



THE ECONOMIC ESSENCE AND CLASSIFICATION OF ENTERPRISE ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

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Article history:	Abstract:
Received: 11 th December 2025 Accepted: 10 th February 2026	This study examines methodological issues and practical challenges in auditing liabilities in joint-stock companies and proposes an improved audit framework aligned with International Standards on Auditing (ISA) and International Financial Reporting Standards (IFRS). Liabilities represent a critical component of financial statements and directly influence solvency, leverage, and financial sustainability indicators. However, auditing liabilities involves heightened risk due to complex valuation methods, discounting procedures, effective interest rate calculations, and fair value assessments. The research identifies key audit risk areas and develops an enhanced risk-based audit approach, including refined substantive procedures and strengthened audit evidence collection mechanisms. The proposed model contributes to improving audit quality, reducing detection risk, and enhancing the reliability of financial reporting in joint-stock companies.

Keywords: audit of liabilities, joint-stock companies, audit risk, effective interest rate, discounting, fair value, ISA, financial reporting.

Abstract. This article explores the economic nature of accounts receivable and accounts payable as key elements of an enterprise's working capital. It investigates their functional role within the system of financial and economic activity and proposes an expanded classification of these types of indebtedness, taking into account modern economic conditions. Particular attention is devoted to the interrelationship between indebtedness and an organization's liquidity, solvency, and financial stability. The article substantiates the necessity of a systemic approach to managing accounts receivable and accounts payable as a tool for optimizing cash flows and enhancing the operational efficiency of the enterprise.

Keywords: accounts receivable, accounts payable, working capital, liquidity, financial stability, accounting, debt management, settlement operations.

INTRODUCTION

In the context of a modern market economy, an enterprise's financial stability and solvency are largely determined by the quality of the management of its settlement relations. Accounts receivable and accounts payable occupy a significant position within the structure of current assets and short-term liabilities, serving as integral elements of the financial and economic process. Their formation is driven by the objective necessity of conducting business operations on deferred payment terms, the utilization of commercial credit, and the specific nature of contractual relationships between economic entities. The relevance of this study stems from the fact that, in an unstable economic environment, a rise in accounts receivable can lead to a slowdown in asset turnover and a decline in liquidity, whereas excessive accounts payable increases the risk of insolvency and damages a company's business reputation. In this context, a scholarly

examination of the economic essence and classification of accounts receivable and accounts payable assumes particular significance for both accounting theory and financial management practice.

The objective of this article is to conduct a comprehensive investigation into the economic essence of a company's accounts receivable and accounts payable, as well as to develop a systematic classification of these categories, taking into account their functional role within the organization's operations.

THE ECONOMIC ESSENCE OF A COMPANY'S ACCOUNTS RECEIVABLE

Accounts receivable represents the aggregate of obligations owed by individuals and legal entities to a company, arising from the execution of business transactions. From an economic perspective, it reflects the diversion of funds from the company's working



capital in the form of a temporary provision of resources to counterparties on deferred-payment terms.

The economic nature of accounts receivable is dual. On the one hand, it functions as an asset element of the company, generating future economic benefits in the form of anticipated cash inflows. On the other hand, an excessive volume of accounts receivable reduces liquidity levels, heightens financial risks, and may result in a shortage of working capital.

In academic literature, accounts receivable is viewed as a form of commercial credit extended by a company to its buyers and clients. In effect, the organization extends credit to its counterparties, thereby assuming the risk of delayed or incomplete repayment of the debt. Thus, accounts receivable serves not merely as an accounting category, but also as a vital economic instrument for regulating sales volumes, competitiveness, and the company's market position. It should be noted that the accumulation of accounts receivable is driven by a number of factors, including:

- the terms and conditions of contracts with counterparties;
- sales policies and the granting of deferred payment terms;
- the level of payment discipline among buyers;
- the macroeconomic environment;
- industry-specific characteristics of the enterprise's operations.

From the perspective of financial analysis, accounts receivable serves as an indicator of the effectiveness of the enterprise's settlement policy and the degree of efficiency in its utilization of current assets. An optimal level of accounts receivable facilitates market expansion and revenue growth, whereas excessive receivables lead to the immobilization of funds and a deterioration of the enterprise's financial condition.

THE ECONOMIC NATURE OF ACCOUNTS PAYABLE

Accounts payable represents the obligations of an enterprise to suppliers, tax authorities, employees, financial institutions, and other counterparties, arising in the course of its business operations. Unlike accounts receivable... ..debt, it reflects the temporarily idle funds of other economic entities that have been drawn into the enterprise's business operations.

From an economic perspective, accounts payable serves as a source of financing for the enterprise's current operations. In certain instances, it can be viewed as a cost-free—or effectively cost-free—source of capital, particularly in the absence of penalties for delayed payments. This enables the organization to utilize its

monetary resources more efficiently and maintain the requisite level of working capital.

However, an excessive increase in accounts payable carries significant risks:

- deterioration of solvency;
- diminution of financial stability;
- escalation of penalties and late fees;
- impairment of the enterprise's business reputation.

