

UDC 330

ECONOMIC NATURE OF CURRENT ASSETS

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Abstract. The article is devoted to the study of theoretical and methodological foundations of current assets, one of the most difficult economic categories. The different points of view of leading Russian and foreign scientists and economists on the determination of the economic nature of current assets at different stages of economic science development are analysed. According to the analysis of the performed literature, the author identifies economic nature of current assets, highlights their main features and indicates the differences between working capital, circulating assets, current assets, circulating funds.

Keywords: current assets; working capital; current assets; operational assets; circulating funds.

In the period of manifestation of crisis phenomena in the economy, the justified choice of a comprehensive policy for managing the current assets of a corporation is one of the key factors for increasing the efficiency of its activity. The production rate of an economic entity and its sales result depend on the material and financial base sufficiency and leads to its profit' increase.

The theoretical and methodological foundations of the policy for managing current assets of enterprises and organizations are laid down in the works of a number of Russian and foreign scientists, such as A. Bernstein, I. A. Blank, J. K. Van Horn, N. Dmitrieva, M. N. Dudin, N. Evdokimova, A. Getman, E. S. Hendricksen, R. N. Holt, V. V. Kovalev, N. V. Lyasnikov, J. K. Van Horn. However, in the writings of modern scientists a number of disagreements regarding the classification of current assets, conflicting points of view of their application are presented. It determines the importance of the research of current assets of the organization in order to increase the efficiency of their use.

An asset, as an element of the socio-economic process, is the property of the organization, which it disposes of as a result of past events, and from which it expects economic benefits in the future [1]. Current assets are one of the components of the proper-

ty of any enterprise. Fully transferring their value to the finished product, current assets ensure the continuity and quality of the production process, largely determine the financial position of the enterprise, its efficiency and competitiveness.

In modern economic science, "current assets" is one of the most difficult economic categories. Modern economic science contains the following concepts, which are often used as synonyms, but include individual semantic features: working capital, circulating assets, current assets, circulating funds. So, circulating funds should be understood as a part of production assets, which is entirely consumed in each production cycle, immediately and completely transfers its value to the products being created and changes the natural form in the production process [13]. Working capital of enterprises is cash held in working capital funds, circulation funds and other assets [14].

From the point of view of accounting, current assets, along with non-current assets, relate to the property of the company and mean material values directly used for the implementation of the production process, as well as those in circulation. The use of current assets involves going through the various stages of one process, in which the assets change their economic expression:

- cash stage (conversion of cash and non-cash funds into production reserves);
- the production stage (a process of transforming the qualitative characteristics of working capital and transferring their value to manufactured products);
- commodity stage (circulation of finished products in the field of sales).

Thus, the tangible and intangible form of working capital is fixed in the definition of current assets. It follows that in the process of analyzing the economic activity of the enterprise it is advisable to use the category “current assets”, mainly in the managerial aspect, when the priority is not the application of a particular concept, but the process of organizing, the functioning of circulating production and circulation funds or their elements, evaluation of the result.

Considering the different points of view of leading Russian and foreign scientists and economists on the determination of the economic nature of current assets at different stages of economic science development, we should start with the term “working capital”, as it appeared earlier than others. F. Quesnay, a recognized founder and leader of the school of physiocrats, considered working capital as the annual costs associated with carrying out agricultural work. He first distinguished advanced capital from fixed and circulating capital, depending on the duration of the turnover. F. Quesnay noted that the value of working capital is presented in the form of “annual advances” (seasonal costs) and is fully reimbursed annually. Such costs in the case of agricultural work included the cost of seeds, labor. From the point of view of physiocrats, F. Quesnay considered working capital as a part of productive capital. At the same time, F. Quesnay mistakenly believed that capital is only funds invested in agriculture and creating a clean product.

The terms “fixed” and “working capital” were introduced into scientific use by the representative of classical economics A. Smith. By working capital, he understood money, stocks, raw materials, materials,

work in progress, semi-finished products, and finished products. A. Smith believed that working capital, being a form of productive capital, can relate to any branches of social production. A. Smith argued that working capital appears in the form of commodity or commercial capital [12].

D. Ricardo, J. St. Mill equated working capital with labor costs, excluding materials costs from working capital [8]. K. Marx believed that working capital exists only at the production stages and is a part of the productive capital, which is aimed at the purchase of labor [6]. According to K. Marx, the economic essence of working capital is manifested in its movement. Working capital, according to K. Marx, completely transfers its value to the manufactured product and loses its consumer form, as a result of which a new value of the product is created, and for the further production process it is necessary to replace the working capital spent with new ones [7]. This process, according to the theory of K. Marx, represents a change of three cycles: at the beginning, money passes from the sphere of circulation to the sphere of production; at the second stage, a new product is created, which includes the transferred cost of raw materials and newly created value through the use of human labor. At the same time, there is also a change of the production form to the commodity one. At the third stage, working capital from the production sphere goes into the sphere of circulation, the commodity form goes into cash. The difference between the newly created value and the amount spent on the production and sale of products is the cash accumulation of the organization. After the completion of one circuit, current assets immediately enter another, ensuring the continuity of the production process. K. Marx believed that only in this case the circuit is completed. In the event of delays in the transition from one stage to another, violations and a decrease in the efficiency of its activities occur in the work of the enterprise. Current assets, entering the circuit, no longer leave it, going through all

the functional forms. Thus, current assets are involved in the production and circulation at all stages of the circuit: supply, production and sale.

