

## Target Financial Forecasting as an Instrument to improve Company Financial Health

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**Abstract:** The target financial determining involves a suitable data bookkeeping support, an objective monetary estimating of the organization financial position, an objective anticipating of the organization's incomes, an advancement of the particular occasions (administrations' choices) pointed toward defeating the organization's monetary challenges and upgrading its monetary position.

According to the author, in today's environment, Target Financial Forecasting evaluating is a successful tool of financial anticipating that enables to set up the foundation for beating the organization's monetary problems and reinforcing its monetary position.

**Key words:** Financial Analysis, forecasting, cash flows, monetary ratios, balance scoreboard.

### Introduction

The paper considers theoretical, efficient, and reasonable parts of target monetary examination at the miniature level, i.e., the organization level, as another enemy of emergency monetary administration instrument for an organization to beat its monetary troubles and advance its monetary situation throughout for all intents and purposes any time span. The philosophy of the exploration, the discoveries of which are given in the article, depends on the ideas of monetary proportion investigation, business incomes, and the Balanced Scorecard (as far as its monetary score). It has been asserted that in the present environment, target monetary anticipating is a successful instrument of monetary determining that takes into account the foundation of an establishment for conquering the organization's monetary problems and improving its monetary location. The essential fields of the objective monetary determining request are against emergency insolvent business the board, organization the executives on the methodology of chapter 11, and friends venture claim improvement (as far as its monetary viewpoint). (TIRUPATHI MAHESH, 2020)

## Financial Analysis and Forecasting

Budgeting, forecasting, and variance analysis are control accounting tools that may aid organization get a more in-depth understanding of the business in which they operate. The data becomes subtle over time, and this equipment might ultimately add cost to an organization's strategic decision-making strategy. Achieving actual cost via financial planning is dependent on a number of things, including:

1. Knowledge of industry-specific issues and possibilities.
2. The organization's corporate culture in terms of planning and budgeting.
3. The organization's capacity to modify the breadth of its assumptions quickly when the business environment changes.
4. The amount of time and money spent on the procedure.



Fig.1 Financial Analysis and forecasting.

Against emergency monetary administration is imagined as a bunch of systems dependent on appropriate incomes and focused on at diagnosing the organization's monetary issues and reinforcing its unstable monetary circumstance. Each income that further develops the organization's monetary circumstance requires a couple of specific administration activities.

In such manner, the investigation of hypothetical, methodological, and down to earth components of the objective organization's monetary exhibition conjectures with monetary proportion esteems remembering blended data for the organization's monetary position is vital.

Financial forecasting at the corporate level (present-day state of the problem)

In the present climate, monetary determining at the organization level, i.e., at the miniature level, accepts the utilization of notable procedures depicted in pertinent references on monetary bookkeeping investigation, monetary examination, and monetary administration, for example, planning, level of incomes method, thus called monetary numerical strategy, coordinating time, space, and time-spatial total numerical preparing strategies In planning, the extent of incomes approach is utilized as a momentary

monetary anticipating device, though the financial numerical procedure is utilized as a center term and long haul monetary gauging instrument.

The square plan of the organization planning is introduced in Figure 2.

- Preparation of the business guess. The arrangements are guess for all thing range both in worth and arrangements volume basing on the firm arrangements, advancing assessment, acquire back the first venture point examination, and the association creation limit. The association crediting technique for the time span to come is described similarly as the month-to-month net not actually settled.
- Development of the creation plan and costs evaluation. The creation plan is made by the business volume figure considering the finished items inventories at beginning of the check time period and the finished product stock to be moved to the coming stretch of time. The creation plan is the justification the appraisal of the prompt material and work costs, unusual costs followed by the checking of the delivered items cost and the cost of the product sold. The rough materials and other not actually settled similarly as the routinely booked portions plan dealing with the association community activity is made.

