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“Cash Flow Management. Case: RE Trading LLC”

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Abstract

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Cash Flow Management. Case: RE Trading LLC, 48 pages, 4 appendices

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The purpose of the study was to reveal the essence and significance of cash flows and their wise management in a company as well as methods how to analyze them. Furthermore, the objective was to analyze the cash flow management in a case company RE Trading and provide the organization's representatives with any recommendations for improving it, if necessary.

The information for the theoretical part of the research was gained from different books and scientific journals from the experts in this particular sphere. The data for the empirical research was obtained by the interview with the case company's manager and employees and from the documents and reports provided by them. Both qualitative and quantitative methods were involved in the research process.

The results showed that RE Trading LLC is able to create net cash flow. Furthermore, it was revealed that the organization does not have significant problems with the regulation of cash flow in the enterprise. However, due to the analyzed figures, it can be concluded that RE Trading LLC could be more profitable if any investments were conducted. Finally, in order to optimize the company's existing cash flow, it was proposed to create a subdivision that performs internal control over the entire financial activity of the enterprise including the control of cash flows.

Keywords: cash flow, liquidity, asset, liability

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1 Introduction

1.1 Background

The functioning of an organization is a complex dynamic process that is the result of a continuous cyclical flow of money. One of the problems that the economic entities face in modern conditions is the restoration and preservation of the dynamics of the operating, investment and financial cycles, which is a pledge of the necessary liquid position of the company and the realization of its demand for cash. In order to solve this problem, it is necessary to conduct in-depth studies of economic mechanisms that determine the cash flows of each individual economic entity.

In addition, due to the development of competition, a properly organized management system, including the coordination of commodity and cash flows, credit policy, financial planning, payment discipline, etc., becomes a prerequisite for the successful operation of the company. With a significant business scale, the role of the organization of economic activity increases outperforming, and affects company's profits in the end.

One of the main problems of the Russian economy is currently a shortage of funds in organizations to implement their current and investment activities. One of the reasons for this deficit is, as a rule, the low efficiency of attracting and using monetary resources, the limited use of financial instruments, technologies, and mechanisms.

The economic activity of any organization is accompanied by the movement of money, the presence of which does not always mean the existence of a cash management system in the organization. It is the conscious, effective management of cash flows in the organization that can ensure an uninterrupted process of production, sales of products and profit, and increase the intensity of ongoing economic operations.

Cash flows are an important part of financial management of the company. The low degree of efficiency of cash flow management leads to negative consequences that affect the financial performance of the business entity. In this case,

the company needs to optimize cash flows and make changes both in the overall financial policy and in the cash flow management mechanism.

The company's cash flow is a collection of cash inflows and outflows distributed over time periods generated by its economic activities, the movement of which is related to time, risk and liquidity factors (Blank 2003, p. 77).

The organization's cash flows are key financial indicators of its activities. In order to effectively manage them, managers need to have information on their size, structure, as well as the types of economic activity within which the turnover of capital is carried out. In addition, the manager must clearly understand the reasons for the change in the company's cash flow.

The relevance of the topic of the thesis is determined by the need for ensuring a stable financial condition of the company and conducting a real assessment of the quality analysis of its cash flow management.

A significant number of Russian companies, even the biggest ones, currently do not have a clear understanding of the structure of the cash flows of their activities and are not able to assess the quality of their management (Aslund et al. 2010, p. 157). In this regard, it is very important to conduct an analysis of the principles and system of cash flow management, which is the basis that forms the monetary reserves, facilitates financial relations between different economic entities and implements various tasks of financial management.

In addition, the topic of the thesis is actual because of the deteriorating economic situation in Russia due to the imposition of sanctions, as the sanctions imposed by the US and the EU countries have affected the activities of systemically important credit institutions with state participation. The main purpose of these sanctions is to close access to foreign financing.

Sanctions are aimed at limiting the possibility of attracting external long-term debt, financial and economic resources, as they prohibit to conduct the following transactions: to provide financing and other operations related to new debt capital with a maturity of more than 90 days, concerning new share capital as well as the

property of the persons mentioned in the sanctions list or their proprietary rights. (Bobrik 2014)

As the sanctions limit access to the long-term resources that the Russian economy essentially needs, the issues of efficient management of available funds are currently acquiring much more significance.

At present, it is necessary to search for new approaches and tools to manage cash flows, the development of which would enable to carry out efficient financial and economic activities of the company. In a competitive and an unstable external environment, it is important to respond quickly to deviations from the normal activities of the organization. Cash flow management is a tool that allows to achieve the necessary result of the company's activities - making profit.

1.2 Limitations

The research will be based on the financial statements formed for specific reporting dates. It means that there is a probability of significant dynamics of the considered figures within the periods, which are not covered by the study.

What is more, a significant part of the company's characteristics can not be changed by numerical indicators. The research object (cash flow) may be influenced by non-numerical factors, such as, for example, business reputation of a company or long-standing cooperation with a counterparty.

Furthermore, the analysis will be based on the financial statements formed according to the system of Russian Accounting Standards. The case company does not keep a record of International Financial Reporting Standards (IFRS).

1.3 Case company

The case company of the study will be RE Trading LLC, a retail network of RESERVED clothing stores in the Russian Federation. The choice of a retail network as an object of research was due to the fact that it is especially important for effective cash flow management for trade organizations because of industry specific features:

- absence of a long stage of production (Kinney & Raiborn 2008, p. 32);
- high asset turnover (Fight 2006, p. 52);
- dependence on the conjuncture of commodity and financial markets (Mazzone & Associates 2015, p. 6);
- high share of borrowed funds (Aslund et al. 2010, p. xii).

The formation of a cash management system in trade organizations can improve the solvency and financial stability of an organization as well as significantly reduce financial risks. In addition, the cash flow management in a such organization is complicated by the presence of a large number of outlets, and, accordingly, there are more difficulties in planning and regulating the company's cash flow.

1.4 Research question and methods

The main research question of the thesis is "How to improve cash flow management in RE Trading case company?". The purpose of the study is to develop practical proposals to improve the efficiency of cash flow management and ensure the stable development of the organization.

The answer to the research question will be found by using both quantitative and qualitative research methods. Quantitative research methods will include measurement and analysis of the company's figures, since it is a common practice to assess organization's cash flows (Tortoriello 2009, p. 3). Practical data for the preparation of research work will be obtained by qualitative research methods, such as a semi-structured interview with a head of financial department and a focus group interview with employees from financial and accounting departments of RE Trading LLC.

The information base of the research is the financial statements adopted as a basis for analyzing the financial results of RE Trading, the results of interviews and questioning of employees of RE Trading, scientific publications of leading experts on the research topic.

The study of cash flow management is outlined in the theoretical and practical works of such scientists as Timothy D.H. Jury, Carole R. Engle, Rob Reider, Peter B Heyler, I.A. Blank, G.B. Polyak, M.V. Romanovsky, A.D. Sheremet and others.

2 Concept and essence of cash flows

One of the main problems in economic theory studied for a long time is the problem of monetary circulation. The functioning of the money in the sphere is directly related to the development of the economic system. An important component of the mechanism of the functioning of the economic system is the money from which the cash flows are formed. The company's cash flows are a complex and multi-element management object.

At present, there are a number of interpretations of the essence and definition of the concept of "cash flows". Blank defines an organization's cash flow as a collection of time-allocated receipts and payments of cash generated by its economic activities (Blank 2012, p. 37).

Bocharov characterizes the cash flow as "a collection of cash that a company receives or pays during a certain period." (Bocharov 2013, p. 25).

Michael C. Ehrhardt and Eugene F. Brigham apply the term "cash flows" to describe the process of cash flow, characterizing them as current and future receipts and expenditures of funds (Ehrhardt & Brigham 2010, p. 101). There is also the opinion of Tony Rise and Brian Coyle, who characterize the cash flow as a process of receipt and expenditure of funds (Rise & Coyle 2000, p. 49).

Proceeding from the point of view of the mentioned authors, the study of cash flows must be carried out only in order to assess the credit risk and determine the solvency of the economic entity. Therefore, the cash flow is an indicator of the company's ability to independently generate cash for timely payments on the loan and its successful repayment.

