

Positive Aspects Of Cash Method In Small Enterprises In The Context Of Pandemic

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ABSTARCT

In this day and age, one of the most consequential tasks is to find ways out to decelerate, stop and overcome the crisis in the economy incurred by the pandemic in the short term and on an ever-increasing scale. At the time of being, when this dire event is befalling, all enterprises are to be run briskly adapting to the current situation. Business entities that acted correctly, taking into account the bizarre conditions and their requirements, have preserved their viability and are gradually recovering from the effects of the crisis. In the context of business, there are scads of ways to implement the optimal use of cash in business through management and financial accounting and economic analysis. However, existing methods enable their own drawbacks as they are not adapted to the paranormal conditions in economy.

The article outlines a model of the accounting internal report which generates information on both cash and cash equivalents in an analytical and generalized manner. Data in the model can be a basis for appropriate verdicts associated with cash in managing small business. As a result, proper and sequential business activity comes to light despite the negative effects of the pandemic.

Key words: cash inflow, cash outflow, cash method of cash accounting, internal report on cash inflows and outflows, cash flow statement model, unusual situation.

INTRODUCTION

Unusual situations happen abruptly both in international and national economy which exacerbate problems and aggravate the hitches of all business entities operating under normal conditions, which are already sufficient. At this time, business activities are required to operate in or adapt to unusual conditions. To illustrate, global financial and economic crisis that began in 2008 is a confirmation of this view. To state, the pandemic, which commenced in 2019, also initiated a similar unusual reality in the economy. Pursuant to our observations, it was crystal clear that the peculiarity of the economic crisis induced by the pandemic has led to a joint decline in the interaction of business entities, in which both demand and supply are not interdependent. One of the main rationales for this is the cases of temporary forced suspension of economic activity (mass quarantine). In view of this, importunity towards raw material purchase is either suspended temporarily or even contracted. At the same time, production and sales are declining or halting which is leading or continuing to lead to a sharp depletion in the volume of

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POSITIVE ASPECTS OF CASH METHOD IN SMALL ENTERPRISES IN THE CONTEXT OF PANDEMIC

cash flows in enterprises. In order to mitigate the leverage of this negative (unusual) situation on economic entities, each country is taking stacks of initiatives, taking into account their potential. In particular, Uzbekistan has also adopted significantly pertinent measures and is putting them into practice. In fact, one of the benefits, assistance or support provided by the President and the Government of the Republic of Uzbekistan to producers is to leave the funds owed by enterprises on various obligations (taxes, loans) at their disposal, i. e not to collect them until they manage to pay, especially in the context of the pandemic. Simply because, as a result of such a set of actions, enterprises have possessed additional funds for their turnover. Other heating point of the issue is to establish the optimal and efficient use of available funds in an enterprise, depending on the circumstances which denotes the fact that in the context of (unusual) pandemic one of the most important and central issues is the establishment of an appropriate economic mechanism or means to ensure the proper management of transactions that can attract, spend and increase the funds of enterprises in their activities where accounting and economic analysis play a crucial role.

In this article, we would like to express our views on the need to make more intense use of accounting opportunities and economic analysis in small businesses, namely, the proper management of funds in the context of the ongoing pandemic. That is, there are oodles of ways to implement the optimal use of funds in the activities of small businesses through the methods of management and financial accounting and economic analysis. However, they all enable a unique character as they are adapted to the conditions of a normal economy. In my view, the article is to depict contingencies and a number of avails of the cash method, which is not used or not given adequate attention in the accounting, analysis of the state and movement of funds in the accounting system of small enterprises in a typical economy. Yet, literatures on the subject do not address the issue of accounting and analysis of cash under abnormal circumstances. The literatures we scrutinized (1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11) outline only calculation method advantages and cash method shortcomings. Existing sources do not investigate global (unusual) cases with their own characteristics, such as pandemic conditions, and their impact on enterprises, the use of opportunities that do not apply accounting or analysis in such conditions and what can be achieved as a result of additional measures.

The article targets to model the cash method use in the accounting system of small businesses in the context of a pandemic in the areas of management accounting and analysis.

MATERIAL AND METHODS

Data for research on this topic were results by and tested from small businesses operating in Namangan region of the Republic of Uzbekistan.

