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SOI: [1.1/TAS](#) DOI: [10.15863/TAS](#)

International Scientific Journal
Theoretical & Applied Science

p-ISSN: 2308-4944 (print) e-ISSN: 2409-0085 (online)

Year: 2025 Issue: 01 Volume: 141

Published: 01.01.2025 <http://T-Science.org>

Issue

Article



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DIAGNOSTICS OF CURRENT ASSET CIRCULATION IN INDUSTRIAL ENTERPRISES

Abstract: Current asset management is central to the financial management system of an enterprise. Efficient use of current assets directly affects the company's ability to ensure uninterrupted production processes, timely fulfill obligations to partners and creditors, and maintain financial stability in conditions of market uncertainty. Modern enterprises face increasing demands on the speed of asset turnover, optimization of inventory structure, and liquidity management. An imbalance between these elements can lead to a slowdown in operating activities, an increase in financial risks, and a decrease in competitiveness. This work is aimed at analyzing key indicators of profitability, turnover, and liquidity of current assets, as well as developing scenarios that will help enterprises improve resource management, minimize risks, and increase financial stability.

Key words: risk, financial stability, management.

Language: English

Citation: Mirzakhililova, D., & Vasser, P. (2025). Diagnostics of current asset circulation in industrial enterprises. *ISJ Theoretical & Applied Science*, 01 (141), 11-14.

Soi: <http://s-o-i.org/1.1/TAS-01-141-2>

Doi:  <https://dx.doi.org/10.15863/TAS.2025.01.141.2>

Scopus ASCC: 2000.

Introduction

For the smooth implementation of the production process, current assets are necessary. In the conditions of a dynamically changing market environment, the enterprise's activities are affected by various negative factors that reduce its financial stability. The structure of current assets and the sources of its formation directly affect the stability of the enterprise, which requires constant monitoring and analysis.

The composition of current assets is represented by a multitude of elements that form current assets. Depending on the role of current assets in the production process and the function they perform, current assets are divided into working capital and circulation funds.

The process of reimbursement of current assets begins with the sale of finished products: funds spent on the acquisition and use of current assets are

returned as revenue and can be redirected to purchase the necessary resources for the next production cycle. Thus, current assets are in constant motion, ensuring a continuous production process and maintaining the current financial stability of the enterprise.

The current assets of an industrial, especially oil and gas enterprise has the following key features:

1. Current assets funds are used to purchase material and technical resources necessary for the uninterrupted production and processing of oil and gas, such as spare parts, drill pipes, bits and tools.
2. The need for current assets is determined by the volumes of oil and gas production, which allows for flexible regulation of its amount depending on production tasks.
3. Participation in all stages of the production cycle: current assets are involved at all stages - from

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the preparation of raw materials to the release of finished products.

Inefficient use of current assets can lead to a number of serious consequences that negatively affect the financial condition of the enterprise. One of the first negative effects is a lack of liquidity. When current assets do not turn over quickly enough, a company may face a problem of a lack of cash to meet its current obligations. This includes paying salaries to employees, taxes, purchasing materials, and repaying short-term debts. In such circumstances, a company may find itself in a situation where it has to choose between meeting its obligations and the need to attract external resources to maintain normal operations.

The second important problem is the need for additional financing. If current assets do not turn over effectively, companies are forced to look for alternative sources of financing to cover the cash deficit. This can lead to short-term loans or borro

wings, which increases the financial burden on the business in the form of interest and other expenses. Constant dependence on external financing increases the risks for the enterprise, especially in conditions of instability in the financial markets or when lending conditions change.

In addition, inefficient use of current assets leads to an increase in costs. For example, if stocks in warehouses are not sold for a long time, this can lead to an increase in the cost of storing them. As a result, the company has to spend additional resources to maintain these stocks and also risks facing the problem of obsolescence or spoilage of products, especially if we are talking about products with a limited shelf life. This also affects logistics and inventory management, since it is necessary to keep more materials and products in stock, which increases storage and transportation costs.

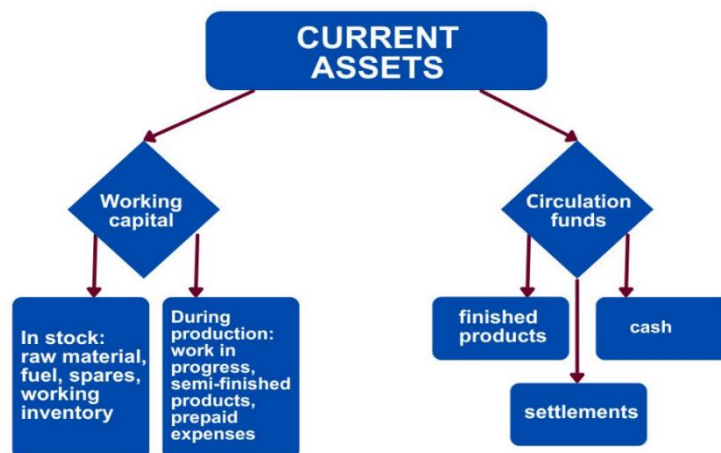


Figure 1. Structure of current assets

Research methodology

Current assets should be examined through three key areas: profitability, turnover and liquidity, as they reflect the efficiency of the use of enterprise resources, the speed of their turnover and the ability to repay obligations in a timely manner.

