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CONCEPT, ECONOMIC ESSENCE AND EVOLUTION OF APPROACHES TO THE DEFINITION OF CASH FLOWS OF AN ENTERPRISE

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ABSTRACT

The term "cash flow" is widely used in the economic literature. However, there are discrepancies in the wording of its definition. The article discusses approaches to the study of cash flows, a comparative description of the static and dynamic approaches in the theory and practice of management is made. Considering the variety of cash flows and approaches to their study, the article also analyzes the existing classifications and proposes typologies in the author's interpretation. The main provisions for the effective management of cash flows are outlined, and conclusions are drawn about the economic essence of this concept.

Keywords: cash flow of an enterprise, economic category, cash, flow process, highly liquid asset

INTRODUCTION

One of the central problems of economic theory, studied for a long period, is the problem of money circulation. The functioning of the monetary sphere is closely connected with the activity of the economic system as a whole. Cash resources are a fundamental universal tool that no organization can do without in the modern market. Almost all activities of any company are based on a certain cash flow in the form of their receipt and expenditure. This movement of the organization's cash over time is a continuous process and is defined by the concept of "cash flow". The cash flows of an enterprise are a complex and multicomponent object of management. The entire set of financial resources with which the organization works can be classified according to various criteria. This or that classification allows you to highlight individual cash flows. It is individual work with each cash flow that allows the organization to ensure its own financial stability.

MAIN PART

The economic activity of any organization is ensured by the circulation of funds - their receipt and expenditure. In a market economy, interest in studying the nature of money, the features and patterns of its movement is due to the need to search for sources of financing available to the organization, ensuring their optimal structure, rational allocation of funds in the relevant elements of the organization's assets, ensuring liquidity and its long-term solvency. The term "cash flow" was introduced into use by financial analysts of foreign countries, who realized the need for an objective monetary assessment of the financial performance of an organization, which the accrual method does not allow to obtain. This term began to be used in the field of financial mathematics in the quantitative analysis of the financial operations of an organization. To conduct such an analysis, it was necessary to abstract from the economic content of each financial transaction and consider the cash flow that is generated in the course of the organization's activities as a number series consisting of a sequence of payments distributed over time. To designate such a series in world practice, the term "cash flow" began to be used [5, p. 90]. Cash flows that form the normal economic activity of an organization in almost all of its areas can be represented as a system of "financial blood circulation". Rationally organized cash flows are a manifestation of "financial health", a prerequisite for achieving high final results of the activities of an economic entity, and contribute to an increase in the rhythm of economic and investment activities.

Historically, the first concept that absolutized the monetary form of wealth was the monetarist concept, rooted in early mercantilism (the last third of the 15th century - the beginning of the 16th century). Monetarism is characterized by the identification of the nation's wealth with money and money supply: the state was considered richer, the more money it has. As the processes of formation of absolutist states were completed, i.e. Since the second half of the 16th century, in economic theory, there has been a shift in emphasis from the external form of manifestation of wealth to its internal nature. The understanding came that the essence of wealth is the growing value, and the sources of its origin should be sought in the economic environment.

The ability of money involved in economic turnover to return at a discount led to the emergence of the theory of capital, the authorship of which belongs to the classical school of political economy and, above all, to K. Marx. In accordance with the classical theory, capital is a self-increasing value, the movement and metamorphosis of which bind all material forms of capital into a single whole.

The subsequent development of the theory of capital led to the emergence of various interpretations: objective and subjective, socio-psychological, social class and many others. One of them is the monetary or monetarist interpretation (the Chicago school and its ideologist M. Friedman) proceeds from the fact that commodity-money flows are the main form of capital movement, therefore, they should be the main object of state regulation.

