



## THE CHARACTERISTICS OF WORKING CAPITAL, ITS COMPOSITION AND STRUCTURE

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**Abstract:** *In the materials of this conference, information is given about the nature of working capital, their composition and structure, in order to set up production in the organization and thereby achieve economic stability. It analyzes the calculation of working capital in the organization, its direction and important directions.*

**Key words:** *working capital, production facility, elements of working capital, finance and economics.*

A prerequisite for the implementation of business activities by an enterprise is the availability of working capital. Working capital is the money advanced by the company in its current operations, which is intended to ensure the uninterrupted process of production and sale of products.

Unlike fixed assets, which repeatedly participate in the production process, working capital functions only in one production (operational) cycle and, regardless of the method of production consumption, completely transfers its value to the finished product. It should be noted that along with the term "working capital", the literature also uses such terms as "current assets", "current assets", "working capital". Often these terms are identified by many authors as one and the same component of the property of the enterprise. The working capital of the enterprise (working capital) is presented in Section II of the balance sheet.

Working capital of the enterprise is in constant motion, taking various forms, making a circulation. In each cycle they go through three stages.

*At the first stage*, the company's funds are used to purchase raw materials, materials, fuel, components, etc., necessary for the implementation of production activities (production stocks are formed). At this stage, working capital passes from the monetary form to the commodity form.

*At the second stage*, production stocks are transformed into work in progress and finished goods.

*At the third stage*, the process of selling products and receiving cash from customers for sold products takes place.

With the received funds, the company, first of all, replenishes production stocks, thereby resuming the production process and the entire circulation of the company's funds. In addition, the monetary form that working capital acquires at the final stage of the circulation is simultaneously the beginning of a new process of circulation of funds.

However, this does not mean that working capital moves consistently from one stage of circulation to another. Rather, they are in all three stages of rotation at once. At every moment of time something is bought, produced, sold and bought again. It ensures continuous and uninterrupted production and sale of products. There is a direct relationship between the length of the production cycle of the enterprises and their need for working capital. The longer the cycle, the more working capital is involved in their continuous circulation. It should be remembered that funds are not the same at each stage of the transaction. It depends on the consumer and technological characteristics of the product, its production and sales. Thus, the total duration of the working capital cycle depends on the time that the working capital is at each stage of the cycle. In practice, this means that an increase



in the period of working capital leads not only to the allocation of own funds, but also to the need to attract additional resources in order not to disrupt the continuity of the production and sales process.

The composition of working capital means the sum of elements (substances) that make up working capital. Emphasizing the functional purpose of individual elements of working capital, they are divided into two parts first: circling working capital and working capital.

Current production funds serve the production sector. They contain the following elements.

*Production stocks* - objects of labor prepared for entering the production process. These include raw materials, basic and auxiliary materials, fuel, purchased semi-finished products and components, containers and packaging materials, spare parts for current maintenance, cheap and perishable goods.

*Work in progress (WIP)* is items of labor that have entered the production process and are in the process of processing, as well as self-made semi-finished products that are not completely finished in some workshops and are subject to further processing in other workshops of the same enterprises (these are products that are not finished production and are at its different stages).

*Deferred expenses* are intangible elements of working capital, including costs for the preparation and development of new types of products that are produced in a given period, and are repaid from the costs of future periods (for example, costs for the design and development of technology for new types of products, for rearranging equipment, marketing, etc.).

*Finished products* of the enterprise (located in warehouses, as well as shipped to customers and in transit).

*Cash* (cash in the cash register, in the current account, cash in settlements with consumers of products, i.e. accounts receivable).

The relationship between the individual elements of current assets or their components is called the structure of working capital.

Knowledge and analysis of the structure of working capital at an enterprise is important, since it to a certain extent characterizes the financial condition at a particular moment in the operation of the enterprise. For example, an excessive increase in the share of accounts receivable, finished products in the warehouse, or work in progress indicates a deterioration in the financial condition of the enterprise.

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