Return on current assets (Roa) is a general indicator of the efficiency of current assets use. It is calculated as the ratio of profit from product sales to the average value of current assets:

$$Roa = \frac{\text{Operating income}}{\text{Average current assets}}, \quad (1)$$

This indicator shows how much profit the enterprise receives for each sum invested in current assets. The higher this ratio, the more efficiently resources are used, which helps to increase business profitability.

Turnover characterizes how quickly current assets are converted into revenue, which allows us to judge the speed of replenishment of the enterprise's

resources. The main indicator is the total turnover ratio of current assets calculated as the ratio of revenue from sales to the average value of current assets:

$$TT_{CU} = \frac{\text{Sales revenue}}{\text{Average current assets}}, \quad (2)$$

The higher this ratio, the faster the enterprise sells its assets, which indicates efficient operating activities. The duration of the turnover is also important, showing how much time is required to complete one turnover cycle:

$$D_T = \frac{\text{Number of days} \cdot \text{Average current assets}}{\text{Operating income}}, \quad (3)$$

Liquidity shows the ability of an enterprise to repay its short-term obligations in a timely manner. The main indicator is the current liquidity ratio, calculated as the ratio of current assets to current liabilities:

$$CL = \frac{\text{Average current assets}}{\text{Current liabilities}}, \quad (4)$$

It reflects whether the volume of current assets is sufficient to cover liabilities. The standard value of

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this indicator is usually 1.5–2. The absolute liquidity ratio shows what part of short-term liabilities can be repaid immediately using the most liquid assets, such as cash:

$$AL = \frac{\text{Cash}}{\text{Current liabilities}}, \quad (5)$$

Its standard value is 0.2–0.4.

Results

Current assets diagnostics in the areas of profitability, turnover and liquidity can lead to different results depending on the state of the enterprise.

The baseline scenario assumes a moderate level of profitability, which indicates stable, but not dynamically developing activities. The turnover of current assets is at an average level, the operating cycle is balanced, but there are reserves for improvement, for example, through inventory optimization or accounts receivable management. The liquidity of the enterprise corresponds to regulatory values, but liquid assets are limited. This allows current liabilities to be met, but leaves little room for unforeseen expenses. This scenario ensures stable functioning of the enterprise, but limits the possibilities for growth without additional investments or structural changes.

The optimistic scenario assumes a high level of profitability of current assets, which indicates a significant profit from each sum invested in current assets. Efficient use of resources is manifested in a high turnover of inventory, accounts receivable and cash, which accelerates the operating cycle and reduces the need for borrowed funds. The liquidity of the enterprise is at a high level, which allows for timely coverage of obligations and maintaining financial stability. This helps to strengthen the market position, increase profits and increase investment attractiveness.

The pessimistic scenario is characterized by low profitability of current assets due to a decrease in

profits or an increase in costs. Slow resource turnover, for example, excessive accumulation of inventory or an increase in accounts receivable, leads to an extension of the operating cycle and an increase in the need for additional finance. Low liquidity indicators do not allow the enterprise to repay short-term liabilities on time, which increases the risk of default and worsens relations with creditors and suppliers. As a result, the financial condition of the enterprise deteriorates, competitiveness decreases, and the probability of bankruptcy increases.

Conclusion

Current asset management plays a key role in ensuring the financial stability and efficiency of the enterprise. Diagnostics of this area allows for a comprehensive assessment of the company's condition, identifying weaknesses and outlining ways to eliminate them.

Analysis of the profitability of current assets shows how effectively resources are used to generate profit. Asset turnover allows to determine how quickly the company turns its resources into cash flows, and liquidity analysis demonstrates the ability of the enterprise to meet short-term obligations.

The results of the diagnostics form the basis for developing current assets management strategies. High profitability, fast turnover and sufficient liquidity create conditions for growth and strengthening market positions. On the contrary, slow turnover, low profitability and lack of liquid assets may indicate financial risks and the need to adjust management approaches.

Thus, a systematic study of current assets allows the company not only to maintain current stability, but also to lay the foundation for long-term development. Competent management in this area helps to minimize financial risks, increase the efficiency of resource use and create competitive advantages in the market.

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