Cash flow (English cash flow, CF) is the result of the movement of cash and non-cash funds, around which the entire set of on-farm finance and financial relations is built. In the special literature, the receipt of funds is called inflow, and the expenditure of funds is called outflow. Inflows and outflows with different functional purposes as integral components of cash flow at the on-farm level form operating, investment and financial cash flows, which are accumulated at the enterprise level into a single cash flow. The difference between the inflow and outflow of funds for a particular type of activity or for the financial and economic activities of the enterprise as a whole is called net cash flow. In the accounting interpretation, cash flow includes only cash and non-cash funds. In an expansive interpretation, i.e. in financial management, it is defined as the movement of cash and cash equivalents (bank deposits, bills of exchange, etc.)

The analysis of Russian literature on flow management reveals the presence of a variety of approaches in the definitions of the concept of "flow". In the early stages of the development of the "flow approach", it is associated with the material flow, which in works in the relevant field (science dealing with flow processes - logistics) is interpreted as "an interconnected chain of processes, links and objects, starting with extraction, processing and ending with consumption or redistribution of goods and services within the established goals" [3, p. 56]. Putting forward a similar definition of the flow, the authors of the monograph "Logistics of the management of material and cash flows" [4] B.D. Promyslov and I.A. Zhuchenko somewhat confuses the

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concepts of "flow" and "chain", and at the same time, with such a definition, the fundamental idea of the "flow approach" is lost - the study of the process in dynamics, and it is replaced by the decomposition of the process into "links" and "objects".

A more interesting level of generalization and formulation of the “flow” category was proposed by the scientists of the St. Petersburg State University of Economics and Finance O.A. Novikov, V.A. Nose, M.E. Reife, S.A. Uvarov in the monograph "Logistics". The authors are of the opinion that "a flow is a collection of objects perceived as a single whole and existing as a process that occurs continuously over a certain time interval."

V.N. Stakhanov and E.K. Ivakin, who in 1997 were the first to introduce the concept of "economic flow" into scientific circulation. In their opinion, economic flows should be understood as "interrelated and interdependent processes of the movement of society's resources to achieve socio-economic and socio-political goals."

Considering all of the above, it is possible to formulate and clarify the concept of "flow process", which can be considered as a sequential change in successive qualitative changes in a set of objects in a certain time period.

The development of the main provisions of the concept of cash flows belongs to foreign economists: J1. A. Bernstein, J. Brigham, J.C. Van Horn, J. Richard, D.G. Siglu, D.K. Shimu and others [14, p.8].

So, Y. Bringham and L. Gapensky consider cash flow as a form of actual cash that comes to the disposal of the organization and is spent by the same organization, i.e. is the sum of net income and depreciation. Moreover, the accounting of receipts and outflows is carried out for a specific period of time. In the understanding of B. Kolass, cash flow is an excess of funds that is formed during the organization of any operations, both within the framework of economic activity and beyond its borders [1, p. 14-15].

In recent decades, the problems of cash flows are also reflected in the works of Russian economists: Balabanova I.T., Bocharova V.V., Blanca I.A., Kovaleva V.V., Krylov A.I., Nikiforova N.A., Dontsova JI.B., Stoyanova E.S., Sheremeta A.D. and others [14, p.8].

According to Sorokina E.M., this is the movement (outflow and inflow) of funds in the organization. Kovalev V.V. also denotes a set of operations for the receipt and expenditure of funds for a certain period of time, highlighting the individual components of the flow: income, expense, profit, payment, etc. [2, p.32].

Summarizing the results of the study of foreign and Russian scientists-economists (Table 1), we can distinguish two main approaches to the definition of the term "cash flow", the most widely used in the theory and practice of management.

Representatives of the first approach - Blank I.A., Bocharov V.V., Leontiev V.E., B. Kolass - define cash flow as the difference between the funds received and paid by the organization for a certain period of time. Cash flows do not include cash balances in the accounts of the organization, since they do not characterize their movement, but only show the presence at the reporting date. At the same time, cash flows are characterized in terms of size (value), direction of movement (incoming and outgoing) and time.