There are no fundamental discrepancies in the existing interpretations of cash flow, as the definition is revealed from different points of view, all of which help to determine the basic properties of cash flows.

Cash flow as an object of financial management of the economic activities of the organization. The cash flow of the enterprise shows its monetary relations of both external, and internal character. External relations include monetary relations of

an enterprise with direct subjects of infrastructure of the financial market (investment funds and companies, insurance organizations, currency and stock exchanges, banks); with budgets of all levels, as well as extrabudgetary funds; and with other economic entities. Internal relations include monetary relations between main and subsidiary enterprises; between structural divisions of the enterprise; enterprises with its owners, with employees and others. (Romanovsky & Vostroknutova 2011, p. 45.)

Enterprise cash flow as a process directly related to the functioning of money and the monetary system in a state. The cash flow performs the role of the content of the company's monetary stream. Cash is a very significant component of the economic system and largely reflects the nature of the development of the economies of different states. These features are expressed in a certain form of the selected national currency in circulation in a country, the types of foreign currency, the issuing policy of this country, the ratio of cash and non-cash money turnover in the state, the scale and special features of the use of specific financial instruments that mediate the monetary relations of the enterprise and other characteristics that determine the features of the monetary system of the state. (Blank 2002, p. 136)

Enterprise cash flow as a process closely related to the formation, distribution and use of its capital. The basis of the company's cash flow is the movement of monetary assets that are in its ownership, i.e. equity in cash. The high level of interconnection of a company's cash flow with the formation, distribution and use of its capital determines the need to take into account theoretical foundations and mechanisms of the functioning of the capital of individual economic entities, and primarily such factors as capital turnover, the cost of capital, the structure of capital while managing these flows. (Blank 2002, p. 136.)

Enterprise cash flow as a process showing the use of various forms of credit by the enterprise. The company's cash flow is directly linked to the movement of its borrowed capital used to carry out economic activities in the form of a loan. This relationship is explained by the fact that today credit is one of the main sources of meeting the demand of enterprises for monetary resources. The enterprise is a user of a loan in its various forms, such as leasing or banking. Whichever of

these forms is used, the operations of obtaining, maintaining and returning it create both positive and negative cash flows in the enterprise, increasing their total volume. In other words, the credit used by the enterprise has a great influence on the volume and structure of the company's cash flows, their rates and the balance of their individual types. (Blank 2002, p. 137.)

Enterprise cash flow as a process that characterizes the turnover and transformation of various types of its assets. The monetary assets that the enterprise uses are in continuous motion, which is accompanied by a regular change in their types and forms. The process of this continuous movement and transformation, called "asset turnover" in the economic theory, is carried out in the form of specific recurring cycles. (Blank 2002, p. 137.)

Enterprise cash flow as a process that ensures the generation of an economic effect. The ability to generate an economic effect is one of the characteristics of a company's cash flow. In the process of economic development of the society, the average indicator of net cash flow of all economic entities is decreasing. This trend is based on the law on the diminishing productivity of capital, which causes a regular reduction in marginal capital and a constant increase in competition. Despite the reduction in the average net cash flow of enterprises, its total amount is regularly increased due to an increase in the use of cash in economic activities. (Ryndina 2016, p. 3.)

Enterprise cash flow as a process that reflects the forms and volumes of the enterprise's functioning in the commodity and financial markets. The formation of cash flows of different types is directly related to the functioning of the enterprise in specific markets. Thus, the main volume of cash inflows in the process of the company's operational activity is directly related to the sale of its products in the commodity market. A significant amount of money is spent on capital goods, semi-finished products, raw materials, materials used in the course of the operating and investment activities of the enterprise. In the financial market, the enterprise attracts funds through the issue of shares and bonds, in the form of banking and other types of credit, but uses money to service and repay the principal amount of debt on the loan, purchase of financial instruments. (Sheremet 2013, p. 50.)

Enterprise cash flow as a process that takes into account the time factor. The rate of increase in the volume of cash flows and their structure by types of activity are formed under the great influence of the time factor. The financial significance of existing and future benefits from the positions of owners of money-capital is ambiguous. Economic theory says that the available goods are always valued by the individual above the benefits of the future. This distinctive feature of economic behavior of individuals in economic theory is characterized by the concept of "temporary preference", the meaning of which is that, other things being equal, the possibilities of future consumption from an economic position are always of less value than current consumption. There are alternative forms of temporal preference. Alternative forms of temporal preference may arise at each stage of the functioning of capital in cash. Accordingly, at each of these stages, the owners of capital face a choice problem associated with its use over time. However, no matter at what stage of the functioning of money resources an alternative to temporary preferences arises, it will always demand a choice of a decision on the correlation of the consumer goods it generates in the current and future periods, proceeding from the economic interests of the founders of an enterprise. (Sheremet 2013, p. 50.)

Enterprise cash flow as a risk-based process. Risk is a very important component of all forms of use of funds in the economic activities of the enterprise. The level of risk of using cash is directly related to the level of the expected effect of net cash flow, especially on the level of profitability of certain business transactions, creating a single "profitability-risk" scale when implementing them. This scale shows the market average numerical characteristics of the level of risk of capital use in cash in various types of entrepreneurial activity, corresponding to specific characteristics of the level of its expected profitability. Risk factor is a significant aspect of the formation of cash flows of the enterprise, which must be taken into account in the course of their management. (Sawyer 2015, p. 265.)

Enterprise cash flow as a process that takes into account the liquidity factor . The cash flow generated by the enterprise should guarantee not only the timely receipt and expenditure of funds, but also the specific level of their stock in order to maintain a stable solvency. Liquidity of cash flows is an objective factor that

determines the formation of its specific forms and types in order to maintain the required level of the company's cash reserves. (Mills & Yamamura 1998.)

The analysis of more significant properties of the company's cash flow demonstrates the extent to which this economic category is diverse from the theoretical and practical points of view. At the same time, all the properties considered expressing the company's characteristic cash flows in various aspects of it are directly interrelated and require a single reflection when determining the economic nature of the cash flow.

The properties considered help to determine the essence of the company's cash flows in a general way, which can be defined as follows: the enterprise's cash flow is the aggregate of the receipts and payments of cash generated by its economic activities distributed over certain intervals of the period under consideration, the movement of which is directly related to time factors, risk and liquidity.

3 Theoretical bases of cash flow management in a company

Cash flow management in each company has distinctive features. When forming a management system, it is necessary to take into account the characteristic features of financial and economic activity and the characteristic conditions of the external and internal environment of the company. Nevertheless, it is necessary to take into account and apply a set of common approaches, methods and methods - a toolkit for managing cash flows.

The main aspects of cash flow management organization are the following:

- Cash flows do not arise with the passive economic behavior of the subject. Accordingly, it is necessary to apply the necessary measures to generate cash flows and affect their parameters
- Cash flows are an important element of the financial and operational cycles, requiring the coordination of financial decisions in the field of cash management with other areas of financial management of the company.

- The management of cash flows requires a certain information content of the managerial financial decisions system.
- Cash flow management implies unambiguous interpretation of the adopted financial decisions, their exact delivery to executors and guarantee of feedback - control, revision and adjustment of financial decisions. (Gutova 2004.)

Tasks of cash flow management include formation of a sufficient amount of the company's cash resources based on the needs of its economic activities in the future: this task is carried out by identifying the need for the right amount of monetary resources for the upcoming period, identifying the sources of formation, and minimizing the cost of attracting them to the enterprise. (Blank 2004, p. 481.)

Another task is optimization of the distribution of the formed volume of monetary resources by types of economic activity of the company and the directions of their use: at the stage of this task, the necessary proportion is being made in the directions of the company's cash resources for the development of its operational, investment and financial activities. Within each activity, more optimal directions of using monetary resources are used, ensuring the achievement of the best final results of the company's economic activities, strategic goals of its development. (Blank 2004, p. 481.)

