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Enterprise Finance: Essence, Composition and Structure

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Abstract: The constant growth of the pace of forming the economy largely depends on the correct application of sources of creation and formation of financial resources of an enterprise. The constant shortage of both centralized and decentralized finances leads to instabilities in operation of the enterprise, organizations, branches of the economy and state as a whole. Determining the rational use of financial and other resources involves comparing the quantity and quality of resources spent with the quantitative and qualitative expression of the goals achieved. In the conditions of economic changes in the state, the most important issues are the organization of finance and the correctness of their movement both at the macro level and at the level of economic entities. The importance of this arrangement is determined by the fact that financial resources are a value category and have a direct impact on the stage of the production process in the country, and this influence becomes more noticeable at a lower level – that of enterprises management. The scale and structure of the finances depend on the total volume of production and its effectiveness. The presented material considers internal and external finances, their foundation and application, reveals the main indicators of financial and economic activity of enterprises, traces the tendency of the authorized capital formation, the distribution and significance of finance in the organization functioning.

Keywords: finance, enterprise, economy, authorized capital, profit, loss

JEL Classification: L32, L53, D49

INTRODUCTION

The management of the organization's funds in modern times, in conditions of constant development, requires justification of the main lines of the company's financial strategy and policy. The financial policy

of the organization is a method of creating and implementing of a financial ideology based on the application of a union of techniques and methods of conducting this direction. Under the leadership of finance primarily a process that ensures the operation of the organization's financial management system is understood.

The system of financial relations forms the basis for the development of financial policy. Financial companies are the object of these relations. For this reason, the most important point is the study of the essence, role, and composition of financial resources of the enterprise.

Most often, the financial resources of an organization should be understood as a combination of cash income, both in cash and in cashless form, as well as the proceeds of third-party (borrowed) funds that are collected by the enterprise and sent to fulfill financial obligations, financing the costs that will arise during the development of the production process (Kolchina, *et al.*, 2009).

There is also another definition that consists in the fact that the resources of the organization act as cash accumulation funds and other forms of cash receipts, which are summed up by the business entity (Kolpina *et al.*, 2010).

In addition, the concept of finance, or financial resources are considered as “monetary and other income used for economic and social development” (Fridman, 2010).

A more capacious picture and the idea of the essence of the company's finances is provided by the collective of the authors of the textbook “Financial Management” edited by A.G. Gavrilova.

This textbook says that financial resources are cash income, as well as income and savings that are in the personal management of an economic entity and the state, and are intended to realize expenditures for simple and extended reproduction, and fulfillment of obligations to the financial and credit system (Gavrilova *et al.*, 2010).

These approaches to understanding finance are based on the consideration of financial resources of the enterprise as a source of financing for the main activity of production.

Another group of authors considers it appropriate to consider financial resources as the capital of an organization that is formed from existing assets.

I.T. Balabanov believes that the financial resources of the organization are primarily money in direct possession. He also says that the funds are intended to modernize the production and trading process (purchase of quality raw materials, instruments, labor, etc.), which in their turn represent capital in cash (Balabanov, 1995).

Thus, as each author presents their point of view and considers it to be correct, a contradiction develops within the understanding of finance as an economic category.

The solution of this issue is to provide a universal approach to the principles and methods for conducting financial policy on the basis of already established financial relationships and their material embodiment, i.e. financial resources.

While implementing the most acceptable approach to the consideration of the essence of financial resources, they should be understood as means that ensure the effective operation of the enterprise at any

stage of its development, that is, from the beginning of the source of funding for its core business until the organization of the property complex of the organization and the implementation of the main and auxiliary production.

This understanding of finance makes it possible to display an auxiliary character in the enterprise of the production process and to formulate a different presentation of the role and essence of finance in the activity.

MATERIALS AND METHODS

The theoretical and methodological basis of the paper was the work of classics, as well as a number of economic and management publications on the development of the domestic economy in the modern market, understanding and presentation of potentials and sectors of the economy as a factor in increasing the competitiveness of the state as a whole against the background of the world market, development of the economy as a competitive production center, domestic and foreign scientists, management of human resources and resources.

