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## **MANAGEMENT METHOD OF WORKING CAPITAL OF THE ENTERPRISE**

The development of market relations significantly changes the economic environment of enterprises. It determines the need to meet the demands of the primary units of working capital management and its effective operation.

There are such methods of working capital management of the enterprise, used in the practice of foreign and domestic enterprises, as: the method of coefficients, rationing, ABC method, and optimization.

The coefficient method makes possible to calculate indicators characterizing the state of working capital, the state of sources of working capital formation and the efficiency of its use on the basis of financial statements. It uses a system of such indicators as: the coefficient of rotation of working capital, the duration of circulation of working capital (days), the utilization rate of working capital, the profitability of working capital, the absolute release of working capital, and the relative release of working capital from circulation [3].

In theory and practice of working capital management, much attention is paid to the methods of rationing. Although they can only be used to control the part of the firm's working capital, which is normalized, i.e., current assets, finished goods in warehouse and shipped goods where the payment documents are not delivered to the bank.

The method of inventory control (ABC method) assumes that the company's reserves can be divided into three groups, such as:

– “A” category includes up to 10% of all stocks but they make up 70% of all investments in the article material reserves at their cost.

– “B” category includes the goods, covering up to 30% of all stocks, at a cost - up to 20% of all investments.

– “C” category includes numerous items covering up to 60% of all stocks but at a cost of only 10% [2].

Using the ABC method, enterprises have the opportunity to look for reserves reducing costs in the context of individual cost centers, investment projects or products.

In order to optimize reserves, the XYZ method is used in practice, which divides raw materials into 3 classes depending on the uniformity of their consumption in production. Their classification is based on the structure of

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consumption (XYZ analysis). In this case the coefficient of variation of the sale is calculated with the subsequent grouping of each product into three categories, such as:

– “X” category includes products that are characterized by a stable value of consumption and a high accuracy of the forecast (coefficient of variation is in the range of 0-10%).

– “Y” category includes stocks which consumption is characterized by known trends (for example, seasonal fluctuations in demand) and average forecasting capabilities (the coefficient of variation is in the range of 10-20%).

– “Z” category includes the reserves that are consumed irregularly and characterized by low accuracy of forecasting (coefficient of variation above 20%) [1]. But this type of analysis has also some disadvantages associated with the complexity of adequate evaluation and errors in the calculation of the coefficient of variation.

The working capital theory also uses models to optimize the production stocks and cash of enterprises by Wilson, Baumol and Miller-Orr. They are based on conditions that are actually rarely met in production activities.

To sum up, working capital management is an important part of ensuring the efficient operation of enterprises. The correctness of determining the need for working capital, the effectiveness of its usage depend on the implementation of the planned indicators of the dynamics of production and sales, the stability of the financial condition of enterprises, the creditworthiness and investment attractiveness.

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