Moreover, cash flow management has to ensure a high level of financial stability of the company in the process of its development: this financial stability is achieved through the formation of the optimal structure of sources of attracting cash. It is important to pay attention to the correlation between own and borrowed funds, to optimize the structure of cash assets for the periods of their return, to timely carry out the restructuring of liabilities in the conditions of the company's financial crisis. (Blank 2004, p. 481.)

Besides, support for the company's ongoing solvency has to be implemented: this task is realized through the effective management of cash balances and their equivalents, the formation of a sufficient stock, ensuring an even flow of funds and synchronism between positive and negative cash flows, and the selection of

the optimal means of payment in settlements with counterparties. (Blank 2004, p. 481.)

Furthermore, cash flow management is responsible for maximization of the net cash flow, which provides the desired pace of economic development of the company on a self-financing basis: the solution of this task is carried out through the formation of monetary circulation that maximizes the company's profits for all types of activities, the choice of an effective depreciation policy, timely disposal of assets. (Blank 2004, p. 481.)

Finally, it has to ensure minimization of losses in the value of funds in the process of their economic use by the company: monetary assets lose their original value under the influence of time, inflation, risk factors. Therefore, during the organization of monetary circulation in the company, it is necessary to exclude large reserves of money. (Yashina 2015, p. 100.)

The reasons for the shortage of funds in the company can be internal and external. Internal causes include: decrease in sales; flaws in the financial management system: weak financial planning, lack of effective organizational structure of financial services, lack of management accounting, lack of control over expenditures, low qualification of staff. External reasons consist of: the crisis of payment of obligations, suboptimal forms of settlement, competition with other producers, rising energy prices, export losses due to a decrease in the exchange rate of currencies, changes in tax legislation, high cost of loan funds and impact of inflation. (Yashina 2015, p. 100)

Effective management of cash flows requires the creation of a specific policy, which is developed and implemented in several stages:

- analysis of cash flows in the previous period;
- study of factors affecting the formation of cash flows;
- justification of the type of cash flow management policy;
- choosing methods and directions for optimizing cash flows ensuring the implementation of the chosen policy for their management;
- planning the company's cash flows for specific types;

- ensuring effective control over the implementation of the chosen cash flow management policy of the company. (Kroes & Manikas 2014.)

Studying the cash flow management policy, it should be noted that scientists identify three types of it. (Shokhin 2011, p. 189.)

The aggressive policy has a high rate of increase in the volume of cash inflows mainly from loan sources with a relatively low level of reinvestment of net cash flow. This policy, on the one hand, guarantees the formation of monetary resources in the amount necessary for development, but on the other hand it is characterized by a high degree of risk, a violation of financial stability and solvency of the company. (Shokhin 2011, p. 189.)

The moderate policy is characterized by moderate proportions of attracting own and borrowed funds. In general, long-term credit resources prevail in the structure of borrowed funds. The level of financial risk in this case has an average value. (Shokhin 2011, p. 189.)

Finally, the conservative policy is characterized by minimization of the volume of borrowed funds. For economic purposes, the company's net cash flow is used, which is sent for reinvestment. This policy keeps the pace of development of the company, but at the same time minimizes the level of financial risks associated with the formation of cash flows. (Shokhin 2011, p. 189.)

Against the background of the unstable situation in the Russian economy, the analysis of the financial situation of the enterprise is one of the most rapidly reacting indicators for all these changes. An up-to-date analysis of the company's cash flows is based on the data from the cash flow report statement (Averina 2013, p. 46). The information significance of this report is increased due to the fact that directly cash flows are one of the very first indicators that make it possible to discover possible problems of an enterprise (Rogulenko 2013, p. 35).

The report of cash flows is officially approved by the accounting statements. Using this document, it is possible to monitor current solvency, manage cash flows and solve the problem of the discrepancy between the financial result of the enterprise and the cash flow balance (Rogulenko 2016, p. 172).

The analysis of the company's cash flows makes it possible to determine:

- sources of receipt of funds and directions of their use;
- the availability of cash in the current activities of the enterprise;
- provision of funds for further long-term development;
- the ability to pay current debts;
- the need to attract additional funds for a specific period of time. (Wiley 2014, p. 100.)

The tasks of the cash flows analysis are:

- determination of the degree of sufficiency of funds required for the normal operation of the company;
- identification of the efficiency and pace of use of funds in the course of economic activities;
- study of factors, forecasting of the balance and synchronization of inflows and outflows of money resources by volume and time. (Grishenko 2008.)

The cash flows analysis consists of three stages:

- Conducting a horizontal analysis of cash flows on the cash flow statement - analyzing inflows, outflows of cash and net cash flow as a difference between inflows and outflows in the context of each source of their formation, absolute and relative changes in inflows and outflows are calculated;
- Carrying out a vertical analysis (the structure of cash flows in the context of each type of transactions is analyzed, and also the total amount of revenues and payments);
- The size of the net cash flow is analyzed, its value is predicted for future reporting periods. (Melnik & Kogdenko 2012, p. 347.)

Thus, the use of cash flow analysis methods makes it possible to determine the level of cash assets provision in the enterprise, to estimate the sources of receipt and the directions of their use, to determine the capabilities of the enterprise as a payer of current debt and to predict the sufficiency of cash resources for the development of current, investment and financial activities.

Liquidity, solvency, financial stability and market activity will be analyzed during the research to obtain complete information about the financial condition of RE Trading LLC.

With regard to the analysis of liquidity and solvency ratios, based on the recommendations of financial specialists from RE Trading, the following indicators will be considered:

- Absolute liquidity ratio: the absolute liquidity ratio shows how much of the short-term liabilities can be repaid immediately, and is calculated as the ratio of the most liquid current assets to current liabilities (Thukaran 2006, p. 87). In the western approach, the normative value of this coefficient is about 0.5, while in the Russian practice it is usually more than 0.2 due to economic instability in Russia and, accordingly, more loyal requirements to the value of coefficients (Interview 2017).
- Current ratio: the current liquidity ratio indicates whether the enterprise has sufficient funds that can be used to repay its short-term obligations within a year and is defined as the ratio of liquid assets to current liabilities. This is the main indicator of the company's solvency. The value of this coefficient should be in the range 1.0-2.0. (Thukaran 2006, p. 87.)
- The indicator of the security of the organization's liabilities by its assets: the indicator of the security of the organization's liabilities by assets characterizes the size of the organization's assets per unit of debt and is defined as the ratio of the amount of liquid and adjusted non-current assets to the liabilities of the organization. Obviously, the value of this indicator should be close to 1.0 or higher, as this shows how much the company's own assets cover debt obligations. (Kondrakov 2015, par. 27.)
- Solvency of the organization: the degree of solvency for current liabilities determines the current solvency of the organization, the amount of its short-term borrowed funds and the period of possible repayment by the organization of current debt to creditors at the expense of proceeds. The degree of solvency is defined as the ratio of current liabilities of the organization to the value of the average monthly revenue. Thus, the lower

this indicator, the higher the organization's ability to repay current liabilities from its own revenue. (Kondrakov 2015, par. 27.)

- To assess the synchronicity of the formation of various types of cash flows, the solvency ratio within the year under consideration should be considered. It is counted as inflow divided by outflow for the analyzed period (Harris & Hazzard 1979, p. 221).
- Net cash flow adequacy ratio for current activities for self-financing, which is a result of net cash flow from current activities - to - cash outflows from investing activities ratio (Naumenko 2014, p. 5).
- Cash flow sufficiency for current activities for settlement of obligations. This ratio is counted as net cash flow from operating activities divided by cash outflows from financing activities. (Chaldaeva 2013, p. 51.)
- Estimation of the effectiveness of the use of cash is made using the coefficient of profitability of positive cash flow, which is a net profit for the period – to – positive cash flow for the period ratio (Plaskova 2010, p. 297).

In addition to indicators of liquidity and solvency, an important part of financial analysis is the consideration of the ratios characterizing the business activity of the debtor, as these indicators characterize further opportunities for the development of the organization:

- Return on assets: the return on assets characterizes the efficiency of the use of the organization's property, the professional qualification of the enterprise's management and is defined as a percentage of the net profit (loss) to the total assets of the organization. The DuPont formula is used to determine the return on assets. (Finkler et al. 2000, p.118.)
- Net profit margin: the net profit margin characterizes the level of profitability of the economic activity of the organization. It is measured as a percentage and is defined as the ratio of net profit to gross profit. (Gallagher & Andrew 2007, p.92.)