The research methodology is based on a dialectical method, systemic and strategic approaches to the analyzed objects. Scientific provisions, conclusions, and recommendations made in the article are based on a set of methods of historical and logical analysis, comparison and synthesis, induction and deduction, the economic-statistical method and expert assessments.

The information base of the research was made up of the laws of the Russian Federation, official publications of state statistics, bodies for managing social and labor relations in the sphere of formation and organization of the economy of the Russian Federation, the territorial sector, the International Labor Organization (ILO), thematic collections and directories, information published in scientific editions and periodicals, Internet resources.

The data characterizing the development tendencies of the Russian economy in the conditions of the current trends of the state economy formation, the innovative introduction of the state and foreign investors, marketing research of both external and internal market of products, main competitors - new generation producers and new modernized technologies were taken into account.

DISCUSSION

Different spheres of activity, economic sectors, state policy, and the whole society can not fully implement their activities without having the financial and other resources at their disposal. The production process is completely tied to the constant receipt of funds, which have different materializations: equipment, materials, raw materials, labor resources. All these components of the production process need funding from both their own funds and those involved.

In the notion of society and the manufacturer, finance and their essence have always been the main place, since this economic category is the basis of prosperity and high competition.

Finance enterprises are a combination of their own cash income and third-party proceeds (such as borrowed funds, investments) used by the economic body and are designed to fulfill the financial obligations of the organization, financing the costs associated with production growth and economic incentives.

Creation of financial resources is carried out on several levels:

- on the scale of the state;
- on the territory of each enterprise.

The structure of finance is determined by the sources of their enrollment. The main source of credit for financial resources at the state level is national income. The sources of finance formation at the enterprise are the following elements: own funds (profit, depreciation crediting, proceeds from the sale of property, stable liabilities, resources mobilized in the financial market (sale of shares, securities, bonds, investments), funds received from the financial -banking system (shares, budget subsidies, dividends, etc.).

The main elements of the financial resources of the organization are: statutory and amortization capital, special purpose funds, retained earnings, accounts payable, decentralized funds and others.

At present, under the conditions of constant modernization, crisis phenomena, political interactions, the use of finance is a global and topical issue, since the constant deficit of both centralized and decentralized financial resources entails a violation of the stable operation of enterprises, organizations, companies and the economic system of the whole State.

The definition of the effective use of finance, as well as other types of resources, includes a comparison of the quantity and quality of resources spent with the quantitative and qualitative expression of the results achieved.

However, such a concept as the effective use of financial resources has an independent meaning. This concept includes not only the result of using raw materials and labor resources but also opens economic relations that are peculiar to finance.

So, using the distributive function of finance, through the principles of resource allocation organization receives the most acceptable mode of operation in the market economy of the country. The effectiveness of the application of finance and their resources can be assessed by comparing the achieved results of operations (profit) with a number of financial resources that were available to the company for a certain period.

An important influence is the structure of the sources of the foundation of financial resources, and first of all, it concerns the relative weight of own resources. A significant proportion of financial resources burdens the financial activity of the organization with additional costs that are used to pay interest on bank loans, dividends and complicate the liquidity of the company's balance sheet.

The creation and application of financial resources can function in two forms: stock and non-fund. If it concerns the field of the enterprise, the resources can be used in one form or another. At the same time, a part of the finance is used for the formation of monetary funds with a special purpose, namely: a payroll fund, development of production, material incentives, etc.

The direction of finance to fulfill payment obligations to third parties is carried out in non-fund form.

The size and composition of financial resources largely depend on the total volume of production and its effective operation. The positive dynamics of production and the growth of its efficiency is the basis for multiplying financial resources, both at the state level and at the level of enterprises (Belolipetsky, 2014).

Financial resources of the company are a part of the money in the form of incomes and proceeds from outside, which are directed to fulfill financial obligations and realize expenses for the supply of more capacious reproduction.

