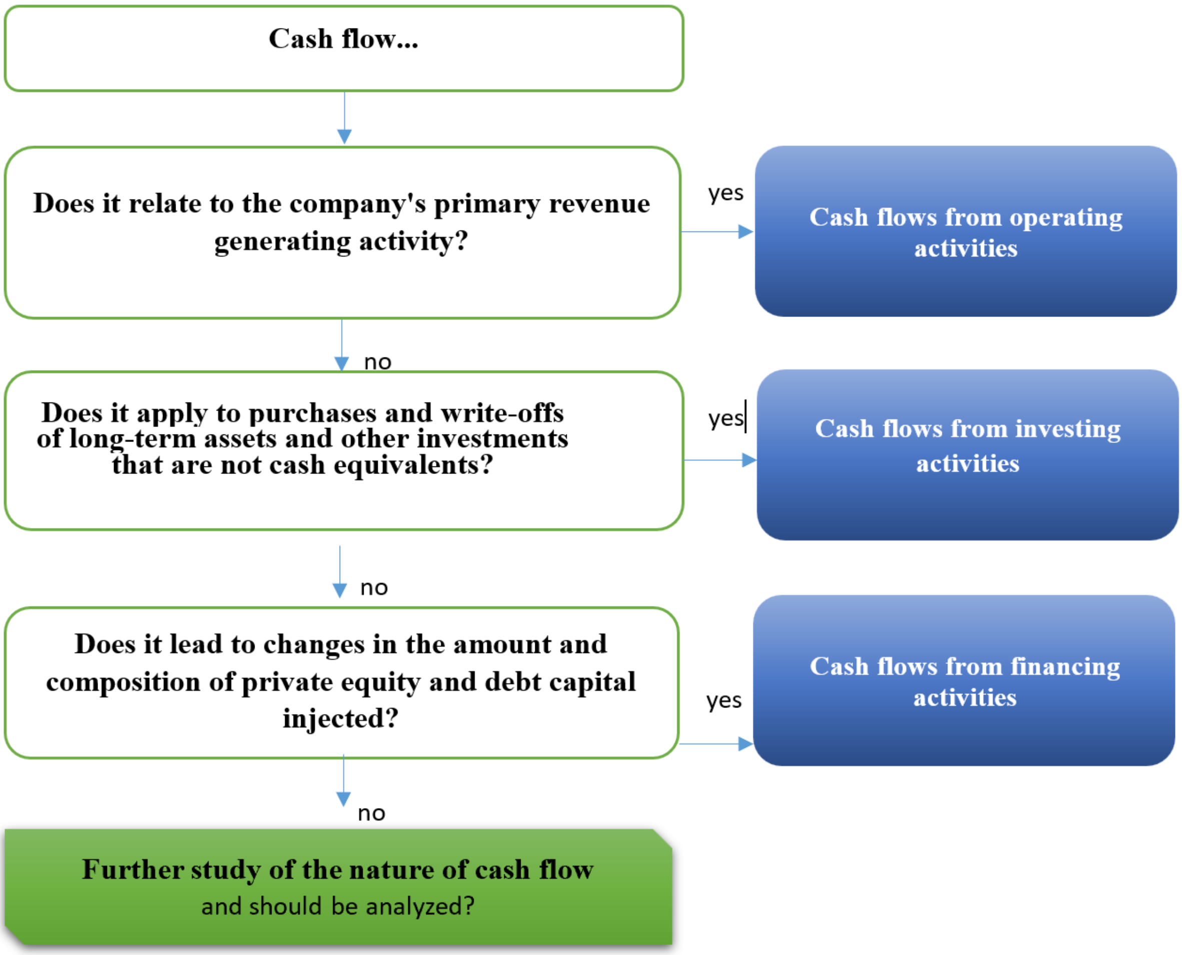

Figure 1. Types of cash flow activities.

The sum of cash flows from operating activities is the main indicator that the company's activities have generated sufficient cash flows to repay loans, maintain working capital, pay dividends and make new investments without resorting to external sources (debt or capital injection).