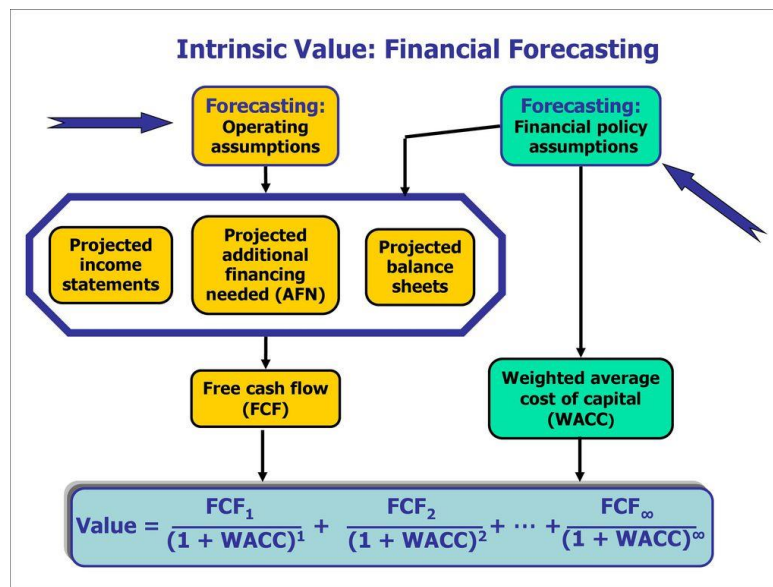


Fig.2. Financial forecasting.

## Methodology of Research

The research approach is based on three ideas, the findings of which are reported in the paper:

1. A concept for financial ratio analysis.
2. A balanced scorecard is a notion (in terms of its financial scores).

## Financial ratios analysis is a concept.

Right now, monetary proportions investigation is viewed as one of the crucial apparatuses of monetary circumstance and examination.

Each monetary proportion is a relative sign that addresses an alternate component of the monetary position and is determined as a proportion of one bookkeeping pointer to another or as a connection between two subjective monetary characteristics.

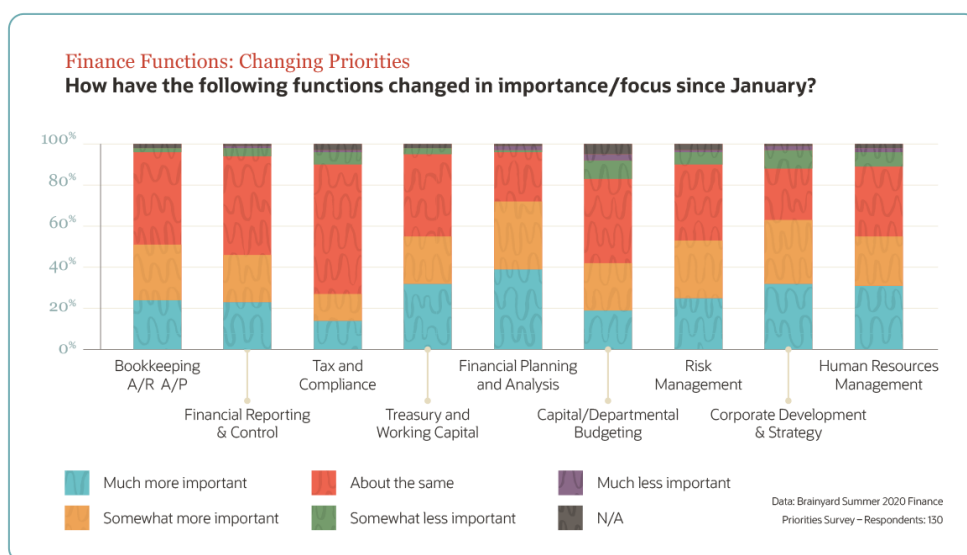


Fig.3 The importance financial forecasting process.

There are over 100 distinctive monetary proportions. A significant number of them supplement, change, or connect one another while having various names however utilizing a similar bookkeeping approach, and the other way around, having similar names yet utilizing an alternate bookkeeping procedure. (Sergey Krylo, 2018)

The firm fund flows, which are the company's financial resources flow and a reflection of the company's operations turnover expressed in value, can be thought of as a growing system made up of three interconnected subsystems:

- Fund flows associated with the company's day-to-day (core) operations.
- Fund flows associated with corporate investment activities.
- Fund flows associated with a company's financial activities.

Financial ratios are analytical tools that allow analysts to uncover the symptoms of fundamental circumstances. Furthermore, appropriately read financial ratios can reveal areas that need to be further studied

Accordingly, the utilization of monetary proportions to evaluate an organization's monetary condition and direct a monetary investigation is basic since they permit:

- To show the organization's advancement designs through an investigation of the elements of its monetary proportion esteems.
- To recognize firms with a more noteworthy degree of monetary danger and insolvency hazard, just as to evaluate the qualities and shortcomings of the organization's activities by contrasting genuine monetary proportion esteems with standard (suggested) ones.
- To decide the most engaging firm to put resources into by looking at the upsides of between business monetary proportions.
- To expect the organization's monetary results and position.