Unlike the first one, the supporters of the second approach are Kovalev V.V. and Sorokin E.M. - determine the cash flow based on the elements of the cash balance, and consider it as a cash flow, that is, their receipt and payment for a certain period of time. This interpretation of the cash flow defines it as a basic concept of a market economy that characterizes all aspects of the financial and economic activities of the organization, and allows you to correctly form the net cash flow and its structure.

Table 1 Definitions of the term "cash flow" [9, p.159]

No.	The authors	Definition content
1	J. F. Marshall [11, p. 562]	cash flow - the sum of profits after taxes, as well as non-cash expenses, which include items such as write-downs of fixed assets, depletion of resources and amortization of intangible assets
2	N.N. Selezneva, A.F. Ionova [8, p. 319]	cash flow - the difference between all receipts (inflows) of funds and their use (outflow)
3	B. Colass [13, c.282]	Excess (cash - ed.) Funds that are formed at the enterprise as a result of all operations related and not related to economic activity.
4	V.V. Bocharov, V.E. Leontiev [4, p. 163]	cash flow is the amounts of receipts and payments of funds distributed in time and space, which are formed in the production and trade process
5	I.A. Form [3, p. 147]	cash flow is a set of cash receipts and payments distributed over separate intervals of the considered period of time, generated by its economic activity, the movement of which is associated with time, risk and liquidity factors
6	Kovalev V.V. [12, p. 531]	A set of time-distributed payments (outflows) and receipts (inflows), understood in a broad sense. An element of cash flow can be income, expense, profit, payment, etc.
7	Sorokina E.M. [17, p.30 – p.31]	Cash flow, that is, their receipt (inflow) and use (outflow) for a certain period of time
8	T. Rice, B. Colley [15, p.387]	An indicator of the creditworthiness and solvency of an enterprise is the ability to generate additional amounts of cash to repay obligations on loans received
9	G.N. Gogina, A.A. Sokolova [7, p. 58]	cash flow - a set of generated incoming and regulated outgoing flows, including the balance turnover of funds, taking into account such industry parameters as a specific sales market and a range of goods
10	I.V. Lipsitz [16, p. 108]	cash flow - the amount of profit (before tax), depreciation and reserve deductions of various kinds, which are displayed in accounting registers, but not paid in cash

In the existing interpretations of the cash flow, in our opinion, there are no fundamental differences - they reveal the definition from different points of view. All of them allow us to formulate the key features of the concept of "cash flow":

• In terms of economic content: the movement of capital in cash,
• By aggregated components: receipt and expenditure (disposal) of funds,
• By elements of the cash balance: inflows and outflows, input and output cash balances,
• According to the result of the movement: gross and net (difference between inflow and outflow) cash flow

Thus, having considered a number of definitions of this concept used in Russian and foreign practice, we can distinguish three approaches to determining the essence of cash flows.

The first approach, which is called the “static approach”, is often found in the economic literature, it defines cash flow as the movement of funds that the organization has left, i.e. as the difference between the inflow and outflow of funds, based on the results of one or a number of settlement transactions for a certain period of time. This approach was followed by such researchers as J.F. Marshall, Y. Brigham, L. Gapensky, I.V. Lipsitz. It should be noted that this approach reflects only the accounting side of the economic process and focuses only on the end result of the existence of such a flow.

The second approach - "dynamic", consists in the concept of the object under study, as the receipt (inflow) and payment (outflow) of funds for a certain period of time. This approach, in my opinion, more fully expresses the essence of the cash flow than the first one, since it characterizes the volume of receipts and payments presented as a function of time.

The third approach is the “combined” one, which is followed by N.N. Khakhonov, combines opening and closing balances, as well as the movement of cash and cash equivalents. However, it does not affect such parameters as the size and speed of cash flow.

After analyzing the first and second approaches to the interpretation of the "cash flows" of the organization, we can highlight the features that are inherent in both of them. Firstly, it is the movement of funds over time, and secondly, the direction of the movement of funds over time. The disadvantage of these approaches is that they do not pay attention to the initial and final balances.

These three approaches, as well as researchers who adhere to the above approaches to the definition of cash flows, are presented in Table 2.

