

Tomchuk O.F.

Candidate of Economic Sciences, Associate Professor,
Senior Lecturer at Department of Analysis and Statistics,
Vinnytsia National Agrarian University

CASH FLOW ANALYSIS AS A TOOL FOR ASSESSING CREDITWORTHINESS OF THE ENTERPRISE

In terms of the current market transformations, the timely provision of business entities with adequate and cheap credit resources is crucial for the effective management and production and requires a balanced credit policy of banks concerning the choice of types and methods of lending, determination of the optimal volumes of loans and their borrowing terms. This is especially important for the agricultural sector, which, along with the general external and internal factors, is affected by specific factors, including seasonal needs for funds, low level of repayment, insufficient development of the funding infrastructure, etc.

Terms of assessing the creditworthiness of an enterprise are regulated by the use of certain methods, the most important of which are:

- financial ratios;
- cash flow analysis;
- assessment of the business risk.

Since the loan debt repayment is made in cash, the amount of funds that is accumulated on the settlement, currency and other accounts, in the cash of the enterprise and other short-term liquid assets is of great importance for the credit institution.

Cash flow analysis is based on comparing the volumes of inflow and outflow of the borrower's funds over the period equal to the term of the loan. Obtained result characterizes the value of the net cash flow.

One of the basic principles of cash flow analysis is to use either direct or indirect method of calculating cash flow. The direct method is characterized by using the gross cash flows, while the indirect method reflects cash flows in a pure form. The main advantage of the direct method is that it shows gross receipts and cash payments.

When analysing the cash flow, one can use both more detailed articles (the degree of detalization is determined by the lending institution) and internal division of articles into the organizations that are recipients (or payers) of money. This allows, similar to banking regulations, to calculate the risk of the default payment per debtor, maximum risks of the

default payments and to carry out on-going monitoring of contracts.

Continuous excess of incoming cash flow over their spending certifies a sustainable solvency and enables the bank to make a positive decision on the issue of a loan, and vice versa – short-term excess of expenses over revenues indicates a less favourable rating of the borrower and his lower creditworthiness. The value of cash flow increase and the amount of monetary liabilities of a client serves as an indicator defining a class of creditworthiness based on the established norm.

Cash flow planning enables to predict borrower's behaviour in the future and assess the sources of credit repayment that results in the reduction of the credit risk for the lender and increase of the credit availability for the borrower.

REFERENCES:

1. Demianenko M.Ya. Otsinka kredytopromozhnosti ahroformuvan (teoriia ta praktyka): [monohrafiia] / M.Ya. Demianenko, O.Ye. Hudz, P.A. Stetsiuk. – K.: NNTs IAE, 2008. – 302 s.
2. Maiboroda I.S. Systemna otsinka kredytopromozhnosti silskohospodarskykh pidpriemstv / I.S. Maiboroda // Problemy systemnoho pidkhodu v ekonomitsi. – 2009. – # 31. – S. 230-237.
3. Shchuryk M.V., Buriak P.Yu., Harasym M.P. ta in. Finansovyi analiz: Navch. posib. / M.V. Shchuryk, P.Yu. Buriak, M.P. Harasym. – K.: «Khai-Tek Pres», 2010.– 376 s.
4. Kryvokon O.S. Orhanizatsiini aspekty analizu kredytopromozhnosti pidpriemstv-pozychalnykiv [Elektronnyi resurs] / O.S. Kryvokon, I.M. Buriak // Efektyvna ekonomika. – 2012. – #6. – Rezhym dostupu: <http://www.economy.nayka.com.ua/?op=1&z=1223>
5. Mizhnarodni standarty finansovoi zvitnosti / Ministerstvo finansiv Ukrainy [Elektronnyi resurs] .– Rezhym dostupu: http://www.minfin.gov.ua/control/publish/article/mafin?art_id=92410&cat_id=92408
6. NP(S)BO # 1 «Zahalni vymohy do finansovoi zvitnosti»: Nakaz Minfinu Ukrainy vid 07.02 2013 r. # 73.
7. Analiz ekonomycheskoi deiatelnosti klyentov banka: Ucheb. posobyte / Pod red. O.Y. Lavrushyna . – M.: YNFRA-M, 1996. – 80 s.