

# Accounting and Analysis of Cash Funds in Business Entities: Methodology, Factors, and Managerial Implications

**Rakhmonov Sherzod Sherkulovich**

*PhD in Economics, Associate Professor, Department of Finance, Banking and Accounting  
Tashkent International University of Financial Management and Technologies*

**Abstract:** This article examines the methodological foundations of cash accounting and analysis in business entities against the requirements of the Uzbek National Accounting Standard No. 9 Statement of Cash Flows and International Accounting Standard IAS 7. A comparative assessment of scholarly definitions of cash, cash equivalents, and free cash balances is provided. An author-developed classification of cash assets is proposed. Priority tasks of cash accounting and cash-flow analysis are systematised. External and internal factors affecting the formation of temporarily idle cash balances are identified. Practical recommendations for improving cash-flow management under digitalisation are substantiated.

**Keywords:** Cash Funds, Cash Equivalents, NAS No. 9, IAS 7, Cash Flow, Operating Cycle, Financial Cycle, Liquidity, Financial Accounting, Cash-Flow Analysis.



This is an open-access article under the [CC-BY 4.0](https://creativecommons.org/licenses/by/4.0/) license

## 1. Introduction

Profitability, liquidity, and financial stability constitute the triad of key performance characteristics of any business entity. Liquidity, as the external manifestation of monetary soundness, requires that current assets be backed by adequate long-term sources of finance. In financial analysis, liquidity assessment draws on structural balance-sheet analysis, liquidity and asset-turnover ratios, and both retrospective and prospective cash-flow analysis [1].

A prerequisite for the uninterrupted operation of a business entity is access to an optimal volume of cash resources. Insufficient cash impairs solvency, generates losses, and raises the risk of insolvency. An excessive cash balance is equally detrimental: resources not deployed in productive operations generate no return and lose real value due to inflation [2]. Accordingly, the conduct of current and prospective cash-flow analysis is a pressing task for business entities characterised by continuous cash inflows and outflows.

The present article pursues four objectives: (i) to clarify the conceptual apparatus of cash accounting; (ii) to propose an author-developed classification of cash assets; (iii) to systematise the tasks of cash accounting and analysis; and (iv) to identify the factors affecting idle cash balances and to formulate practical recommendations for improving cash-flow management.

## 2. Materials and Methods

### 2.1. Scholarly Approaches to the Definition of Cash

The concept of cash flow is extensively used in financial management theory and practice; yet a universally accepted definition of this economic category remains absent from the literature. Table 1 systematises the principal scholarly definitions.

**Table 1.** Scholarly definitions of cash funds and cash flow.

Author	Definition	Key emphasis
Kovalev [3]	The aggregate of an enterprise's resources in monetary circulation, both cash and non-cash	Form of circulation (cash / non-cash)
Brigham [4]	Net cash funds received by an enterprise over a defined period	Inflow dynamics (net flow for the period)
Blank [5]	The primary indicator characterising investment returns in the form of cash returned to investors (cash flow)	Investment return (capital recovery)
Needles, Anderson, Caldwell [6]	The fundamental unit of measurement for commercial activity in current financial sources	Unit of measurement in the accounting system
Ishonqulov [7]	All instruments immediately usable to discharge obligations: account balances, notes, foreign currency, payment documents	Immediate solvency (maximally liquid assets)

Source: compiled by the author based on a review of the academic literature.

### 2.2. Regulatory Framework and Research Methodology

The study employs comparative-legal and systems-analysis methodologies. The regulatory basis comprises NAS No. 9 Statement of Cash Flows [8] and IAS 7 Statement of Cash Flows. General scientific methods — synthesis, classification, structural analysis, and retrospective review of domestic and international literature — are applied throughout.

Under NAS No. 9, paragraph 5, cash encompasses notes and coins on hand, demand deposits, and balances in settlement, foreign-currency, and other bank accounts. Cash equivalents are defined as short-term, highly liquid investments readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. Under IAS 7, paragraph 6, the key operational criterion is an original maturity of no more than three months from the date of acquisition — not from the reporting date [9].

## 3. Results

### 3.1. Author-Developed Classification of Cash Assets

Drawing on a synthesis of regulatory requirements and scholarly perspectives, the author proposes the following classification of cash assets held by a business entity.