The following are examples of cash flows arising from operating activities in accordance with paragraph 14 of IAS No. 7:

- receipt of funds from the sale of goods and the provision of services;
- receipt of funds in the form of royalties, service fees, brokerage fees and other income;
- payment of money for goods and services to suppliers;
- payment of funds to employees and on behalf of employees;
- payment or refund of income tax that is not clearly related to financial or investment activities.

- Investing activities are purchases and disposals of long-term assets and other investments not included in cash equivalents. According to paragraph 16 of the 7th IAS, "It is important to highlight the cash flows arising from investment activities, because such cash flows show how much expenditure has been made on resources intended to generate future income and cash flows." Only expenses that lead to the recognition of an asset in the statement of financial position can be classified as investing activities.

- Note: In some cases, it can be difficult to determine whether cash flows are from operating activities or investing activities. For example, the purchase of crypto assets can be recognized in the financial position as a commodity or as an intangible asset. As a result, it can be difficult to classify the flow of money spent on it. In such cases, the company must exercise judgment and is required to apply such judgment consistently.
- the following examples of cash flows arising from investment activities are given in accordance with paragraph 16 of the No. BHXS:
- payment of funds for the purchase of long-term assets and receipt of funds from their sale;
- payment of funds for the purchase of equity or debt instruments of other companies and shares in joint ventures, and receipt of funds from their sale;
- advance funds and loans given to other parties and their repayment (with the exception of advance funds and loans given by financial institutions and their repayment);
- Long-term assets mainly mean fixed assets and intangible assets. The purchase of such assets means not only the purchase, but also the expenses incurred during the construction and creation of the company itself.
- Financial activities are activities that lead to changes in the amount and composition of private equity and debt funds invested in the company. According to paragraph 17 of IAS 7, "Disclosure of cash flows from financing activities is important because this information is useful for forecasting the future cash flow requirements of the organization's capital providers."

Cash flows from financing activities generally refer to cash inflows from debt or equity sources of financing or cash outflows associated with repayment of such debt and equity instruments. The following are examples of cash flows arising from investment activities in accordance with Clause 17 of the IAS No. 7:

receipt of funds from the issuance of shares or other equity instruments;

• payment of funds to owners for purchase or disposal of company shares;

• receipt of funds from the issuance of debt obligations, issuance of loans, promissory notes, bonds, pledges and other short-term or long-term debt obligations;

• payment of funds returned for debts; and

• a cash payment made by the lessee to reduce an unextinguished lease liability.

According to paragraph 48 of the 7th IAS, "The organization, together with the management review, should clarify the amount of significant amounts of cash and cash equivalents that are available in the organization, but cannot be used by the group."

At the same time, it may be appropriate to provide users with additional information to understand the company's financial position and liquidity. Such information may include:

• the unused amount of debt funds that can be used to fulfill contractual obligations for future operating activities and capital expenditures, subject to restrictions on use;

• the aggregate amount of cash flows indicating an increase in operational capabilities, separate from the cash funds required to maintain operational capabilities; and

• the sum of cash flows resulting from the operational, investment and financial activities of each reporting segment (see NAS No. 8 "Operating segments").

Disclosing operating cash flows and cash flows needed to maintain operating capabilities separately allows users to determine whether the company is deploying sufficient funds to maintain operating capabilities.

A company that does not allocate sufficient funds to maintain its operating capabilities may be compromising future profitability in order to maintain current liquidity and distribute profits to its owners.

Suggestions and conclusion

In summary, IAS 7 recommends that a company disclose cash flows related to operating, investing and financing activities by operating and geographic segments.

Disclosing cash flows by segment provides users with a better understanding of the interrelationship of the cash flows of the business as a whole and its components, as well as the availability and variability of segment cash flows.

Entities may have to make a number of judgments when reporting the movement of cash and cash equivalents for the period in the statement of cash flows.

Also, the company is required to disclose in the notes to the financial statements the significant sources of uncertainty that may cause changes in the value of assets or liabilities in the next year.

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