Capital and financial resources in their concept represent the main objects of studying the enterprise's finances. In a market that is regulated, the concept of "capital" is more often used, which for a financier is a real object of constant influence with the main purpose of acquiring other incomes of the firm. In this understanding, capital for the financier is an objective factor in the production process of the enterprise.

Thus, capital has a general definition as part of financial resources that are involved in turnover and generate revenue from this turnover, or in other words, capital is a converted form of financial resources.

In this respect, the difference between financial resources and capital is that at any given time financial resources are greater or equal to the capital of the enterprise.

With this equality, the following picture is observed, which says that the enterprise has no financial obligations and all the financial resources that are available are put into circulation. However, this trend can not disclose the meaning that if the given equality is observed, then the enterprise carries out its policy effectively. In practical experience, this equality is not observed in real companies.

Financial reporting is built in such a way that the difference between these categories can not be seen, since in the standard reporting, not exactly financial resources are presented, but their changed forms are liabilities and capital.

In the practical experience of work, the staff is not confronted with the essential categories, but with their altered forms, so the standard financial reporting of enterprises out of practical expediency reflects exactly them.

From the generally accepted definition of financial resources, it follows that in origin they have two forms: internal and external. Internal resources in practical application are presented in the form of net profit and depreciation, but in a modified form in the form of liabilities to employees of the company, at the same time, net profit is the income of the enterprise, which is obtained after the difference in the total amount of revenues, mandatory payments and taxes, fees, penalties and other obligatory payments.

The net profit always stays in the management of the organization and is distributed according to the decisions of the general manager.

External or otherwise called attracted finance also fall into two groups: own and borrowed. This division is characterized by the form of the capital in which it is contributed by external participants in the formation and development of the company: entrepreneurial or loan capital. Entrepreneurial capital is a collection of funds raised, and loan capital is a collection of borrowed funds.

Entrepreneurial capital represents capital invested in various sectors of production with the main purpose of profit and rights to manage the company. Loan capital is the capital provided on loan, taking into account interest payments and a full refund. The main difference between loan capital and loan is that loan capital is not invested in the activities of the organization, but is given for temporary use in order to receive interest. In the activities of firms, these two capitals are interrelated. The market economy is currently most dispersed in terms of activities and space.

This dispersal in the modern world is one of the key factors that ensures the stability of the market and financial system.

In reality, capital can not remain in monetary form for a long time, since it must earn new finances (income).

Money in the form of cash balances in the cash department of the organization or on its account can not bring income. The transformation of the monetary form of capital into production is called financing. Practically, two forms of financing are considered: external and internal. This division is characterized by a rigid connection between the forms of financial resources and capital with the financing process.

RESULTS

Proceeding from the qualification and general concept of financial resources, it can be said that these categories influence the formation of the main results and spheres in the activities of the enterprise.

Own financial resources attracted in the first place represent the basic part of all resources, which is based at the time of formation of the company and is in its possession throughout the entire period of activity (Dugelny, 2014; Shkurkin, Vorontsova & Volkova, 2017).

This part of financial resources should be referred to as the statutory fund or the authorized capital. It is formed by the issue and subsequent sale of securities (shares). For the whole life cycle of an enterprise, the authorized capital may have a tendency of fragmentation, the dynamics of recession and growth, including at the expense of domestic finance.

The main sources of own resources are authorized capital, reserves of accumulation, contributions of legal entities and individuals. Authorized capital is a source of funds for the acquisition of fixed assets, intangible assets, working capital. In other words, the authorized capital is a number of funds that is provided by the owners in order to ensure the statutory activities of the organization.

When forming a company, cash, as well as tangible and intangible assets may be contributions to the authorized capital. At the time when these assets are transferred to the authorized capital, the ownership right passes to the enterprise, that is, the investor loses his property rights to these objects. Then, in the event of liquidation of an enterprise or the withdrawal of a depositor from the company, it is granted solely compensation for its share in the residual property, but not for the return of the asset transferred once to the authorized capital.

The authorized capital of the enterprise is formed during the initial investment of financial resources. Its size is announced when the form is registered, and any change in the authorized capital is permitted only if it is provided for by law and by constituent documents.