Internal accounting, which forms the movement and status of funds in the management account of small enterprises, is shaped using all available methods of accounting. The internal model of report reflects this approach clearly yet the key aspect of it is to rely on the cash method when accounting for cash inflows or outflows. In other words, cash actually received is regarded as income, and the cash actually paid is reflected in this report as an expense. The content of offered internal report form is the formation of chronological and systematic data on the movement and status of funds in the management account and analysis of small enterprises, both analytical and aggregate data by type of activity (accounting objects), combining the cash method with the calculation method. This permits the internal report to generate data on actual cash outflows by type of activity (accounts) and expenses incurred by the small enterprise, as

well as the actual cash inflows by type of activity (accounts) in a proportional manner as of a certain date. Information on actual cash outflows and receipts is of grand importance, first of all, for proper cash management, and in turn, for management decisions aimed at ensuring the optimal movement of business activities.

RESULTS

The form of internal reporting, which shapes the movement and status of cash in small businesses, encloses a number of advantages in the optimal management of cash in a pandemic. The shape, essence and its algorithm are illustrated in the following table.

Table 1. A model of the internal reporting form shaping the movement and status of cash in small businesses

Cost structure by type of activity	In particular:	Profit structure by the type of activity	In particular:
	The structure of expenses at the object of activity as required by the expenditure of cash		The structure of income in the object of activity in terms of cash inflows
A	B	C	D
1. Production expenses (X ₁) (X ₁ =X _{1Y} +X _{1C} +X _{1Z})	Costs requiring a cash outlay (X _{1Y})	1. Profit by the purchase of (S ₁) (S ₁ = S _{1D} +S _{1Z}) S _{1Y} +	Sales that brought cash (S _{1Y})
	Expenses incurred at the expense of the creditor (X _{1C})		Receivables (S _{1D})
	Expenses that does not require a cash outlay. (X _{1Z})		Profit in other forms (S _{1Z})
	Total expense (X ₁ =X _{1Y} +X _{1C} +X _{1Z})		Total profit(S ₁ =S _{1Y} +S _{1D} +S _{1Z})
1. 2. Period expenses (X ₂) (X ₂ =X _{2Y} +X _{2C} +X _{2Z})	Costs requiring a cash outlay (X _{2Y})	X	X
	Expenses incurred at the expense of the creditor (X _{2C})		
	Costs that do not require a cash outlay (X _{2Z})		
	Total expense (X ₂ =X _{2Y} +X _{2C} +X _{2Z})		
3. Profits by other (operational) activities	Costs requiring a cash outlay (X _{3Y})	2. Profits by other	In the form of cash flow (S _{2Y})