4 Cash flow management assessment at RE Trading LLC

4.1 Organizational and economic characteristics of the company

There were two meetings with the RE Trading LLC representatives conducted during the research period. The first of them consisted of the interviews with the head of the financial department of the organization and two employees from the accounting department. The author of the thesis used a form of a semi-structured interview, since he was not aware of the organizational processes and had to ask additional questions in order to obtain additional sophisticated data. The interviewer started with the general questions about the structure of the company, departments, their functions, activities and responsibilities and proceeded deeper into the entity of cash flow management and its internal processes. The author was provided with the detailed information concerning the financial control in the company, which was enough to draw conclusions about the quality of cash flow management in RE Trading. Furthermore, the author of the thesis was recommended to use specific ratio analysis in the report due to particular features of accounting system in Russian companies in order to get more precise results. During the first meeting, the interviewer obtained "Forms of the balance sheet and the report on financial results" and "Organization structure" documents and signed a non-disclosure document, which prohibits mentioning any names of the employees of RE Trading LLC for corporate security reasons. Besides, the company refused to provide any documents confirming the implementation of the research results in the working process. The recorder was used to gain the information.

The second meeting was organized in order to discuss the potential problems of cash flow management in RE Trading, to which the author of the thesis came as a conclusion. The employees of the organization got acquainted with the results of the research, providing the author with their recommendations and agreeing on most of the aspects.

RE Trading LLC is a retail network of RESERVED clothing stores in the Russian Federation. The company RE Trading is located at the legal address: 115114, Moscow, Shlyuzovaya embankment, house 4. (RE Trading 2016.)

The organization was registered on November 28, 2012; the Inspector of the Federal Tax Service No. 33 in Moscow was the registrar. RE Trading is assigned with INN 7725776121, OGRN 1127747192540, OKPO 72020830. (RE Trading 2016.)

According to the official data, the main activity of the organization is "Retail trade in curtains, tulle curtains in specialized stores". In addition, the organization is engaged in 34 additional activities. (RE Trading 2016.)

The main objectives of RE Trading are:

- Economic activities aimed at making profit;
- Satisfaction of consumers' needs in goods sold by the organization. (RE Trading 2016.)

In the organizational structure of RE Trading, the advantages of linear and functional structures are combined, but the vertical links of the "leader-subordinate" type remain predominant. It is characterized by the fact that at the head of each structural subdivision there is a leader endowed with all powers, carrying out the sole management of subordinate employees and concentrating in his hands all the functions of management. (RE Trading 2014.)

Thus, the linear-functional system provides a form of division and cooperation of labor in management, in which decision-making and control actions are executed by line managers, while functional-design decisions are developed, advised and coordinated. Such a management structure is logically more coherent and formally defined, but also less flexible. (RE Trading 2014.)

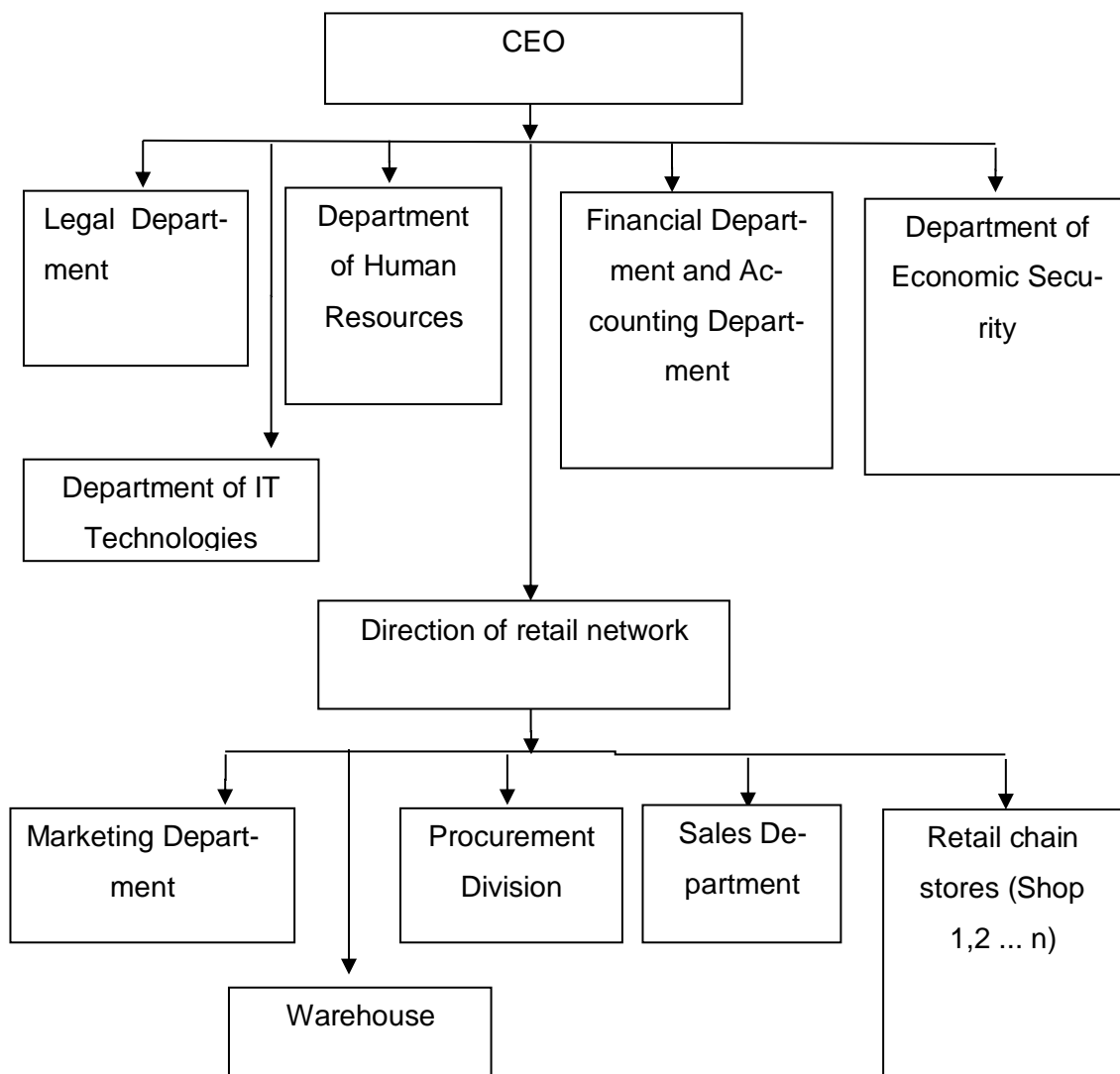


Figure 1 - Organizational structure of RE Trading LLC (RE Trading 2014).

The head of the organization is the CEO, who is responsible for the development and implementation of the goals, policies and strategies for achieving them, as well as the organization and management of the company's day-to-day operations and disposal of property. (RE Trading 2014.)

Services and departments of the company:

Legal department. Main activities include:

- Participation in the development of programs for the promotion of goods, legal risk assessment;

- Consultations on legal issues related to the conduct of the company's business;
- Registration of powers of attorney;
- Approval of transactions in accordance with the local procedure;
- Coordination of work on counterfeit goods. (Interviewee 2017.)

HR department. Main activities:

- Organization of work on the formation, use and development of personnel;
- Participation in the formation of the personnel policy of the enterprise and planning of social development;
- Organization of personnel training, staff development;
- Control over observance of the norms of labor legislation in work with personnel;
- Provision of methodological assistance and consulting services to heads of departments on all matters related to personnel;
- Study and analysis of the official and professional qualification structure of the personnel of the organization and its departments and other information related to the personnel policy of the organization;
- Participation in the preparation of proposals for the development of personnel, business career planning, training and professional development of personnel;
- Methodical and information support of relevant issues. (Interviewee 2017.)

