

THE NATURE, CLASSIFICATION, AND ORIGINS OF ACCOUNTS RECEIVABLE AND PAYABLE IN ECONOMIC ENTITIES

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Abstract: *This article analyzes the classification of accounts receivable and accounts payable among economic entities and the reasons for their emergence. Receivables and payables play a crucial role in ensuring the efficiency and financial stability of enterprises. The factors leading to the formation of these liabilities and methods for their management are also examined.*

Keywords: *accounts receivable, accounts payable, economic entities, financial relations, classification of liabilities.*

Introduction

In regional and national economies, accounts receivable and payable among economic entities—such as enterprises, organizations, and business entities—constitute significant financial relations. Proper and efficient management of these relations plays a decisive role in ensuring the financial stability, liquidity improvement, and risk reduction of enterprises (Smith & Brown, 2018).

Accounts receivable represent payments due to the enterprise from others, including loans and credits, while accounts payable reflect the payment obligations to creditors, suppliers, and other external parties. Timely and full fulfillment of these obligations ensures the continuity of economic processes and strengthens the enterprise’s reputation (Karimov, 2020).

Moreover, accounts receivable and payable arise for various reasons. Key causes include supply and service contracts, credit agreements, advance payments, discrepancies in settlements and distributions. These obligations vary at different stages of enterprise activity and economic conditions, thus requiring systematic analysis and management (Jones & Taylor, 2019).

Digital technologies and automated accounting systems enable rapid and accurate management of accounts receivable and payable, enhancing financial management efficiency (Islomov, 2022). Therefore, proper organization and monitoring of these obligations are crucial for economic development and competitiveness of small, medium, and large enterprises.

Literature review

Issues of accounting and financial management in small business enterprises have recently become the focus of numerous studies. Khudoyberdiyev (2019) provides a thorough explanation of the fundamentals of accounting in small enterprises and offers practical guidelines in this area. Tursunov (2021) emphasizes the connection between financial management and accounting, highlighting the importance of financial reporting for effective management in small business entities. Smith and Brown (2018) analyze the theoretical foundations of accounting systems in small enterprises and propose modern approaches.

Karimov (2020) discusses the application of financial analysis methods in small businesses and their role in management from a scientific perspective. Islamov (2022) demonstrates the effectiveness of digital technologies and automated accounting systems for small businesses. Additionally, the Concept for the Development of Small Business approved by the Cabinet of Ministers of the Republic of Uzbekistan (2017) outlines key directions of state policy in this sector. Jones and Taylor (2019) address challenges and solutions related to financial analysis in small and medium-sized enterprises.

Overall, the literature provides scientific evidence on the importance of establishing an effective accounting and financial management system for small businesses and its impact on economic development.

Methods

This study employed both qualitative and quantitative methods to analyze small enterprises and their accounting systems. Statistical indicators and financial statements were used for primary data analysis. Additionally, expert interviews and surveys helped identify practical challenges and propose solutions. Literature review and comparative methods were also extensively utilized.

Analysis and results

Differences arise in settlements between economic entities due to delays in payments. In this context, obligations that an economic entity must pay are considered creditor liabilities, while obligations to be received are considered debtor liabilities. Debtor and creditor liabilities can be explained as follows: obligations payable to the counterparty are creditor liabilities, and obligations receivable from the counterparty are debtor liabilities.

Debtor and creditor liabilities are constant companions in settlements. However, delays in their payment terms significantly affect the financial condition of economic entities. Therefore, special attention is paid to the proper management of debtor and creditor liabilities in the operation of enterprises.

Preventing overdue debtor liabilities is also a matter under state control and supervision. This is because, in mutual relations between enterprises and organizations, the state regulates cash circulation and develops economic measures based on the settlement of obligations.

In a society based on free commodity-money relations, every enterprise, organization, and institution continuously interacts with other economic entities of the same type. For example, materials, equipment, fuel, and other goods purchased from suppliers; products shipped to buyers and customers; transportation companies carrying loads; service enterprises providing services; payments to the budget via tax authorities, and so on. Additionally, enterprises, organizations, and institutions may conduct settlements with individuals and employees working within the enterprise. For instance, travel expenses with accountable persons, payments from parents for children's kindergarten expenses, and other types of settlements. Settlements between enterprises and organizations are mainly conducted in non-cash form through relevant banking institutions.