POSITIVE ASPECTS OF CASH METHOD IN SMALL ENTERPRISES IN THE CONTEXT OF PANDEMIC

(X_3) $(X_3=X_{3Y}+X_{3C}+X_{3Z})$	Expenses incurred at the expense of the creditor (X_{3C})	(operational) activities (S_2)	Receivables (S_{2D})
	Costs that do not require a cash outlay (X_{3Z})	$(S_2=S_{2D}+S_{2Z})$ $S_{2Y}+$	Profits in other shapes (S_{2Z})
	Total expense ($X_3=X_{3Y}+X_{3C}+X_{3Z}$)		Total profit ($S_2=S_{2Y}+S_{2D}+S_{2Z}$)
4. Financial expenses (X_4) $(X_4=X_{4Y}+X_{4C})$	Costs requiring a cash outlay (X_{4Y})	3. Profits by financial activity (S_3) $(S_3=S_{3Y}+S_{3D})$	In the form of cash flow (S_{3Y})
	Expenses incurred at the expense of the creditor (X_{4C})		Receivables (S_{3D})
	Total expense ($X_4=X_{4Y}+X_{4C}$)	Total profit ($S_3=S_{3Y}+S_{3D}$)	
5. Emergency expenses (loss) (X_5) $(X_5=X_{5Y}+X_{5Z})$	Costs requiring a cash outlay (X_{5Y})	4. Emergency profit (S_4) $(S_4=S_{4Y})$	In the form of cash flow (S_{4Y}) $(S_4=S_{4Y})$
	Costs that do not require a cash outlay (X_{5Z})		
	Total expense ($X_5=X_{5Y}+X_{5Z}$)		
6. Taxes by profit (X_6) $(X_6=X_{6Y})$	Costs requiring a cash outlay (X_{6Y}) $(X_6=X_{6Y})$	X	X
7. Gross expenses ($X_{\Sigma X}$) $(X_{\Sigma X}=X_1+X_2+X_3+X_4+X_5+X_6)$ or $(X_{\Sigma X}=X_{\Sigma Y}+X_{\Sigma C}+X_{\Sigma Z})$	Costs that require a cash outlay ($X_{\Sigma Y}$) $(X_{\Sigma Y}=X_{1Y}+X_{2Y}+X_{3Y}+X_{4Y}+X_{5Y}+X_{6Y})$	5. Gross profit ($S_{\Sigma S}$) $(S_{\Sigma S}=S_1+S_2+S_3+S_4)$ or $(S_{\Sigma S}=S_{\Sigma Y}+S_{\Sigma D}+S_{\Sigma Z})$	In the form of cash flow $(S_{\Sigma Y}=S_{1Y}+S_{2Y}+S_{3Y}+S_{4Y})$
	Expenses incurred at the expense of the creditor $(X_{\Sigma C}) X_{\Sigma C}=X_{1C}+X_{2C}+X_{3C}+X_{4C}$		In the form of receivables ($S_{\Sigma D}=S_{1D}+S_{2D}+S_{3D}$)
	Costs that do not require a cash outlay ($X_{\Sigma Z}$) $(X_{\Sigma Z}=X_{1Z}+X_{2Z}+X_{3Z}+X_{5Z})$		In other forms ($S_{\Sigma Z}=S_{1Z}+S_{2Z}$)
	Gross expense $X_{\Sigma X}=X_{\Sigma Y}+X_{\Sigma C}+X_{\Sigma Z}$		Gross profit $(S_{\Sigma S}=S_{\Sigma Y}+S_{\Sigma D}+S_{\Sigma Z})$

The data in columns A (Expenses) and C (Profit) in the longitudinal direction of Table 1 are compiled in the order based on the order of formation of financial results of the enterprise and cover all types of activities of the enterprise. Yet, this internal report is not meant to find out financial results but it is necessary for the followings:

Boxes 1-; 2-; 3-; 4-; 5-; 6, located in column A of the report, are assigned to form the costs separately by type of activity, and cells 7 in this column are assigned to indicate the total costs related to the types of activities. Expenditures on each type of activity (columns V- 1-; 2-; 3-; 4-; 5-; 6-cells) pursuant to the demand for cash expenditures - expenses requiring cash expenditures, disbursements formed on the accounts payable, cash expenditures reflects information on unclaimed costs and total costs of the relevant object.

Costs that require cash outflows are those costs that are paid for at the time the business process takes place, that is, the cash outflows that are incurred to the account(s) in a particular activity. Here, each recognized type of expense required a cash outflow in its value. For example, raw materials were purchased for a fee, and simultaneously, they were disbursed or began to be disbursed on production. Expenditures incurred at the expense of the creditor are ones incurred during the business process without temporary payment, i. e without temporary expenditure of funds. That is, current accounts payable, which is reimbursed after a certain period of time, can serve as an example of our idea. The group of expenses that does not entail cash outlay is disbursed like depreciation of property, plant and equipment or intangible asset amortization. Composition of income for each type of activity (column C, columns 1-; 2-; 3-; 4-) is also one of the most key aspects of the report. Income in the form of cash receipts in the object of the account is cash inflows provided by the corresponding income at the time of income recognition. In other words, transactions for which the product was sold at the time the product was sold or for which money was received earlier.