Financial Department and Accounting Reporting Department. Main activities:

- Financial planning;
- Management reporting on sales;
- Reporting on expenses;
- Planning, budget compliance. (Interviewee 2017.)

Accounting. Main activities:

- Maintenance of financial documentation;

- Timeliness of settlements with suppliers, landlords, state tax inspection and other state bodies and analysis of the efficiency of the trading network;
- Work with auditing and controlling state bodies;
- Timely delivery of financial documentation to the State Tax Inspectorate. (Interviewee 2017.)

Department of economic security. The main areas of activity: ensuring the security of the enterprise of internal regime, ensuring the external security of the enterprise. (Interviewee 2017.)

Department of Information Technology. The main area of activity: ensuring the stable operation of IT. (Interviewee 2017.)

Direction of retail network. Main activities:

- Organization of the process of purchasing and selling of goods;
- Implementation of marketing activities;
- Supervising the activities of the stores of RE Trading LLC. (Interviewee 2017.)

As a part of the work, an analysis of the financial and economic activities of the organization for 2014-2016 years will be conducted.

The value of the balance currency of RE Trading LLC is positive. If as of 01.01.2015 the balance sheet total was 6 648 443 thousand rubles, then as of 01.01.2016 this indicator increased by 743 778 thousand rubles and amounted to 7 392 221 thousand rubles. As of early 2017, the balance sheet total increased by 712 713 thousand rubles. And amounted to 8 104 934 thousand rubles. (RE Trading 2016.)

According to the appendix 1, the increase in assets for 2015 was due to an increase in inventories by 547 608 thousand rubles. The increase in assets in 2016 occurred, first of all, due to the increase in inventories by 1 196 508 thousand rubles, and, secondly, with the increase in receivables by 20 278 thousand rubles.

The appendix 2 shows that, in the structure of assets, the main share is made up of current assets, their value as of 01.01.2015 amounted to 4 215 674 thousand rubles, as of 01.01.2016 – 4 424 998 thousand rubles, and as of 01.01.2017 - 5 470 632 thousand rubles. The share over the years in the structure of assets - 63.41%, 59.86% and 67.5%.

As it can be noted from the Appendix 3, in the structure of liabilities, the main growth in 2015 occurred under the item "Retained earnings". The increase in liabilities by 743 778 thousand rubles in 2016 is also associated with the growth of retained earnings in 2015.

The Appendix 4 shows that, in the structure of liabilities, the main share is equity. Long-term liabilities are represented by deferred tax liabilities, their value as of 01.01.2015 amounted to 38 749 thousand rubles, as of 01.01.2016 – 40 827 thousand rubles, and as of 01.01.2017 – 25 864 thousand rubles. The share in the structure of liabilities by years: in 2013 – 0,58%, in 2014 – 0,55%, in 2015 – 0,32%.

Short-term liabilities are almost entirely represented by accounts payable, as of 01.01.2015 its value was 5 216 926 thousand rubles, as of 01.01.2016 – 1 230 065 thousand rubles, and as of 01.01 .2017 - 1 422 247 thousand rubles. The share in the structure of the balance sheet by years is 78.45%, 16.64% and 17.55%, respectively. (RE Trading 2016.)

Index	01.01.2015	01.01.2016	01.01.2017
Absolute liquid ratio	0,04	0,30	0,24
Current ratio	0,06	0,30	0,24
Indicator of the security of the organization's liabilities by its assets	0,42	2,63	2,05
Degree of solvency for current liabilities	10,41	1,36	1,20

Table 1 - Liquidity and solvency ratios of RE Trading for 2014-2016 years.

As can be seen from Table 1, over the last reporting dates the coefficient of absolute liquidity of RE Trading LLC was within the recommended values (not less than 0,2). According to the received data, as of 01/01/2017 RE Trading could immediately pay off 24% of its current liabilities, which is a satisfactory indicator of the organization's activities. (RE Trading 2016.)

According to the available data, it can be concluded that RE Trading LLC does not have sufficient current assets to carry out economic activities (the value of this ratio should be in the range 1.0-2.0).

As for the indicator of the security of the organization's liabilities, over the last reporting dates, the actual value was above the recommended normative value, which indicates the organization's ability to pay off its obligations.

As can be seen from the table, during the period under review, the current obligations of RE Trading were not repayable at the expense of the organization's revenues. It is too early to talk about the possibility of fully paying off current liabilities with the help of earnings.

Thus, based on the review of the solvency indicators of RE Trading LLC, it can be concluded that, in general, the organization has no problems with payment discipline, because if even some ratios are not within the recommended values, then their value slightly differs from the limits of the normal value of the ratios.

Index	01.01.2015	01.01.2016	01.01.2017
Return on assets	-0,3%	-12,3%	6,3%
Net profit margin	-0,3%	-8,4%	3,6%

Table 2 - Coefficients of business activity and profitability of RE Trading for 2014-2016 years (RE Trading 2016).

As can be seen from Table 2, the return on assets of RE Trading is negative in 2014 and 2015, as for these periods the organization received losses.

Only as of 01.01.2017, the net profit margin complies with the recommended value, for the remaining considered periods the organization received a loss.

Thus, based on the results of the financial analysis carried out, it can be concluded that the organization has problems with decreasing of the profitability indicators of the organization's activities.

4.2 Cash flows analysis

Index	2015			2016		
	Inflows	Outflows	Net cash flow	Inflows	Outflows	Net cash flow
Cash flow balance at the beginning of the period	232 489			271 341		
Operating activity flow	9 349 673	7 580 622	1 769 051	10 158 746	9 554 121	604 625
Investment activity flow	1 154	178	976	1 792	440	1 352
Financial activity flow	481	1 499 167	-1 498 686	31	276 245	-276 214
Total net change in cash flows	9 351 308	9 079 967	271 341	10 160 569	9 830 806	329 763
Balance of cash flows at the end of the period	271 341			329 763		

Table 3 - Structure and dynamics of cash flows of RE Trading LLC for 2015-2016, thousand rubles (RE Trading 2016).

The table shows that the balance of cash flows at the end of 2015 amounted to 271 341 thousand rubles, while at the end of 2016 - 329 763 thousand rubles.

Thus, in 2016, compared to 2015, the balance of cash flows increased by 58 422 thousand rubles.

The increase in payments in 2015 as a part of financial activity is related to the repayment of the loan, as well as the interest on it.

The dynamics of the balance of cash flows is fairly even: for example, in 2014 the balance was received in the amount of 232 489 thousand rubles, in 2015 the balance increased, which had a positive effect on the state of cash, as the organization had a cash gain. In 2016, the organization also increased the cash flow balance at the end of the period.

Net cash flow (excess of income over expenditure) in 2015 and in 2016 amounted to 2.9% and 3.2% of total revenues, respectively.

The results of 2016 showed that RE Trading LLC is able to create positive flows, which are sufficient to cover the necessary expenses, so the company is able to create cash reserves (net cash flow).

Coefficient analysis is an essential part of the cash flow analysis. With its help, the deviations from the planned and basic values of various indicators characterizing cash flows are studied, and the ratios of the efficiency of using the money resources of an organization are calculated.

The solvency ratio within the year under consideration:

$$SR\ 2015 = 9\ 351\ 308 / 9\ 079\ 967 = 1,03$$

$$SR\ 2016 = 10\ 160\ 569 / 9\ 830\ 806 = 1,034$$

The value of the current solvency ratio is greater than one, which means that the organization can completely extinguish its obligations for current activities due to excess inflows over outflows (Harris & Hazzard 1979, p. 221).

Net cash flow adequacy ratio for current activities for self-financing:

$$NTCFAR\ 2015 = (9\ 349\ 673 - 7\ 580\ 622) / 178 = 9\ 938,5$$

$$NTCFAR\ 2016 = (10\ 158\ 746 - 9\ 554\ 121) / 440 = 1\ 374,15$$

Too much of this indicator (significantly exceeding "1") can be seen as a result of the calculations. Although this confirms the possibility of fully financing investment processes at the company's own expense, it still indirectly indicates a lack of investment activity, as a large-scale production development is possible only with attraction of external sources of financing (Naumenko 2014, p. 5).

