THE IMPORTANCE OF CORPORATE FINANCE IN EFFECTIVE CASH FLOW MANAGEMENT

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Abstract

In this article, the importance of corporate finance in the effective management of cash flows of joint-stock companies, modern methods of cash flow forecasting are explained in detail. Accounting for the time factor in corporate financial relations is carried out using discounting and growth methods based on interest calculation techniques. The essence of these methods reflects the determination of the amount of money required for different periods in the present or future.

Key words: corporate finance, cash flow forecasting, joint stock company, free cash flow, discounted cash flow, time value of money, interest rate.

Corporate finance means financial relations related to the creation of a commercial organization and the activities of the established commercial organization through the voluntary pooling of their property by legal entities and individuals and is an independent area of the financial system. It is in this area of finance that the main part of the income distributed to various sectors of the economy is formed, and these incomes serve as the main source of economic development and social development. In this case, the income of enterprises is distributed to self-financing, obligations to employees and the state, and other directions. Based on the above, we can see the emergence of corporate finance as a central link of the financial system, and we must emphasize that the effective organization of corporate finance requires constant attention in the socio-economic development of society. In the Action Strategy for the further development of the Republic of Uzbekistan in 2017-2021, tasks such as "developing the stock market as an alternative source for the deployment of free resources of the population", "achieving the initial placement of shares of individual national enterprises in prestigious foreign stock exchanges (IPO), ensuring their access to the foreign capital market" also increases the importance of corporate finance.

It is no exaggeration to say that corporate finance serves as the basis of the international financial system today. In such a case, the effective organization of corporate finance in our country will increase the economic development of our country, as well as increase the process of international economic integration.

Today, joint stock companies are widely using modern methods in forecasting cash flows. Calculating cash flow indicators and forecasting them is one of the most important elements in running a business. Several indicators should be taken into account in joint-stock companies when forecasting cash flows. In particular, it is necessary to make a forecast taking into account free cash flows and discounted cash flows of joint-stock companies.

In general, researchers and analysts perform cash flow forecasting by calculating the expected cash flows from joint stock companies and the present value of their future income-producing assets. Many aspects of assessing the financial condition of joint-stock companies depend on its prospects. When forecasting cash flows of joint-stock companies, it is necessary to take into account cash flows from capital, cash flows from assets and cash flows from creditors. It is also important for companies to consider the risks associated with the factors influencing cash flow forecasting. The method of discounted cash flows takes into account the influence of factors affecting joint-stock companies' cash flow forecasting.

The concept of time-value of money is one of the fundamental foundations of corporate finance. According to this concept, the money we own at different times has different values. Moreover, in business and in our daily lives, the time of possession of money has a large effect on the amount of money. For example, the national currency is worth more today than it was some time ago. That is, it can be used to satisfy current consumption or put as an investment to get additional income in the future. After a certain time, in order to have the required amount of funds, the administration of the enterprise will have to direct the available funds right now. When making a decision, it is necessary to evaluate future cash flows based on the present value (PV) of funds. To estimate the current value and future value of funds, financiers use a special method of discounting cash flows.

In the market economy, the time factor plays an important role in the process of financial transactions. Based on this, the following idea, which is considered the golden rule of business, was formed: The amount of money received today is higher than the equivalent amount of money received tomorrow.

Accounting for the time factor in corporate financial relations is carried out using discounting and growth methods based on interest calculation techniques. The essence of these methods reflects the determination of the amount of money required for different periods in the present or in the future. In this process, the rate of interest is used as a measure of increasing value. In a narrow sense, the interest rate reflects the amount paid for the use of borrowed funds. But in corporate financial relations, this concept is interpreted more broadly. That is, the interest rate is reflected in:

- as a means of determining the level of profitability, which is calculated as the ratio of the profit received from the operations carried out to the amount of invested funds and is reflected in percentages or unit shares;
- as an alternative value of capital.

The concept of growth refers to the process of increasing the initial amount as a result of interest calculation. The economic meaning of the growth method is to determine the amount of money that can be received or can be received as a result of operations in addition to the initial amount. In other words, the growth method allows you to determine the future value of the present value (PV) based on the specified interest rate r for certain n times. The r rate used in this is sometimes called the growth rate. The concept of discounting reflects the determination of the amount of money that is required to be placed in order to receive (own) a certain fixed amount in the future in the process of investing funds. In the economic sense, the amount of PV obtained by discounting is determined by the future value of the FV determined at the moment.

Today, the processes of reducing the state's share in joint-stock companies in Uzbekistan are at the stage of development, and based on our research, we can see that there are some problems related to cash flows of joint-stock companies, in particular, cash flow forecasting. In our view, the following are the main problems:

1. Not using the method of determining discounted cash flows when forecasting the cash flows of joint-stock companies in Uzbekistan.

2. Not using the method of free cash flows to determine the cash flows of joint stock companies in Uzbekistan.

3. Non-wide use of cash flow efficiency coefficients of joint stock companies in Uzbekistan.

4. The absence of coefficients related to the profitability of joint-stock companies in our country.

The first problem is that in our country, we can clearly see that the discounted cash flow method is not used in forecasting the cash flows of joint-stock companies. In developed countries, in particular, joint-stock companies whose financial statements have moved to international standards, cash flows are forecasted using the discounted method of cash flows. In particular, when forecasting the cash flow of joint-stock companies, we should do the following:

first, choose the forecasting period of the joint-stock company;

secondly, retrospective analysis of the income from the sale of products and the cost of products of the joint-stock company;

thirdly, to forecast and analyze the costs of the joint-stock company;

fourth, forecasting and analysis of investments of joint-stock companies;

fifth, calculating the amount of cash flows for each year selected for the forecast period of joint-stock companies;

sixth, to determine and analyze the discount rate for joint-stock companies;

seventh, to determine the current value of cash flows of joint-stock companies during the forecast period.

Unfortunately, when forecasting cash flows of joint-stock companies in our country, the above indicators are hardly taken into account. There is a procedure and guidance for forecasting the cash flow of joint-stock companies. In our opinion, the forecasting of cash flows of joint-stock companies is appropriate if it is carried out in the order of table 1.

Table 1 shows what we need to determine in the first step and what we need to determine in the last step when forecasting the cash flows of joint stock companies. In general, joint-stock companies in our country prepare only a cash flow report, and based on this report, the company's cash flow situation is determined.