Receivables are transactions in which revenue is recognized for a product sold at a particular date but the amount payable is in the form of current receivables. Other forms of income encompass income recognized on the basis of barter transactions, such as the sale (transfer) of products to refund creditor debts. This type of income consists of profit that cannot be categorized into the above two sort of income. Such internal reporting data permits for a comparison of costs and revenues by type of activity and for each accounting entity. This clearly pinpoints the status of cash inflows and outflows as well as income for each account, the impact of accounts payable and receivable, non-cash expenditures and non-cash income. These data are of grand magnitude concerning analyses and prognoses. Another substantial case is associated with the exact comprehension of total activity and how much money spent for each account object. Cash flow information is generated and procured in appropriate cells in row 7 of columns A and B. Expenditures that entail a cash outflow within the total cost of the activity are made on the basis of this calculation $X_{\Sigma X} = X_{\Sigma Y} + X_{\Sigma C} + X_{\Sigma Z}$ (column A, row 7). Expenditures entailing a cash outflow for each account item are generated $X_{\Sigma Y} = X_{1Y} + X_{2Y} + X_{3Y} + X_{4Y} + X_{5Y}$ (column V, row 7).

So, why are these data necessary? First of all, it is requisite to conceive how much of the total expenses incurred for the operation of the enterprise called for money expenditure on that particular date with the help of which the minimum amount of cash required or required to run the business during this period comes to light. Thus, an enterprise should possess decent amount of money for a certain period of time. It is feasible to comprehend how much of the minimum amount of available funds pertains to or is spent on each account object by means of the formula $X_{\Sigma Y} = X_{1Y} + X_{2Y} + X_{3Y} + X_{4Y} + X_{5Y}$. This is essential for an optimal cash distribution between each

POSITIVE ASPECTS OF CASH METHOD IN SMALL ENTERPRISES IN THE CONTEXT OF PANDEMIC

account object of funds. The formation of costs that require cash as part of the total costs of each account object indicates the minimum amount of money required to carry out the activities of this object. Three informative sentences about costs that require cash expenditures are considered pivotal in the management of enterprise activities, each type of activity and the organization and maintenance of the object of accounting in cash. Yet, these are not meant to be for the reflection of cash outflows at the end of a particular period. Perhaps, it is also essential for forecasting and planning cash outlays. Furthermore, cash expenses are to be prognosticated while its real and intended case along with its dynamics in a particular period of time necessitates to be perceived and factors affecting changes should be analyzed. The aforementioned data are in use when managing enterprise activity and drawing a verdict which are eligible and proper. Therefore, another indispensable aspect of the report is that it is tailored to accurately formulate revenue in terms of cash inflows. Information on the gross income of the enterprise (C column row 5 formula: $S_{\Sigma S} = S_{\Sigma Y} + S_{\Sigma D} + S_{\Sigma Z}$), income from each activity in cash (D column row 5 $S_{\Sigma Y} = S_{1Y} + S_{2Y} + S_{3Y} + S_{4Y}$) and money in a separate account. Income received in the form of money in a separate account is formed in the shape of income (in column S 1-; 2-; 3-; 4-; rows) with the help of which depicts how much money was received in the form of income on that exact date. This information comes to light for the enterprise to find out how much money was resulted in the form of income from each type of activity, its size, whether it is sufficient or surplus to cover the costs required by the expenditure on due date. Additionally, it examines how much money will come in in the form of continuous income for the reporting period and whether it will be adequate to conserve it in reserve. At the same time, it is determined from which account object the cash inflow is most and comes in its own country. Short and long-term measures are taken inevitably in case there is a shortage of cash profit inflow. Laconically, the calculation and analysis of income in cash is the same as the calculation and analysis of expenses in which cash inflow is addressed from the profit point of view.

Based on report data, it is viable to determine the internal criteria of enterprise state in relation to cash inflows and outflows to assess the state of the enterprise's activities and the state of money supply for each account object (Table 2).

Table 2.
Criteria for assessing the state of the enterprise in terms of cash inflows and outflows

Account object name	Formula	Criteria			
		Excellent	Good	Normal	Bad
Status of cash inflows and outflows for the production of a particular type of product (Account Object)	$(S_{1Y} / X_{1Y}) = N$	if, $2 = ; < N$	$(1,5 - 1,9) = N$	$(1,5 - 1,1) = N$	$N < 1$

Pursuant to criteria in Tale 2, it is possible to assess the situation in this regard for the expenditure and income of each individual account (as well as the total for the enterprise). This assessment is significant not only for the past period but also for forecasting purposes.