Cash flow sufficiency for current activities for settlement of obligations:

$$\text{CFSFCA 2015} = (9\,349\,673 - 7\,580\,622) / 1\,499\,167 = 1,18$$

$$\text{CFSFCA 2016} = (10\,158\,746 - 9\,554\,121) / 276\,245 = 2,19$$

The high value of the indicator (more than "1") indicates the ability of the organization to repay liabilities at its own expense (Chaldaeva 2013, p. 51).

Profitability of positive cash flow ratio:

$$\text{POPCFR 2015} = 268\,777 / 9\,351\,308 = 0,029$$

$$\text{POPCFR 2016} = 336\,168 / 10\,160\,569 = 0,033$$

RE Trading LLC does not have significant problems with the regulation of cash flow. However, the high value of the net cash flow adequacy ratio for current activities for self-financing, which indicates a low level of investment activity of the organization, can be noted.

Without investing money, RE Trading LLC misses the opportunity to receive additional income and, accordingly, net profit, while the coefficient of profitability of positive cash flow indicates an insufficient amount of net profit received by the organization (Plaskova 2010, p. 297). It means that in order to regulate the company's cash flow and increase its profitability level, RE Trading LLC needs to transfer a part of the cash flow from current to investment activity.

4.3 Main approaches to cash flow management in the company

During the interview with the head of the financial department of RE Trading LLC, the main functional of the unit was set in terms of regulating the organization's cash flows; information on the mechanism of financial control of cash flows; the main problems of regulating cash flows in RE Trading were outlined.

During the questioning of employees of the financial department and the accounting department, the advantages and disadvantages of the internal system for monitoring the company's cash flows were revealed, as well as the main directions for optimizing the cash flow management of PE Trading LLC.

The management of cash flows in RE Trading LLC is based on the financial control system in the company. The organization of the financial control system is necessary for the company in order to ensure the effective use of the monetary resource extracted in the process of commercial activities. (Interviewee 2017.)

The functions of internal control and introduction of information technologies in RE Trading are mainly assigned to the company's CEO, since he is the initiator of automation of control and accounting in the company. A separately created internal control service, which would be responsible for conducting the risk analysis, is not present in the organization. (Interviewee 2017.)

Currently, the functions of internal control are performed by such divisions as: Finance and Accounting Department, Economic Security Department and Legal Department. (Interviewee 2017.)

The following methods of financial control are applied at RE Trading LLC:

- Monitoring;
- Examination;
- Analysis;
- Audit;
- Revision. (Interviewee 2017.)

The implementation of financial control can be based on a monitoring method. Its essence involves, mainly, the familiarization work of the subject of control with the specifics of the activity of its object. On the basis of the monitoring method, some preliminary conclusions are possible regarding the effectiveness of the use of the financial resource, but as a rule, no deep investigation of any processes reflecting the management of the monetary resource is carried out. (Interviewee 2017.)

Modern methods of financial control include such type of activity as examination. The examination at RE Trading LLC is usually used to register the patterns that characterize any aspect of the enterprise's activity in the field of financial management. Using this method, RE Trading LLC investigates processes reflecting the level of the company's payment discipline, as well as other facts useful from the point of view of assessing the quality of cash flow management by the enterprise. (Interviewee 2017.)

The examination includes several tasks: the study of financial documentation, sources that reflect the organization's implementation of certain legislative regulations, the correctness of the maintenance of various types of reports and the stability of their submission to competent structures. (Interviewee 2017.)

The next method of financial control, applied by RE Trading LLC in its activities, is analysis. It involves the use of various kinds of mathematical tools to identify certain patterns in the financial activities of the enterprise, which can be visualized in the form of specific figures. The object of control is usually the indicators attributable to the accounting documentation of RE Trading. (Interviewee 2017.)

The key task in analyzing of the relevant sources is to determine how correctly they are filled in and to what extent they objectively reflect the financial management processes at the enterprise (Interviewee 2017).

Audit as a method of financial control of RE Trading also relates to the category of the key ones. Its essence is to study the areas of the enterprise, which are associated with the need to follow the current norms of financial legislation. (Interviewee 2017.)

Such method of financial control, as an audit, in the organization is accompanied by the formulation of an act reflecting the outcome of the relevant event (reflects the list of violations identified) (Interviewee 2017).

Revision is one of the most comprehensive methods. It can be described as a whole system of financial control. Its purpose is to conduct a comprehensive study of the financial and economic aspects of RE Trading. At the same time, the revision can examine not only documents that reflect the cash flow management,

but also sources that reflect the legal aspects of the company's activities, the specifics of internal processes. At the same time, the main task of applying this method is to reveal the specifics of the implementation of exact financial activities, to detect possible violations in the conduct of transactions with cash flows, to compare their purpose and documenting with the norms of law. (Interviewee 2017.)

The main tasks of control procedures are:

- Verification of compliance with the legislation of the Russian Federation, regulatory documents and instructions of the Bank of Russia and other supervisory and supervisory bodies, internal regulatory documents of RE Trading LLC;
- Assessment of compliance with the principles and procedures of internal control in the applied technologies;
- Verification of reliability, completeness, objectivity and timeliness of accounting and reporting;
- Assessment of the adequacy of staff qualifications to the functions performed within the internal control system;
- Identification of the causes of violations, errors and shortcomings;
- Control of elimination of revealed violations and shortcomings, implementation of recommendations. (Interviewee 2017.)

In accordance with the order of the head of RE Trading LLC, a revision team is created from the competent employees of the enterprise. The members of the audit team have the following duties:

- Ensuring a high level of preparation to carry out the control procedure, performing verification actions in accordance with the program, preparing a certificate of the activity to be checked in a timely manner;
- Creation of conditions for the continuous main activity of the checked division during the revision actions, increasing the effectiveness of revision actions by minimizing labor costs and increasing the effect obtained;
- demonstration of reasonable initiative in the course of implementation of revision actions;

- possession of sufficient knowledge and skills necessary to identify and assess significant risks that may affect the objectives, activities or resources of RE Trading LLC, as well as the ability to assess the effectiveness of management of these risks in the checked division;
- Possession of sufficient knowledge of key risks and control procedures related to information technology and the ability to use automated methods and other methods of data analysis in an amount sufficient to perform assigned tasks. (Interviewee 2017.)

The main objectives of the financial control of the cash flow of RE Trading can be presented in the form of the scheme.