The formation of this component can be accompanied by the formation of an additional source of funds, i.e. emission income. When this amount is received, it is credited to additional capital. In the process of carrying out activities, performing basic works, providing services, a new cost appears, which is determined by the total number of sales proceeds.

Revenues from sales are the main source of cost recovery for the production of the product, the formation of money funds; timely receipt guarantees the continuity of the circulation of funds, as well as the continuity of the production process.

Of the total revenue, the organization compensates for the material costs associated with the purchase of raw materials, fuel, electricity, labor, and services rendered by the company. Then the division of proceeds is interrelated with the creation of depreciation charges as a source of reproduction of fixed assets and intangible assets. The remaining revenue is the gross income or the formed value, which is used to pay for labor and the basis for the company's profits, as well as for deductions to off-budget funds, taxes, and other payments.

The circuit of all means of the enterprise is completed, if the company's balance received the proceeds from sales. Until then, until the proceeds are received, the costs of production and circulation are financed from sources of working capital. The result of the circulation of the funds introduced into production is the compensation of costs and the formation of own sources of financing: depreciation and profit.

Such concepts as profit and depreciation are the result of the circulation of funds that are invested in the production process and relate to their own financial resources, which the company can dispose of at its discretion. The rational application of depreciation charges and profits with the target direction allow you to start the production of goods anew on an expanded basis.

By its economic purpose, depreciation is a process of transferring the total value of the fixed asset and intangible assets as they become obsolete to the products produced, thereby turning in the process of realization the monetary form and the accumulation of resources for the next reproduction.

Profit is understood as a net income created by surplus labor. Also, profit forms the principle of material interest in the process of its distribution and realization, as well as the principle of material responsibility. Profit in its essence is the main internal source for meeting and financing the needs and development programs.

The division of profits can be achieved through the creation of special funds. These accumulation funds are directed to scientific, design, development and other works, the development of new products, the costs associated with these processes, the repayment of loans and interest payments, contributions to the creation of authorized capitals of other enterprises, shareholders, etc.

The consumption fund is used for social development and needs. From this fund, there is funding for social and household facilities, their construction, cultural events, financial assistance, additional payments to pensions, etc.

Also, profit is the main source through which a reserve fund is created. The functions of this fund are to recover unforeseen losses and expenses from economic activities, that is, to some extent, the insurer of the enterprise. The procedure for creating this capital is regulated by regulatory documents that regulate the activities of the organization, as well as statutory documents.

At present, the rational and proper distribution of profits and depreciation is accompanied by the formation of financial funds.

A depreciation fund is not created, and the decision to divide profits into special purpose funds remains in the competence of the firm, but this does not change the essence of the distribution processes, which reflect a uniform distribution of financial resources.

The additional capital of the organization acts as a source of the company's funds and is formed in the process of revaluation of fixed assets and other material assets. Normative documents prohibit the use of this capital for consumption purposes.

Since the enterprise's finances are part of the economic relations that appear in the process of economic activity, the principles of their formation are determined by the basics of economic activity.

CONCLUSION

Thus, it can be concluded that the effectiveness of the enterprise finance consumption is directly linked to the rational use of material, labor, and other resources. The decrease in material intensity, i.e. production of more goods without increasing the amount of raw material consumed, saves financial resources.

Lowering the cost of living labor per unit of output means a dynamic growth in the efficiency of the use of labor resources, which also leads to savings in financial resources through increased cash savings and a reduction in the company's need for additional cash.

Making a most general conclusion, it can be said that the dynamics of growth in the pace of development and modernization of the state's economy, world markets and powers, the increase in the economic efficiency of production of goods and services, the improvement of the state, regional and municipal budget, as well as the enterprise's finances, is largely due to the rational and effective application creating sources of financial resources, at the level of the company as well as the state, and thereby defines one of the most important tasks as to correct and profitable financial management.

The management of the company's finances, even distribution among the main programs of the production process, gives impetus and hope that the enterprise will meet the criteria of a favorably functioning link.

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