### **The concept of the balanced scorecard (in terms of its financial score)**

In today's market economy, the Balanced Scorecard is viewed as a total of limits emphasising a general organization's execution as a productive logical tool utilised in the field of essential administration. The idea was created by American researchers Robert Kaplan and David Norton toward the start of the 90s of the 20th centuries. The principal objective of the Balanced Scorecard is to change an organization system into explicit unmistakable goals, scores, and end up with occasions.

The Balanced Scorecard consists of four essential connected scores: finance, a client, internal business measurements ones, and training and staff development score, all of which are viewed via the prism of key concerns, key objectives, scores, and their objective characteristics and significant events. (Niven, 2005)

### **The Goals and Financial Planning**

1. Guaranteeing accessibility of assets: Financial making arrangements significantly dominates inside the area of producing assets just as making them to be had at whatever point they're required. This likewise comprises of assessment of the assets needed for exceptional purposes, which are, long-lasting period resources and running capital prerequisites.
2. Assessing the time and supply of financial plan: Time is a game-changing thing in any business endeavor adventure. Conveying the spending plan at the perfect time at the perfect area is exceptionally bounty significant. It is pretty much as essential as the innovation of the actual sum. While time is a basic factor, the wellsprings of those financial plan are indispensable too.
3. Producing capital construction: The capital shape is the creation of the capital of a business endeavor, that is, the sort and level of capital needed inside the business undertaking. This comprises of making arrangements of obligation value proportion each present moment and long haul.
4. Keeping away from unnecessary assets: It is a significant goal of the business endeavor to ensure that the association doesn't improve inconsequential assets. Lack of financial plan and the enterprise can't meet its value commitments. While with an overflow of value range, the firm does now not procure returns however gives to costs

## Results

An examination of the company's financial situation and projections of financial ratio values

The first assumes the development of the model of the most summed up pointer of the exhibition effectiveness evaluation (the benefit of the resources and Owners' Equity, the proportion of the monetary development steadiness, and so on).

The rightness result is perceived as the main worth of the result pointer of the perplexing organization execution effectiveness assessment, the upsides of the characterizing factors evolving appropriately. The progressions present the main upsides of the monetary proportions.

The subsequent methodology is related with the rating of the organization monetary situation through the chose monetary proportions. The rating is practiced either by the master score examination or by the estimation of the vital marker.

### **A computation of the most important balance-sheet metrics and chosen financial data**

The leading Balance Sheet indicators and Selected Financial Data are obtained by solving the set of equations. The equation system is made up of financial ratio formulas and balance equalities.

Dividing the leading net cash (fund) flows by the balance Items on the sheet

The calculation of the leading internet cash (fund) flows via the Balance Sheet objects is obtained by object deduction of the initial values from the principal Balance Sheet symptoms.: Revenues, Net Sales, Net Income, Dividends, etc.) are assumed as the initial information to forecast the cash (fund) inflows and outflows within the converted model of the business enterprise cash (fund).

The development of the cash (money) flow equations system

This appears to be the most important and complex of the eight stages. The converted model of the company's cash (fund) flows must account for all of the company's cash (fund) inflows and outflows and connect them using an equation system.

### **The major cash (fund) inflows and outflows are calculated.**

The leading cash (fund) inflows and outflows are determined by solving the above-mentioned set of equations using the leading net cash (fund) flows by Balance Sheet items as well as the initial conditions and assumptions.

### **A progression of events (management choices) targeted at resolving the company's financial issues.**

The leading values of cash (fund) inflows and outflows, as well as the Selected Financial Data, explain how the firm may improve its financial situation and overcome its financial challenges.