The views of A. Smith and K. Marx are shared by such scientists as J. K. VanHorn, L. A. Bernstein, R. N. Holt, E. S. Hendrickson, N. R. Weitzman, N. S. Lunsky, N. A. Blatov, who also connect working capital with the stages of production and circulation. From the perspective of the theory of profitability, working capital, in their opinion, is formed at the stages of production including depreciation and circulation.

It should be noted that working capital implied funds in current circulation at various stages of the production process, which are a type of current assets. The stages of the conversion of working capital can be defined taking into account the peculiarities of its circulation (A. Smith's position) or the circulation period (D. Ricardo's position).

The term "working capital" was widely used in America and Western countries at the end of the nineteenth century. At that time, working capital was understood as a part of the company's property that is completely spent during one production cycle. At the same time, the first attempts were made to structure current assets depending on the duration of the circuit and their conversion into monetary form, i.e., the degree of their liquidity becomes an important sign of current assets. In modern Western economic theory, the term "working capital" is replaced by the concepts of "current assets", "mobile assets", which, in addition to the reserves necessary for the production process, include commodity and money capital.

In the national balance sheet, working capital is presented in the second section of the asset balance. It reflects property that can be converted into cash within one year or one production cycle [9].

Consider the position of Russian modern economists in relation to the definition of "current assets". N. V. Kozharskaya put the basis of the economic essence of current as-

sets as a temporary principle, understanding assets as ones that will be converted into money for a short time [4]. The significance of working capital for the production process and ensuring the continuity of enterprise operation is disclosed in the works of N. A. Vasilyeva, T. A. Mateush, M. P. Mironov. At the same time, they consider current assets primarily as cash necessary for production and circulation [15]. Agreeing with the points of view of the above authors, M. I. Tkachuk identifies two forms of the existence of current assets: material and financial, and emphasizes the need for their separation for the analysis of economic turnover [14]. Like representatives of Western economic theory, A. D. Sheremet equates current assets to the circulating funds of the company, which are fully consumed during one production cycle [11]. N. V. Kolchina, E. I. Shokhin subdivide current assets into production assets and circulation funds, while they call their main goal the provision of an uninterrupted process of production and sale [3]. G. V. Savitskaya holds a similar position, which suggests considering current assets as a part of the capital of an enterprise, which serves to ensure the continuity of business operations [10]. P. M. Chorba, A. A. Gulko believe that own and borrowed funds are directed to the formation of production assets and circulation funds. The cost of funds necessary to ensure continuity of the circuit in the process of expanded reproduction is the cost of working capital [2].

M. N. Kreinina, V. P. Gruzinov and A. S. Pelikh under current assets understand the complex of funds necessary for the functioning of business entities [5]. The basis of the economic essence of current assets is their participation in the capital circulation process and the creation of new value. The capital cycle consists of three stages:

- 1) raw materials and materials necessary for the production process are purchased;
- 2) finished products are made from raw materials and materials;

3) finished products are sold for cash or bank transfer.

In the event of a deferred payment, receivables are generated, which are subsequently converted into money. At the same time, to ensure expanded reproduction, the amount of cash received as a result of the circulation should be greater than the originally advanced. Thus, the more circulation the enterprise's funds make, the more money it receives.

The performed literature review allows us to summarize the points of view of scientists and economists in two large groups: "material" and "monetary" approaches. According to the "material" approach, current assets are considered as tangible assets. The disadvantage of this approach is that the process of converting material values into finished products involves the participation of additional factors of production, labor in particular. It is in the process of the impact of labor on material values that the new value of the product is created. Thus, current assets formally are not tangible assets. This demonstrates the limitations of the "thing" approach.

According to the "monetary approach" current assets appear in the form of cash. However, in our opinion, it is not indisputable to equate funds employed in the production and circulation process with money. Money is only an intermediary between the various stages of the circulation of funds. Formally, tangible current assets exist in the form of stocks, work in progress, finished goods, and they accept the monetary form only between the end of the old and the beginning of a new circuit.

Thus, it seems to us that neither the "proprietary" nor the "monetary" approach fully explains the economic nature of current assets. Combining these approaches provides a more complete picture of the economic nature of this category. It consists in the continuous change of the "material" and "monetary" forms. Current assets are not spent, not

consumed, but advanced, returning after one turnover and entering the next one.

A key characteristic of working capital is the duration of their circuit. It depends on the technological properties of raw materials, material and technical support of the production process, the time gap between the shipment of products to the buyer and its payment. The shorter the duration of the circuit, the less the need for cash to ensure the continuity of the enterprise.

The identified economic nature of current assets allows us to highlight the following main features: a high speed of turnover, since current assets fully transfer their value to the finished product during one production cycle and this differs from non-current assets that transfer their value to a specific product in parts; a constant change in form and participation in all phases of the circulation of funds; the continuity of the circulation of funds; a high degree of liquidity, since due to the high speed of turnover current assets quickly turn into money; participation in the creation of a new value of the product, since the cost of other raw materials and materials is added to the cost of other factors involved in the production, which ensures that the funds received as a result of the turnover exceed the advances. The economic essence of current assets consists in the formation of a surplus product with new value. The value of the surplus product (profit) depends on the speed of circulation of current assets. The greater the speed, the greater the profit, and vice versa. In this regard, it is important to increase the turnover rate of current assets.

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