Banks are primarily established to attract funds from enterprises, carry out settlements between economic entities, collect payments, and place free funds on a payment and term basis. Additionally, banks provide loans to economic entities. Efficient use of credit resources ensures the continuity of enterprise operations and improves their economic condition.

Debtor and creditor liabilities arise directly from mutual settlements between the enterprise and the counterparty. These obligations occur in relationships between the enterprise and suppliers or buyers, banks, tax authorities, social security departments, various public organizations, as well as employees, property owners, shareholders, and investors. The main reason for their emergence is the variability of time in settlements. That is, goods delivered today but not yet paid for are included in debtor and creditor liabilities. This causes differences between the recognition of income and expenses and the actual execution of settlements.

The following reasons can be identified for the emergence of debtor and creditor liabilities:

- The parties in mutual settlements lack payment capacity;
- Limited modern forms of settlements in over-delivery and sales of goods;
- Lack of responsibility in ownership and possession of property;

- Poorly established contractual relations;
- Enterprises not considering sectoral characteristics in income recognition;
- Absence of strict documentation criteria in accounting for work and services included in expenses;
- Lack of strict conditions in relations between employees and capital owners with the enterprise;
- Deficiencies in methodological bases for evaluating enterprises' activities in relations with credit institutions;
- Lack of strict state legislative mechanisms in relations between insurance organizations and enterprises, etc.

As stated above, the main reason for the emergence of debtor and creditor liabilities in an enterprise is the overlap of payment deadlines or dates into different reporting periods. In any case, the occurrence of debtor and creditor liabilities is inevitable. If goods are sold through over-delivery, liabilities are recorded until payment is made. If goods are sold based on advance payment, liabilities are recorded until the date of shipment.

Reports and statements on debtor and creditor liabilities are prepared as of the 1st day of each month and submitted to relevant organizations.

Debtor and creditor debts are also reflected in the enterprise balance sheet, which is prepared quarterly and shows the status of assets, capital, and liabilities.

When classifying debtor and creditor liabilities arising between enterprises into groups, debtor liabilities are recorded in the asset part of the balance sheet, and creditor liabilities are recorded in the liabilities part. Nevertheless, both types of obligations are divided into current and long-term liabilities based on their terms.

In a market economy, it is possible to analyze enterprises' debtor and creditor debts by bringing them to balance sheet status. The balance of debtor and creditor debts characterizes the mutual parity between them. This shows whether debtor liabilities exceed creditor liabilities or vice versa.

According to the accounting balance approved on December 27, 2002, the following items are included in debtor and creditor liabilities:

Debtors include:

- Debts of buyers and customers (difference between 4000 and 4900 accounts);
- Debts of allocated subdivisions (4110);
- Debts of branches and dependent economic societies (4120);
- Advances given to employees (4200);
- Advances given to suppliers and contractors (4300);
- Advances for taxes and fees to the budget (4400);

- Advances for targeted state funds and insurance (4500);
- Debts on founders' shares in charter capital (4600);
- Debts on other operations of employees (4700);
- Other debtor debts (4800).

Creditors include:

- Debts to suppliers and contractors (6000);
- Debts to allocated subdivisions (6110);
- Debts to branches and dependent economic societies (6120);
- Overdue liabilities for taxes and mandatory payments (6240);
- Received advances (6300);
- Debts for payments to the budget (6400);
- Debts for insurance (6510);
- Debts for payments to targeted state funds (6520);
- Debts to founders (6600);
- Debts for wages (6700);
- Other creditor debts (except 6900, including 6950).

Long-term debtor liabilities are recorded in section 1 of the asset side of the balance sheet, while long-term creditor liabilities are recorded in section 2 of the liabilities side.

Conclusion

Accounting in small businesses and economic entities is a crucial tool for ensuring effective operation and sustainable development. Properly organized accounting systems improve management processes, enable rational use of financial resources, and enhance competitiveness. However, many small enterprises face challenges due to the lack of qualified accountants, resulting in errors in reporting and weak financial control, which reduces their economic efficiency.

Therefore, it is essential to implement simplified, adapted, and automated accounting systems for small businesses. Strengthening accounting departments, attracting qualified specialists, and utilizing modern technologies can improve the accounting processes. As a result, small enterprises will achieve effective management, economic stability, and growth.

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