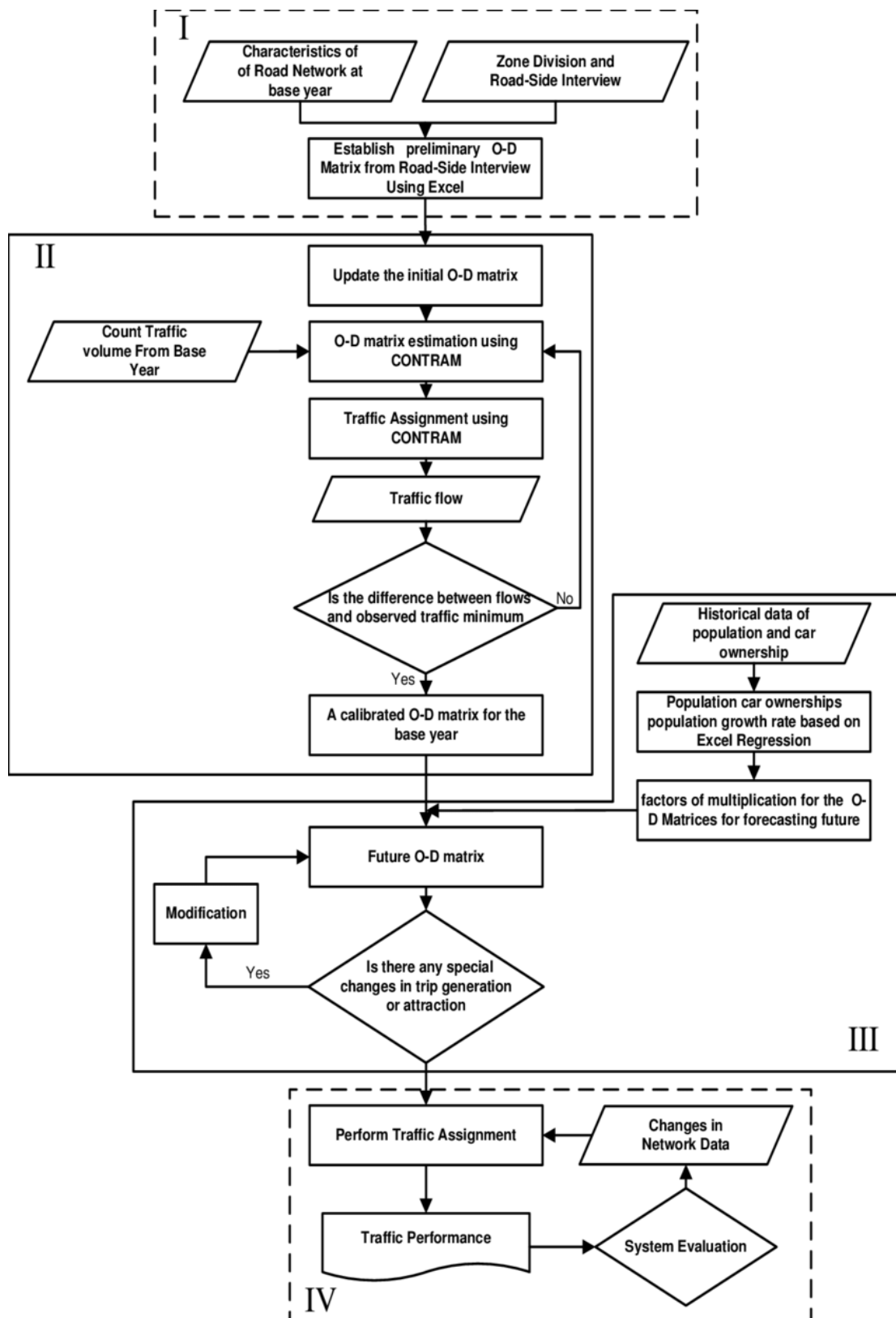


Fig.4. Flowchart of proposed forecasting process.

## Discussion

Having examined the objective monetary estimating as the reason for the counter emergency monetary administration as far as its theoretical, orderly, and down to earth angles, we contrast it and such monetary expecting procedures at the association's level, i.e., the tiny level, as considered in critical references and used today as arranging, level of profits, and monetary mathematical approaches. The underlying two methodologies are applied as an instrument for flashing money related assessing and the third one for long stretch financial checking.

Nonetheless, the last involves a tedious technique for determination bringing about bigger number of computation variations until the monetary proportion's esteems describing the ideal monetary position is reached. For this situation, the monetary determining succession is changed: first, estimate is fiscal summaries information indicating the organization monetary position, second, gauge are its incomes. The proposed method addresses the estimating problem, broadens its capabilities, and reduces the time required.. (Makridakis, 1998)

## Conclusion

The strategy of the objective monetary gauging includes a proper instructive bookkeeping support, the objective monetary estimating of the organization monetary position, the objective anticipating of the organization's incomes, an improvement of the particular occasions (the board's choices) pointed toward defeating the organization's monetary hardships and upgrading its monetary position.

The objective financial determining is another instrument of the counter emergency monetary control pointed toward beating the association's financial issues and upgrading its money related job inside a period length of practically any length; The method depends on the idea of the monetary proportion examination, the possibility of the endeavor cash (store) streams, and the possibility of the Balanced Scorecard (in expressions of its monetary score).

The significant fields of the objective monetary gauging application are an enemy of emergency bankrupt organization the board, an administration of the organization at the skirt of liquidation, just as the organization's speculation advance improvement (as far as its monetary angle).

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