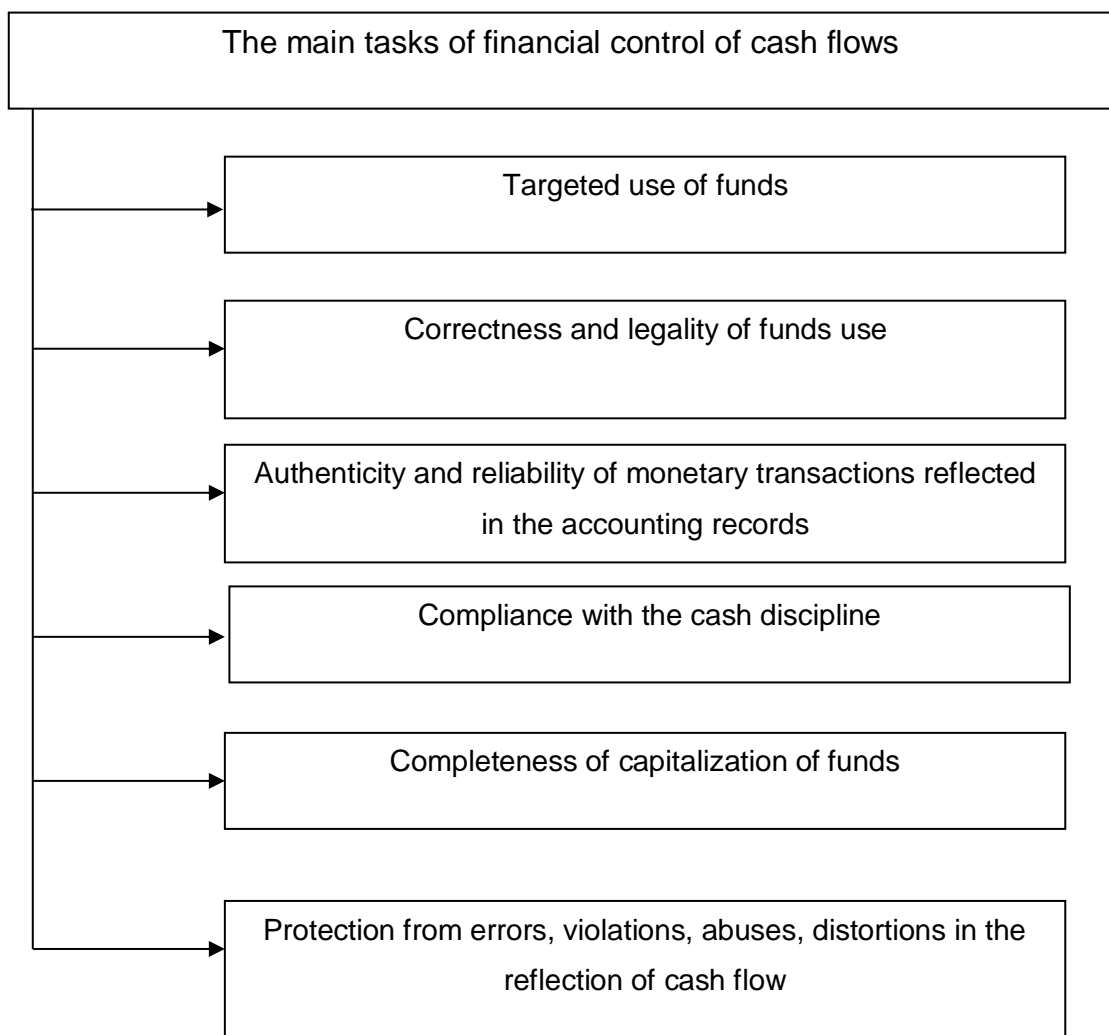


Figure 2 - The main tasks of financial control of cash flows in RE Trading (Interviewee 2017).

RE Trading started as a small business and did not allocate a separate unit for financial control, these functions were assigned to the owner and the structure of financial departments (Interviewee 2017). However, at present RE Trading is a fairly large company and the still absence of its own internal financial control service is a significant omission in the activities of the organization.

Advantages	Disadvantages
<ol style="list-style-type: none"> 1. Employees are well aware of the subject area of financial control and the specifics of the organization's work; 2. Simplicity and speed of interaction (a small number of people involved in financial control procedures); 3. Absence of additional costs related to the maintenance of a separate financial control service. 	<ol style="list-style-type: none"> 1. Increase in the risk of errors, misprints, misuse of funds, tk. The function of financial control is secondary to the existing staff; 2. Absence of analysis of business processes in order to build a financial control system; 3. There is no system of regulations aimed at financial control in RE Trading.

Table 4 - Advantages and disadvantages of the system of internal financial control of cash flows in RE Trading.

Thus, based on the evaluation of the financial control and cash flow management system of RE Trading LLC, it can be concluded that the company has no significant problems with the regulation of cash flow.

5 Recommendations for improving cash flow management at RE Trading LLC

Within the framework of measures aimed at improving the effectiveness of financial control of cash flows in RE Trading, it is proposed to create a division that performs internal control over the entire financial activity of the enterprise (including the control of cash flows). At present there is no such unit, while the volumes of the company's activity are very significant. With the further absence of the financial control unit, the risk of errors, inaccuracies in the accounting, tax, financial

accounting system, as well as the imbalance in the cash flow management system of the enterprise, increases.

In the basis of creating of a successful functioning internal control system of RE Trading LLC, basic requirements covering the control activity of the enterprise must be obeyed.

	Requirements	Explanation
1	Non-admission of concentration of primary control rights in the hands of one person.	Concentration of primary control in one person's hands can lead to inaccurate accounting.
2	Management interest.	The functioning of the internal control system can not be effective without honesty, interest and participation of management officials.
3	Competence, integrity and honesty of subjects of internal control.	If the personnel of the organization in whose functions is to implement the control does not possess these qualities, even an ideally organized internal control system will not be effective.
4	Continuity of development and improvement.	Over time, even the most progressive management methods become obsolete. The internal control system should be designed in such a way that it can be flexibly adjusted to meet new challenges, modernize and improve it.
5	Elimination of unnecessary stages, steps, control procedures.	Control must be organized rationally, as this is often associated with additional outlays of labor and resources.
6	Single responsibility (Longenecker 2010, p. 366).	Each control function should be assigned only to one responsible member. To avoid irresponsibility, it is unacceptable to assign a separate function to two or more responsible members. But the

		consolidation of several control functions for one responsible member is entirely permissible. For example, an individual control function of the chief accountant is to monitor the ongoing business operations for compliance with the legislation of the Russian Federation. He should also be responsible for failing to provide the management with the information on violations.
7	Interaction and coordination	Control should be carried out on the basis of a clear interaction of all units of the organization. It is necessary to have clear coordination for the solution of control tasks.

Table 5 - The main requirements for RE Trading LLC regarding the organization of internal control in terms of accounting.

The main goal of creating internal control is the information transparency of the management object for making effective decisions.

In RE Trading, the main audit issues are the correctness of reflections of transactions in accounting and tax accounting in order to regulate cash flows in the enterprise. The aspect of the organization's compliance with the norms of financial, tax, labor and civil legislation is also significant.

Thus, the activities of the internal control service will strengthen the financial control system of RE Trading LLC, but only if its staff includes employees with relevant qualifications and work experience.

For a better functioning of the accounting service, regular auditing is necessary (Wilson & Gilligan 2005, p. 73). Therefore, an additional monitoring tool is the audit of financial statements. The accumulated experience in the formation of internal audit shows that in addition to the internal control service, RE Trading does not have an internal audit service, since the costs of its maintenance may exceed the economic effect of its activities.

The audit department or the auditor with a minimum set of responsibilities can function in RE Trading for secure purposes. Other tasks and consulting services can be obtained from specialized organizations (audit, consulting) on the basis of individual contracts.

To make it possible for an auditor to rely on the activities of the internal control service, to use the results of its work during the process of organizations' checking, the following conditions must be met:

- Programs and the scope of the audit work should be consistent with the approved plan;
- The results of the audit must be documented;
- The contents of documents made according to the results of inspections, must correspond to reality, justified by circumstances and documents;
- The internal control service should check the areas where the risk of errors and violations is particularly high. (Trenerry 1999, p. 268.)

At the same time, the internal control service should not duplicate the audit function. The internal control service should solve the issues of the security of property of organizations by carrying out inventories, audits, inspections. During the implementation of these forms of control, primary documents of accounting, financial and tax reporting should be reviewed.

Thus, it can be concluded that the organization of an effectively functioning internal control system in RE Trading is a complex process, including the following stages:

- Comparison and analysis of compliance with the organization's previously planned objectives, adopted course of action, strategy and tactics with activities, size, and organizational capabilities;
- Documentary consolidation of the organization's policy in various spheres of its financial and economic activity will allow to carry out preliminary, current and subsequent control of all aspects of its activities;
- Analysis of the effectiveness of the existing management structure, its adjustment. It is necessary to develop (clarify) a plan of documentation and

workflow, staffing, job descriptions indicating the rights, duties and responsibilities of each structural unit. Without such a rigorous approach, it is impossible to carry out a clear coordination of the functioning of all parts of the organization's internal control.

In order to develop a cash flow monitoring system in RE Trading, the following functions must be performed:

- Monitoring the progress in the implementation of financial assignments for their formation, established by the system of planned financial indicators and standards;
- Measurement of the degree of deviation of the actual results of the development of cash flows from the provided ones;
- Diagnostics of the size of deviations of serious violations in the planned development of the company's cash flows and the associated slowdown in its economic development;
- Development of operational management decisions to normalize the company's cash flows in accordance with the goals and indicators;
- Adjustment of individual goals and indicators of cash flow development due to changes in the external economic environment, financial and commodity markets, and internal conditions of the economic activities of the enterprise, if necessary.

