

IMPROVEMENT OF CASH FLOW ESTIMATION METHODS IN JOINT-STOCK COMPANIES

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Abstract:

The article sets forth the procedure for choice of strategies, approaches and methods of evaluation, as well as the basic factors determining the growth of the amount of cash flows and enterprise value. Proposed procedure and example of calculating the cash flows and the value of the enterprise with the use of composite indicators EVA, SVA, DFCF.

Keywords: cash flow, the value of the enterprise, methods of assessment, the indicators of economic value added economic and of shareholder value added and debt free of the cash flow. The information base for evaluating cash flows is financial statements. Due to significant differences between Russian RAS and IFRS standards, such an analysis does not adequately reflect the capabilities of the enterprise. Reporting does not carry information about future cash flows, and the value of assets is not market. It does not take into account inflation, forthcoming cash receipts, cash flows from investments in intangible assets. There is no information on cash flows determined by the level of personnel training, staff turnover, the prospects of the topic being developed, the infrastructure of the region in which the enterprise operates, its business reputation, the accumulated and used information base, participation in promising state programs, etc. Therefore, for management purposes, the solution of these issues is a scientific and practical problem.

The solution to this problem is necessary when carrying out transactions for the purchase or sale of a business, when reorganizing an enterprise, when insuring and when arranging a pledge to obtain a loan, when preparing a prospectus for issuing securities, etc.

The purpose of the work is to evaluate cash flows and compare the value of the enterprise, calculated on the basis of different indicators. To do this, it is necessary to choose a strategy, approach, valuation method and the main factors that determine the amount of cash flows and the value of the enterprise.

When forming an action strategy to obtain the required amount of cash flow, the following main methods are chosen:

1. The method of structural restructuring of an enterprise, when the growth of cash flows is determined by a change in the management structure, improvement of the decision-making procedure, etc.

2. A method of increasing the transparency and openness of an enterprise, when an increase in cash flows is associated with the openness of the enterprise's activity plans for the future, with the choice of development paths and interaction with the media, etc.

3. The method of increasing the industrial potential of an enterprise, which determines the growth of cash flows due to the expansion of production, capital investments in intangible assets and intellectual property, etc. This method is the most effective, but also the most time-consuming and more costly, accompanied by increased risks of implementation.

Approaches to the assessment of cash flows are set out in the Government Decree "On Approval of Valuation Standards" dated 07.07.2001 No. 519:

1. The cost approach, which is a set of evaluation methods based on the determination of the costs that must be incurred to obtain the required amount of cash flow.

2. Comparative approach, combining valuation methods, according to which the cash flow of an enterprise is compared with similar cash flows of other enterprises, based, for example, on the prices of purchase and sale transactions of these enterprises.

3. An income approach that allows determining the present value of future cash flows. The method of discounting cash flows at a rate of return equal to the WACC rate (Eng. - Weighted Average Cost of Capital) is widely used. This method is preferable because it allows you to determine the amount of cash flows to investors, the enterprise and shareholders, the start time of receiving income and the period during which it is planned to receive income.

Estimation of cash flows can consist of both an assessment of the flows generated by specific activities and objects (land, real estate, motor vehicles, intellectual property, know-how, etc.), and an assessment of the flows of the enterprise as a whole. In the first case, they speak about the valuation of a part of the enterprise, and in the second - about the valuation of the enterprise as a property complex, according to Art. 132 of the Civil Code of the Russian Federation. Cash flows arise from ongoing (performed) and non-performed activities. In the latter case, we are talking about cash flows that the enterprise is able to generate after the expiration of the investment project. Decisions made for this, for example, in terms of increasing the growth rate of revenue, profit, capital, profitability, expanding sales markets, updating production assets, training personnel, introducing corporate thinking, are tools that ensure the achievement of this main goal.

Cash flows arise when carrying out ordinary types of financial and investment activities and are described by financial indicators. The inflow and outflow of funds arises during the production of products (performance of works, provision of services), as well as during the implementation of an investment project. The amount of cash flows also depends on the factors described by non-financial indicators, for example, on the level of professionalism of employees, whether they have the necessary amount of knowledge, the level of interaction between the enterprise and the media, etc. The solution to the issues of assessing and managing cash flows under the influence of non-financial factors is currently in its infancy.

To assess cash flows, a number of simple coefficients and specialized complex indicators are used, including: moment and interval multipliers; profitability indicators; capitalization method; cost estimation models based on profit indicators; methods combined in the concept of value-based management (VBM); balanced scorecard (BSC), etc.1

To assess the value of an enterprise using the income approach, we select the following indicators: EVA (economic value added), SVA (shareholder value added), and DFCF (Debt free cash flow) and calculate their values2.

EVA measures whether the shareholders receive the same return on their invested equity capital as in the case of its investment in alternative projects. In this case, in the calculations, you can use the value of WACC, the value of which the enterprise has after the choice of sources of financing activities. The choice of the DFCF indicator depends on whether the amount of cash flow takes into account the amount of interest payments on the loan and the change in debt. If these amounts are not taken into account, then the DFCF indicator is used, which makes it possible to determine the efficiency of investing own and borrowed capital. If the answer is yes, then the cash flow of equity is taken for analysis. If the company generates cash flow from its own capital, then the SVA indicator is used in the calculations. The SVA indicator allows you to determine the change in cash flows due to investments in the same year they were implemented, while the EVA indicator does not always allow such an assessment. The SVA indicator makes it possible to evaluate investments at market value. At the same time, the EVA indicator is important for the investor and is an alternative to calculating the effectiveness of capital investments based on the NPV indicator (English - net present value - net present value).

At the same time, when calculating the EVA value and using the NOPLAT (Net operating profit less adjusted tax), NOPAT (Net operating profit after tax) and IC (valuation of invested or attracted capital) indicators, financial statement values may need to be adjusted, which are not taken into account in this calculation.

The main factors that can be used to manage cash flows include: profit growth rate g , investment rate NI , return on invested capital $ROIC$, duration of the forecast and extended period, revenue growth rate, cost of sales, the amount of commercial and administrative expenses KUR , the amount of depreciation deductions of JSC .

The relationship between the factors g , NI and $ROIC$ is described by the dependence:

$$g = (NOPAT_{i+1} - NOPAT_i) / NOPAT_i; g = ROIC \times NI; NI = IC_i / NOPAT_i;$$

$ROIC = (NOPAT_{i+1} - NOPAT_i) / IC_i$ – return on invested capital, where: i – forecast period number.

We accept that the current income tax in the Profit and Loss Statement and the corporate income tax payable to the budget according to the tax declaration are the same. Cash flows are generated from ordinary activities and by attracting investment capital. There is no need to adjust the values of the financial statements. We divide the period during which it is planned

to receive income into two: forecast, which determines cash flows during the implementation of the project, and extended - upon completion of the project.

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