Table 2 Distinctive features of static and dynamic approaches to the study of money

Criterion research	An approach	
	static	dynamic
1. Object of study	The static value of the stock of funds of a business entity	Movement, change in the funds of a business entity for a certain period of time (i.e., cash flow)
2. Research time	Reporting date or set of reporting dates	Specific time interval
3. Methodological basis of the study	Description of the indicators of the state of cash at the reporting date	Description of the functioning of the enterprise in dynamics, taking into account many factors that affect the movement and transformation of cash
4. Information research base	Financial and statistical reporting, characterizing current performance activities enterprises (balance sheet, income statement and losses, etc.)	Specific reporting documentation reflecting flow of funds (statements of cash flows funds)
5. Result conducted research	Financial subject state management	Assessment of the financial condition and reasons underlying and leading to such a situation business entity

Cash flow, as a concept, has several types of these flows that serve the economic activities of the organization. In order to effectively manage cash flows, there is a need for a certain classification. Consider the main features characterizing this classification.

RESULTS

First, by the scale of servicing the business process. This feature includes the following types of cash flows: for certain types of activities; for individual structural divisions; for individual business transactions, and finally the cash flow for the enterprise as a whole, is considered the main one, since it includes all types of cash flows [2].

Secondly, by types of economic activity in accordance with LSG. It includes the following types of flows: cash flow from operating activities (includes salaries to employees, tax payments, payments to suppliers of raw materials and materials, and others); cash flow from investment activities (sale of retired fixed assets and intangible assets, payments and cash receipts, and others); cash flow from financial activities (receipt of long-term and short-term loans, loans, payment of dividends, and others).

Thirdly, according to the direction of cash flow. Distinguish between positive and negative cash flow. Positive cash flow refers to the cash flow to the enterprise. Negative cash flow refers to the cash outflow of an enterprise, including cash payments for the use of business operations.

All of the above types of cash flows are characterized by a high degree of interrelation. The lack of information in one of the streams reduces the amount of information in the other stream. That is why both of these streams define a single object of financial management.

Fourth, according to the method of calculating the volume, the following types of cash flows are distinguished: gross cash flow (characterized by receipts and expenditures of funds in a certain period of time); net cash flow (the difference between income and expenses).

Fifth, according to the method of evaluation in time: real cash flow (given in value to the current point in time); future cash flow (value-adjusted to a specific future point in time).

Sixth, according to the continuity of formation in the period under review: regular cash flow (carried out constantly at separate intervals in time); discrete cash flow (single business transactions in a certain period of time).

Seventh, in terms of the stability of time intervals for the formation of regular cash flows: regular cash flow with uniform time intervals within the period under review; regular cash flow with uneven time intervals within the period under review.

After analyzing the above approaches, we can come to the following conclusions:

–The concept of "cash flow of an organization" is a complex concept that generalizes certain types of flows;

–Cash flows of the organization arise as a result of economic activity;

–Rational formation of cash flows contributes to the growth of the rhythm of the implementation of the operational process of the organization;

–Cash flow management is aimed at ensuring the financial stability of the organization in the process of its strategic development.

CONCLUSION

It is very difficult to give an unambiguous definition of the term "money" due to its versatility. Therefore, we can consider one of the essences of this concept, which is the exchange function of money. In this case, money is a highly liquid asset that serves as a measure of the value of other goods and services [18]. In accordance with the definition adopted in the International Financial Reporting System, a highly liquid asset of an organization should be understood as “cash, the right to demand cash or another financial asset under an agreement, the right to exchange for another financial instrument, an equity instrument” [10].

Combining the term "flow" with the term "money", we obtain the definition of the term "cash flow" - these are quantitative changes in a certain time interval of a highly liquid asset of an organization. The difference between the formulated definition of the term "cash flow" is not the result, but the process of circulation of a highly liquid asset of the organization. Based on it, you can develop a dynamic model in the form of a cash flow channel.

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