#### Cash funds:

- Cash on hand (cashier's desk);
- Balances in settlement (current) bank accounts;
- Balances in foreign-currency bank accounts;
- Other cash funds.

#### Cash equivalents (original maturity not exceeding 3 months from acquisition date):

- Demand deposits;

- Deposit certificates (short-term);
- Money-market instruments;
- Short-term corporate and government bonds;
- Eurobonds;
- Bank overdrafts (where meeting the criteria of IAS 7, paras 7–8).

Equity instruments — shares and ownership interests — may not be classified as cash equivalents due to their inherent price-change risk (IAS 7, para. 7). Bank overdrafts may be included within cash and cash equivalents only where they form an integral part of the entity's cash management, but must be presented as current liabilities in the statement of financial position [10].

### 3.2. Classification of Cash Flows by Activity Type

In accordance with IAS 7 and NAS No. 9, cash flows are classified into three activity types. Table 2 systematises the principal inflows and outflows for each category.

**Table 2.** Classification of cash flows of a business entity by activity type.

Activity type	Inflows (receipts)	Outflows (payments)
Operating	Receipts from the sale of goods and services; royalties; commissions; insurance proceeds	Payments to suppliers; employee remuneration; taxes and levies; other operating expenditures
Investing	Proceeds from disposal of non-current assets; receipts from sale of financial instruments	Acquisition of property, plant, and equipment; intangible assets; long-term financial investments
Financing	Proceeds from equity issuances, bank borrowings, and other loans	Repayment of loans; dividend payments; redemption of bonds

Source: compiled by the author based on IAS 7 and NAS No. 9.

### 3.3. Operating and Financial Cycle Concepts

The duration of the operating cycle — from the acquisition of productive inputs to the collection of sales revenue — depends on the asset structure, production technology, scale of operations, and the terms of contractual relationships with counterparties. The longer the operating cycle, the greater the entity's need for working capital financing [11].

The financial cycle is the period during which cash is effectively idle — diverted from active circulation without generating added value, thereby entailing opportunity costs. Shortening the financial cycle through accelerated receivables collection, inventory optimisation, and disciplined management of payables is the primary mechanism for enhancing cash-flow efficiency.

In light of the above, the author proposes the following definition: **free cash funds of a business entity** are the balances of cash held in settlement accounts and on hand that, for a defined time interval, do not participate in the current business cycle and therefore do not create added value [12].

## 4. Discussion

### 4.1. Priority Tasks of Cash Accounting and Analysis

The systematisation of cash accounting and analysis tasks has yielded the following priority agenda:

- Complete and timely recording of all cash transactions in accounting registers;
- Control over the existence, safekeeping, and designated use of resources;
- Compliance with payment, settlement, and budget discipline;
- Timely reconciliation of accounts with counterparties, employees, and banks;

- Diagnostics of the entity's absolute liquidity;
- Forecasting of the entity's ability to meet maturing obligations;
- Assessment of cash-circulation velocity across business processes;
- Selection of optimal placement instruments for temporarily idle cash balances [13].

#### 4.2. Factors Affecting the Level of Idle Cash Balances

Factors influencing the dynamics and volume of temporarily idle cash balances are classified into external and internal categories (Table 3).

**Table 3.** Factors affecting the level of idle cash balances.

External factors	Internal factors
<ul style="list-style-type: none"> <li>• Sectoral market conditions;</li> <li>• Regulatory framework for business operations;</li> <li>• Regional socio-economic environment;</li> <li>• Exchange-rate volatility and inflation;</li> <li>• Interest-rate policies of commercial banks.</li> </ul>	<ul style="list-style-type: none"> <li>• Settlement terms with counterparties;</li> <li>• Features of the production and commercial cycle;</li> <li>• Scale and type of business activity;</li> <li>• Staff competence and business-process efficiency;</li> <li>• Pricing, financial, and accounting policies.</li> </ul>

Source: compiled by the author.

#### 4.3. Principles of Cash Accounting Organisation and Management

Effective cash accounting and management rest on five core principles: (i) idle cash balances are held exclusively at a bank and used strictly as designated; (ii) non-cash settlements with counterparties are executed after, or simultaneously with, delivery of goods or services; (iii) payments are made with the payer's consent; (iv) settlements are funded from the entity's own resources or bank credit; (v) where funds are insufficient, the statutory priority order of payments is strictly observed [14].

