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Impact of working capital management on the profitability of agricultural companies

In today's competitive world maintaining financial strength on a day to day basis has become a challenge. Every firm wants to see themselves financially sound. The financial attributes like liquidity, solvency and profitability can be improved by effective implementation of the working capital management. Optimal level of liquidity guarantees a firm to meet their short term debts and the proper management of flow can be promised by a profitable business. Liquidity shows the ability of company in responding to short-term obligation.

Large inventory and generous trade credit policy may lead to high sales. The larger inventory also reduces the risk of a stock-out. Trade credit may stimulate sales because it allows a firm to access product quality before paying. Another component of working capital is accounts payables. Delaying payment of accounts payable to suppliers allows firms to access the quality of bough products and can be inexpensive and flexible source of financing.

Working Capital Policies: Every company needs to monitor its working capital closely in order to cover its cash requirements. As a business grows the firms should keep an eye on the investment of working capital. The firm can also form the effective policies on working capital management to run their business smoothly. The firm needs a separate policy on all the components of working capital like cash policies, inventory policies, credit policies, payable policies etc.

The above working capital policies can be aggressive, moderate or conservative:

- *Aggressive strategy:* This is the most aggressive of all the strategies. It fully focuses on the profit side the firm. It is called high risk, high profit strategy. Here the long term funds are mainly employed in fixed assets.
- *Moderate strategy:* As the name indicates it is moderate. Here part of the long term funds are used in current assets. Here risk and returns are moderate. It is a balance between the aggressive and conservative policies.
- *Conservative strategy:* Here also the working capital is financed with low risk and profit. In this strategy part of the permanent working capital is financed by the long term sources. In this strategy the objective is to play safe.

The growth of the profitability of working capital by changing the structure of financing of working capital assets of an enterprise can be considered as an effect of the financial leverage of working capital (EFL_{WC}), which is estimated as follows:

$$EFL_{WC} = 1 - t * ROA * CATO - R_{STD} * \frac{STD}{WC}$$

where t – corporate profit tax rate; ROA – return on asset; $CATO$ – current assets turnover ratio; R_{STD} – cost of short-term debt; STD – amount of short-term debt; WC – sum of working capital; STD/WC – financial leverage of working capital

Let's consider an example of using the proposed approach to determine the effect of a financial leverage and the consequences of its use within the various operating conditions of a metallurgical enterprise (Table 1).

In the Table two variants of financing of operational activity of the enterprise are given in relation to the basic one: - scenario 1 - increase the coefficient of the financial leverage of the working capital of the enterprise; - scenario 2 - Increase in debt capital and total financial leverage ratio.

As can be seen from the data in Table. 1, in case of exceeding the cost of borrowed capital, the profitability of its use, only the implementation of the effect of the financial leverage of working capital, namely the increase in the share of current assets, which is financed by current debt, can lead to an increase in the return on equity.

Table 1. Estimation of the efficiency of the working capital financial leverage at agricultural enterprise*, USD thousand.

Indicator	Basic	Scenario 1	Scenario 2
Equity	1,028	1,028	1,028
Debt	266	55	476
Return on Assets	27.5%	33.1%	23.0%
Cost of Debt	20.0%	25.0%	25.0%
Financial leverage	0.26	0.05	0.46
Working capital	530	509	551
Short-term debt	468	492	445
Net income	355.1	358.8	345.5
Return on Equity	18.9%	19.1%	18.3%
Return on WC	67.0%	70.5%	62.7%
Financial leverage of WC	0.67	0.71	0.63
EFL of Working capital	0.34	0.43	0.23

**All calculations were made based on the financial statements of the conventional agricultural enterprise.*

Within the operating activity of the enterprise should be considered a short-term effect, which is associated with a change in the ratio of current liabilities and working capital. That is, the growth of the profitability of working capital by changing the structure of financing of current assets of the enterprise can be considered an effect of the financial leverage of working capital.

Thus, taking into account the effect of the financial leverage of working capital, the processes of occurrence and redemption of current liabilities deserving special attention in connection with the directions of their use for the financing of

certain circulating assets, including current debts and system-wide financial flows, which serves as the main the direction of development of the proposed results.

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Аналіз факторів, що впливають на ефективність та вартість бізнесу в сфері перекладів документів в м. Одеса

В умовах сучасного стану економіки України вкрай важливо створювати нові підприємства. Оскільки країна намагається вступити до Європейського союзу та встановити більш тісні торгові взаємовідносини, все частіше створюються підприємства, що займаються імпортною чи експортною діяльністю. Особливо це актуально для прикордонних територій, наприклад, Одеської області, в якій за 9 місяців 2018 року імпортних операцій було