It is interesting to note that when this approach is leveraged in a small enterprise for each type of activity or object of accounting, especially, in the production of a particular product (work, service), the volume of resources purchased and spent should commensurate to or close to the amount of resources consumed. At the same time, if the supply and sales period has a short description, the data of this internal reporting form are regarded consequential in decision making. If this term takes a longer description, data significance may not be very resolute simply because this approach is based on the cash method. The point denotes that it takes into account how much money was disbursed to produce and sell each account item over a period of time, as well as how much money it resulted in the form of income. The answer to the question: "Is it really sufficient to resume in a sequential manner without involving extra funds in the activity of account object inflow and outflow?" have been ascertained. In addition, it is studied whether the surplus of cash income (together for each account) for the same period is enough for the enterprise to cover current expenses, financial expenses and taxes. Money stream is analyzed with other approaches in provided that there is a long description between production (labor, service) and purchase.

DISCUSSION

In the context of the pandemic, an enterprise must have sufficient funds for its turnover and to ensure the optimal and efficient use of available funds, depending on the circumstances. The internal report we proposed enables a practical significance for proper transaction management which can attract, disburse and surge funds of enterprises in the context of the pandemic. By this, information on cash inflows and outflows recorded on a cash basis is formed for each account, type of activity, total business activity, to identify and control the status of cash flows in business activities, maintain the balance between cash flows or a positive balance. To state, continuation is an important tool for forecasting cash flows. This tool, along with other mechanisms, serves to ensure that the business activities of an enterprise resume uninterrupted, depending on the circumstances which is designed to be adapted for small business activity. Nonetheless, we were not able to find pertinent data in various literatures concerning this topic. All proposed views, in a normal case, are devoted to cash account and its analysis. There are a number of insights associating with deficiencies of cash register method.

CONCLUSION

1. Peculiarity of economic crisis caused by the pandemic has brought about a joint decline in the relationship of business entities, both supply and demand in a state that is not interdependent. This is simply thanks to temporarily and compulsory suspend the economic activity. As a result, raw material purchase is also contracting or even suspending. This figure also belongs to the amount of production which consequently is giving a rise to cash flow lessening.
2. Pandemic conditions that have arisen in the international and national economy have made it necessary for all enterprises to operate in an unusual environment. It denotes that in a pandemic (unusual) environment, the most consequential and central issue is to establish an appropriate economic mechanism or means that ensure the proper management of transactions that can attract, spend and increase the funds of enterprises in their activities where accounting and economic analysis play paramount role.

POSITIVE ASPECTS OF CASH METHOD IN SMALL ENTERPRISES IN THE CONTEXT OF PANDEMIC

3. In the context of ongoing pandemic, it is crucial to make greater use of accounting and economic analysis opportunities in a proper fund management in enterprises. There are the preponderance of ways to implement the optimal use of cash in business through management and financial accounting and economic analysis. However, all of them enable a unique character as they are adapted to the conditions of a normal economy.
4. In contrast to existing views, I reckon, possibilities and a number of avails of cash method, which are not applied or not given enough attention in accounting and analysis of the state and movement of funds in the enterprise accounting system in a normal economy are of practical magnitude.
5. Proposed model of internal reporting form in management account acquires a specific character with the target of illustrating the status of cash inflows and outflows in business activities of an enterprise by the object of the account, type of activity and the total number of activities. Information in the report form is intended to clearly indicate how much money was spent on which account for a given date and how much money was received from which account?
6. Cash spent or received as income for expenses incurred on the relevant accounting items is also necessary to realize which product (work, service) or type of activity in the enterprise generates or requires cash outflow. It is used to make decisive verdicts about cash availability in an enterprise and its further surge.
7. Funds spent or received as income for expenses incurred in the relevant accounts are necessary to thoroughly and briskly monitor which product (work, service) or type of activity in the enterprise, how much money is generated or how much money is spent?
8. A set of data on cash status inflows and outflows, the object of the account, the type of activity and the sum of activities type is crucial to accurately predict the future optimal use of cash.
9. Primarily, in an unusual environment where pandemic is pervasive in all parts of the world, an enterprise remains a practical method and tool bestowed to identify and effectively use the funds needed to conduct the business normally or to elaborate.

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