

THE IMPORTANCE OF CASH FLOWS AND METHODS OF ANALYZING THEM

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Abstract. This article analyzes the role and importance of thrift, proper and effective use of funds in managing cash flows of enterprises. Also, the necessary factors for successful business operations, ways to properly spend money and time, and rationally plan expenses are described.

Keywords: Cash flow, cash flow statements, operating cash flows, investment, financial cash flows, entrepreneurship, capital, business management, innovative approach, renewable capital, investor, market demand.

Cash equivalents in society are used mainly for investments and other purposes, but only for payments on short-term obligations. In order for investments to be considered cash equivalents, they must be freely convertible into cash and have some risk of changing their value. As the President of the Republic of Uzbekistan Sh. Mirziyoyev noted: “Further strengthening of macroeconomic stability and maintaining high rates of economic growth, including ensuring the stability of the national currency and the price level in the domestic market, is our most important priority.” The direct attraction of foreign investments to the economy of our country, the creation and operation of free economic zones necessitate the organization of accounting based on international financial reporting standards. It is in this regard that cash flow is of great importance for the prosperity of our country's economy and the development of market infrastructure.

Cash flow is the movement of money entering and leaving the company over a certain period of time. If a company's cash inflows exceed its expenses, its net cash flow is positive. If its expenses exceed its cash inflows, it is negative.

Companies earn income (revenue) through sales and spend money on expenses (expenses). They can also earn income from interest, investments, royalties, and licensing agreements, and sell products on credit [1]. Estimating cash flows is important in analyzing a company's ability to meet its short-term obligations, flexibility, and financial condition. Public companies are required to report cash flow information in their financial statements. This information is important for investors to use, along with other information, to assess the company's financial condition. Positive cash flow indicates that the company has an increasing amount of liquid assets, which allows the company to pay down debt, reinvest in the business, distribute profits to shareholders, cover expenses, and build a buffer against future financial problems. Companies with strong financial flexibility tend to perform better, especially during times of economic hardship, avoiding the costs of a financial crisis.

Cash flows are reported in a cash flow statement, which is a standard financial statement that shows a company's sources and uses of cash during a given period. Corporate management, analysts, and investors use this statement to assess a company's ability to service its debt and manage operating expenses. Cash flow statements are a part of the financial statements issued by public companies, along with the balance sheet and income statement [2]. Cash flow statements serve as a document that confirms the relationship between a company's balance sheet and income statement. The main part of the statement is a measure of the net increase or decrease in

cash and cash equivalents. This measure reflects the total change in a company's cash over a given period.

The statement of cash flows, when used in conjunction with other financial statements, provides users with information to assess changes in an entity's net assets, its financial structure (liquidity and solvency), and its ability to influence the amount and timing of its cash flows to adapt to changing opportunities and circumstances.

Cash flow management is one of the key factors for the success and sustainability of any business. To be financially sustainable, businesses need to focus not only on generating profits, but also on effectively managing the cash flow generated from operating, investing, and financing activities.

Cash flows are mainly divided into three main types:

1) Operating cash flows – The revenues and expenses generated by a business's core activities. Cash flow from operating activities describes the cash flows associated with the production and sale of products from the company's normal operations. This is also known as operating cash flow, or OCF. It indicates whether a company has enough cash to cover its bills and operating expenses. It is calculated by taking the cash received from sales and subtracting the operating expenses paid during the period.

2) Investing cash flows – Cash flows associated with capital expenditures, the purchase or sale of assets [3]. These types of flows finance investments that will generate income in the future. Cash flow from investing activities shows how much money was received or spent during a given period through various investment activities. Investing activities include the purchase of speculative assets, investing in securities or selling them, as well as the sale of assets.

3) Financing cash flows - Cash flows related to the financial obligations of the enterprise and its shareholders. These flows include borrowing, repaying debt, or paying dividends. Financing cash flow shows the net cash flow used to finance the company and manage its capital. CFF is also called financing cash flow. Financing activities include transactions related to the issuance of debt or shares and the payment of dividends. Financing cash flow shows investors how effectively the company's financial stability and capital structure are managed.

Using the cash flow statement in conjunction with other financial statements helps analysts and investors make conclusions and recommendations. Commonly used measures include:

Free cash flow is a financial performance measure that shows how much cash a company has left over after paying operating expenses and capital expenditures to expand its business or distribute profits to shareholders.

Debt-free free cash flow is the gross free cash flow generated by a company before interest payments.

Cash flow to net income ratio is the ratio of a company's net cash flow to its net income, with a 1:1 ratio being ideal.

Current liability coverage ratio is a measure of a company's ability to cover its current liabilities with operating cash flow.

Price-to-earnings ratio is where operating cash flow per share is divided by the share price [4]. When studying these commonly used measures, the following question arises: What is the difference between cash flow and income? What is the difference between cash flow and profit?

Cash flow refers to the amount of money coming in and going out of a company, while profit refers to the revenue a company receives from selling its products and services. Cash flow refers to the amount of money coming in and going out of a company. Profit refers to the amount of money left over after a company subtracts its expenses from its revenue. In addition, every modern economist should know what free cash flow is and why it is important.

Free cash flow is the amount of money left over after a company pays its operating expenses and capital expenditures. It is freely available for use by the company. Free cash flow is an important indicator of a company's profitability and financial health. Cash flow refers to the amount of money coming in and going out of a company. Companies with positive cash flow are in a position where income exceeds expenses. However, cash flow information may not always be a complete picture of a company's financial health, so it is used in conjunction with other information.

Cash flow is defined as the total amount of cash and cash equivalents that a business generates and spends over a period of time. It differs from profit because cash flow refers to the money that comes in and out of a business, while profit is the money that a business makes after deducting its expenses from its revenue [5]. By controlling cash flow, a company can finance its day-to-day operations. This allows you to pay employees on time, make payments to suppliers, and provide services or continue production without interruption.

When increasing the possibility of attracting capital, investors or credit institutions evaluate the company's cash flow. Stable and positive cash flow indicates the financial health of the company. It increases the likelihood of investing or granting a loan. An important aspect of this is that through effective management, it becomes easier to attract external financial resources. By analyzing cash flows, a company can identify excess costs and effectively manage its cost structure. This helps to maximize profits.

With the help of cash flow analysis, a company can predict unexpected costs or income reductions, and create reserves or plan alternative financial solutions. This helps to maintain financial stability. Therefore, effective cash flow management is, first of all, the foundation for the stability, growth and long-term success of the business. Through this management, the company not only supports its current activities, but also becomes ready for future opportunities.

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