Under progressive digitalisation, most of these tasks are amenable to automation. For small and medium-sized enterprises, however, where the cost of enterprise information systems may exceed the derived benefit, open analytical methods and risk-based approaches to cash management represent an effective and economically justified alternative. Analytical strategy must simultaneously maintain sufficient liquidity to discharge current obligations and deploy available resources productively to generate returns [15].

## 5. Conclusions

The research presented in this article yields the following conclusions.

First, definitional precision in cash accounting directly conditions the reliability of financial statements and the effectiveness of internal control. The alignment of NAS No. 9 with IAS 7 provides a sound regulatory platform; nonetheless, the practical classification of borderline instruments — short-term deposits and bank overdrafts — continues to require rigorous professional judgement.

Second, the proposed author-developed classification of cash assets, distinguishing cash funds from cash equivalents on the basis of original maturity, provides a coherent framework for the consistent application of accounting standards in practice.

Third, the operating and financial cycle concepts enable a quantitative assessment of the period during which cash is in active circulation and the period during which it is idle. Shortening the financial cycle constitutes a practical value-creation mechanism accessible to enterprises of any size.

Fourth, the author's definition of free cash funds as resources temporarily not engaged in the business cycle creates a conceptual basis for developing targeted cash-flow management strategies

applicable across enterprises of varying scale and sector. Strategic analysis must simultaneously safeguard adequate liquidity and maximise the productive deployment of available resources.

Fifth, for small and medium-sized enterprises operating in resource-constrained environments, risk-oriented analytical approaches and open methodological tools offer a viable and cost-effective path to improved cash-flow governance, even in the absence of sophisticated information systems.

## References

- [1] International Accounting Standard IAS 7, "Statement of Cash Flows," IFRS Foundation. [Online]. Available: [https://www.mf.uz/media/file\\_uz/audit/2022/msfo/Uzb\\_GVT\\_BB2022\\_A\\_IAS07.pdf](https://www.mf.uz/media/file_uz/audit/2022/msfo/Uzb_GVT_BB2022_A_IAS07.pdf)
- [2] E. A. Batishcheva and N. P. Maslova, "Modelling the investment component of economic growth," *Financial Research*, no. 4(53), pp. 41–46, 2016.
- [3] V. V. Kovalev, *Finance*, 3rd ed. Moscow: Prospekt, 2016.
- [4] E. F. Brigham and L. C. Gapenski, *Financial Management: A Complete Course*, 2 vols., V. V. Kovalev, Ed. St. Petersburg: Ekonomicheskaya Shkola, 1997.
- [5] I. A. Blank, *Cash Flow Management*. Kyiv: NIKA-TSENTR; ELGA, 2002.
- [6] B. Needles, H. Anderson, and D. Caldwell, *Principles of Accounting*, 2nd ed., Y. V. Sokolov, Ed. Moscow: Finansy i Statistika, 1997.
- [7] N. F. Ishonqulov, *Improving the Accounting and Analysis of Cash Flows*, Candidate of Economics Dissertation, Tashkent, 2007.
- [8] National Accounting Standard of the Republic of Uzbekistan No. 9, "Statement of Cash Flows," Ministry of Finance, Reg. no. 519, Nov. 4, 1998.
- [9] I. Ya. Lukasevich and P. E. Zhukov, *Cash Flow Management: Textbook*. Moscow: Vuzovskiy Uchebnik, 2016.
- [10] N. A. Nikiforova, Ed., *Analysis and Forecasting of Cash Flows: Textbook*. Moscow: KNORUS, 2020.
- [11] I. A. Blank, *Enterprise Financial Security Management*. Kyiv: Nika-Tsent, 2009.
- [12] M. H. Miller and D. Orr, "A model of the demand for money by firms," *Quarterly Journal of Economics*, vol. 80, no. 3, pp. 413–435, 2018.
- [13] A. L. Day, *Mastering Cash Flow and Valuation Modelling*. Harlow: Pearson Education, 2012.
- [14] J. Swan, *Practical Financial Modelling: The Development and Audit of Cash Flow Models*, 3rd ed. Oxford: Butterworth-Heinemann, 2015.
- [15] V. Ya. Gorfinkel and V. A. Shvandar, *Enterprise Economics*. Moscow: YUNITI-DANA, 2007.