Thus, the company currently does not actually have a system for the financial control of cash flows, then RE Trading LLC needs to implement a control system that ensures concentration of control actions within the cash flows, timely detection of deviations from the actually achieved results of their formation from those envisaged and the adoption of operational management decisions that ensure their normalization. The introduction of a cash flow control system at an enterprise will significantly improve the efficiency of the whole process of managing its economic activities.

6 Summary

Theoretical aspects, economic essence and classification of cash flows were

disclosed in the thesis. The stages and methods of analyzing the cash flow were studied, tasks and tools for managing cash flow revealed theoretical approaches to optimizing cash flows were revealed.

Within the framework of the work, the cash flow of RE Trading LLC was analyzed. The present thesis has investigated the organizational structure of the company with a description of the main functions of its structural units. The analysis of financial and economic activity of the company for the last 3 years (dynamics of assets, liabilities, structure of assets, liabilities, factor analysis of financial and economic activity) was conducted.

The results of 2016 showed that RE Trading LLC is able to create positive flows sufficient to cover the necessary expenses, accordingly, the company is able to create cash reserves (net cash flow). Furthermore, it was revealed that RE Trading LLC does not have significant problems with the regulation of cash flow in the enterprise. However, the high value of the net cash flow adequacy ratio for current activities for self-financing indicates a low level of investment activity of the enterprise. Without investing money, RE Trading LLC misses the opportunity to receive additional income and, accordingly, net profit. Thus, RE Trading LLC was proposed to move some of the cash flow from current activities to investment activities.

Finally, in order to optimize the company's existing cash flow, it was proposed to create a subdivision that performs internal control over the entire financial activity of the enterprise including the control of cash flows, since there is no such unit at present, while the volumes of the company's activity are rather significant. The company management got acquainted with the mentioned suggestions and promised to keep them in mind.

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Appendices

Index	01.01.2015	01.01.2016	01.01.2017	Deviation 2015/2014	Deviation 2016/2015	Growth rate 2015/2014	Growth rate 2016/2015
I. FIXED ASSETS							
Fixed assets	2 372 935	2 787 971	2 610 972	415 036	-176 999	117,49%	93,65%
Deferred tax assets	59 834	179 251	23 330	119 417	-155 921	299,58%	13,02%
Total for section I	2 432 769	2 967 223	2 634 302	534 454	-332 921	121,97%	88,78%
II. CURRENT ASSETS							
Inventory	2 387 026	2934634	4131142	547 608	1 196 508	122,94%	140,77%
VAT	316 436	304 683	165 139	-11 753	-139 544	96,29%	54,20%
Receivables	1 119 369	816 607	836 885	-302 762	20 278	72,95%	102,48%
Financial investments	135 600	0	0	-135 600	0	0,00%	0,00%
Cash	239 403	350 141	319 389	110 738	-30 752	146,26%	91,22%
Other current assets	17 840	18 934	18 078	1 094	-856	106,13%	95,48%

Total for section II	4 215 674	4 424 998	5 470 632	209 324	1 045 634	104,97%	123,63%
BALANCE	6 648 443	7 392 221	8 104 934	743 778	712 713	111,19%	109,64%

Appendix 1: Table 6 - Dynamics of assets of RE Trading LLC for 2014-2016, thousand rubles.

Index	01.01.15	01.01.16	01.01.17	Share in the structure as of 01.01.2015	Share in the structure as of 01.01.2016	Share in the structure as of 01.01.2017
I. FIXED ASSETS						
Fixed assets	2 372 935	2 787 971	2 610 972	35,69%	37,71%	32,21%
Deferred tax assets	59 834	179 251	23 330	0,90%	2,42%	0,29%
Total for section I	2 432 769	2 967 223	2 634 302	36,59%	40,14%	32,50%
II. CURRENT ASSETS						
Inventory	2 387 026	2934634	4131142	35,90%	39,70%	50,97%
VAT	316 436	304 683	165 139	4,76%	4,12%	2,04%
Receivables	1 119 369	816 607	836 885	16,84%	11,05%	10,33%
Financial investments	135 600	0	0	2,04%	0,00%	0,00%
Cash	239 403	350 141	319 389	3,60%	4,74%	3,94%
Other current assets	17 840	18 934	18 078	0,27%	0,26%	0,22%
Total for section II	4 215 674	4 424 998	5 470 632	63,41%	59,86%	67,50%
BALANCE	6 648 443	7 392 221	8 104 934	100,00%	100,00%	100,00%

Appendix 2: Table 7 - Structure of assets of RE Trading LLC 2014 - 2016, thousand rubles.

Index	01.01.20 15	01.01.20 16	01.01.20 17	Devia- tion 2015/20 14	Devia- tion 2016/20 15	Growth rate 2015/20 14	Growth rate 2016/20 15
III. CAPITAL AND RESERVES							
Autho- rized capi- tal	242 000	242 000	242 000	0	0	100,00 %	100,00 %
Re- serve capi- tal	410	410	410	0	0	100,00 %	100,00 %
Un- distrib- uted profit (unco- vered loss)	-384 580	5 822 711	6 329 553	6 207 291	506 842	1514,04 %	108,70 %
Total for sec- tion III	-142 170	6 065 121	6 571 964	6 207 291	506 843	4266,10 %	108,36 %
IV. LONG-TERM LIABILITIES							
Borro- wed funds	1 490 938	0	0	-1 490 938	0	0,00%	0,00%
Defer- red tax	38 749	40 827	25 864	2 078	-14 963	105,36 %	63,35%

liabilities							
Total for section IV	529 687	40 827	25 864	-488 860	-14 963	7,71%	63,35%
V. SHORT-TERM LIABILITIES							
Borrowed funds	4 137	0	0	-4 137	0	0,00%	0,00%
Accounts payable	5 216 926	1 230 065	1 422 247	-3 986 861	192 182	19,79%	115,62 %
Revenue of the future periods	0	0	28 463	0	28 463	0,00%	0,00%
Estimated liabilities	39 863	56 208	56 397	16 345	189	141,00 %	100,34 %
Total for section V	6 260 926	1 286 273	1 507 107	-4 974 653	220 834	20,54%	117,17 %

BA- LANC E	6 648 443	7 392 221	8 104 934	743 778	712 713	111,19 %	109,64 %
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Appendix 3: Table 8 - *Dynamics of liabilities of RE Trading LLC for 2014-2016, thousand rubles.*

Index	01.01.2015	01.01.2016	01.01.2017	Share in the structure as of 01.01.2015	Share in the structure as of 01.01.2016	Share in the structure as of 01.01.2017
III. CAPITAL AND RESERVES						
Authorized capital	242 000	242 000	242 000	3,64%	3,27%	2,99%
Reserve capital	410	410	410	0,01%	0,01%	0,01%
Undistributed profit (uncovered loss)	-384 580	5 822 711	6 329 553	-5,78%	78,77%	78,10%
Total for section III	-142 170	6 065 121	6 571 964	-2,14%	82,05%	81,09%
IV. LONG-TERM LIABILITIES						

Borrowed funds	1 490 938	0	0	22,41%	0,00%	0,00%
Deferred tax liabilities	38 749	40 827	25 864	0,58%	0,55%	0,32%
Total for section IV	529 687	40 827	25 864	7,97%	0,55%	0,32%
V. SHORT-TERM LIABILITIES						
Borrowed funds	4 137	0	0	0,06%	0,00%	0,00%
Accounts payable	5 216 926	1 230 065	1 422 247	78,45%	16,64%	17,55%
Revenue of the future periods	0	0	28 463	0,00%	0,00%	0,35%
Estimated liabilities	39 863	56 208	56 397	0,60%	0,76%	0,70%
Total for section V	6 260 926	1 286 273	1 507 107	94,17%	17,40%	18,59%

BA- LANC E	6 648 443	7 392 221	8 104 934	100,00%	100,00%	100,00%
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Appendix 4: Table 9 - *Structure of liabilities of RE Trading LLC 2014 - 2016, thousand rubles.*