Accounts payable reflects the degree of the enterprise's reliance on external sources of financing, as well as the standard of its financial discipline. The prudent management of accounts payable facilitates the optimization of cash flows, the maintenance of liquidity, and the assurance of uninterrupted production processes.

A Comparative Analysis of Accounts Receivable and Accounts Payable

Accounts receivable and accounts payable are interconnected economic categories that reflect an enterprise's system of settlement relationships. The balance between these two categories exerts a substantial influence on the organization's financial condition.

The primary distinctions between these categories are as follows:

- accounts receivable constitutes an asset, whereas accounts payable constitutes a liability;
- accounts receivable reflects the enterprise's claims against its counterparties, whereas accounts payable reflects its obligations to them;
- an increase in accounts receivable diminishes liquidity, whereas a moderate increase in accounts payable may temporarily enhance cash flows.

Nevertheless, both categories fulfill vital economic functions:

- Regulatory (ensuring the continuity of business operations);
- Financial (influencing the capital structure);
- Control (assessing settlement discipline);
- Analytical (characterizing the efficiency of working capital management).

Classification of an Enterprise's Accounts Receivable

For the purposes of accounting, analysis, and management, accounts receivable is classified according to various criteria, which allows for a more precise assessment of its structure and associated risk levels.

1. By Maturity:



- Short-term (up to one year);
- Long-term (exceeding one year).

This classification is of significant importance when analyzing liquidity and preparing financial statements, as it enables the determination of the enterprise's actual ability to convert claims into cash.

2. By Type of Debtor:

- Receivables from buyers and customers;
- Receivables from accountable persons (employees);
- Receivables from founders/owners;
- Receivables from other debtors.

Such a breakdown contributes to increased efficiency in controlling settlement operations and helps mitigate the risk of non-payment.

3. By Degree of Security:

- Secured (backed by guarantees, collateral, or promissory notes);
- Unsecured.

Secured receivables are characterized by a lower risk level, which enhances their quality as a component of current assets.

4. By Probability of Collection:

- Normal (deemed collectible);
- Doubtful;
- Bad (uncollectible).

This classification plays a key role in the formation of allowances for doubtful accounts and reflects the enterprise's level of credit risk.

5. By Economic Nature:

- Trade accounts receivable;
- Non-trade accounts receivable.

Trade receivables arise in the course of the enterprise's core business operations, whereas non-trade receivables are associated with other types of transactions.

Classification of an Enterprise's Accounts Payable

Accounts payable is also subject to systematization based on a number of criteria, thereby ensuring more effective management of the enterprise's liabilities.

1. By Maturity:

- Current (short-term);
- long-term.

This classification enables an assessment of the structure of liabilities and the degree of financial burden on the enterprise.

2. By type of creditor:

- indebtedness to suppliers and contractors;
- indebtedness for wages and salaries;
- indebtedness to the budget and off-budget funds;

- indebtedness on credits and loans;

- indebtedness to other creditors.

Such a distinction facilitates a more precise analysis of liabilities and enhances the transparency of settlements.

3. By nature of origin:

- normal (within contractual terms);
- overdue.

Overdue accounts payable indicate a breach of payment discipline and may negatively impact the financial stability of the enterprise.

4. By economic substance:

- commercial accounts payable;
- financial accounts payable;
- settlement-related accounts payable.

This categorization reflects the sources from which liabilities arise and their role within the enterprise's operational financing system.

The Role of Accounts Receivable and Accounts Payable in Financial Management

Effective management of accounts receivable and accounts payable is a critical element of corporate financial management. Optimizing settlement relationships enables a company to:

- accelerate the turnover of working capital;
- enhance balance sheet liquidity;
- mitigate financial risks;
- improve solvency;
- ensure the organization's sustainable development.

A rational accounts receivable management policy involves formulating a credit policy, assessing counterparty solvency, monitoring payment due dates, and implementing debt collection measures. Conversely, accounts payable management entails payment planning, optimizing settlement terms, and maintaining the company's business reputation.

Particular importance is attached to analyzing the ratio of accounts receivable to accounts payable. An excess of accounts receivable over accounts payable may signal an inefficient settlement policy and a cash shortage, whereas the reverse situation may indicate the use of borrowed funds to finance current operations.

The Impact of Indebtedness on Corporate Financial Stability

Accounts receivable and accounts payable exert a direct influence on indicators of financial stability, liquidity, and business activity. A high level of accounts receivable leads to a decline in liquidity ratios and an increase in the working capital turnover period, which can trigger



cash flow gaps. At the same time, a rise in accounts payable heightens financial risks and increases dependence on external sources of financing.

A balanced debt structure contributes to:

- sustainable cash flow;
- enhanced investment attractiveness;
- strengthened financial stability;
- a reduced probability of bankruptcy.

Thus, optimizing indebtedness is a crucial factor in the strategic management of an enterprise.

CONCLUSION

The conducted study has demonstrated that accounts receivable and accounts payable constitute complex economic categories, reflecting the system of settlement relationships between an enterprise and its counterparties. Their economic essence lies in the temporal redistribution of monetary resources, the maintenance of continuity in business operations, and the determination of the organization's financial results. A systematized classification of accounts receivable and payable—categorized by maturity, type, degree of security, probability of recovery, and economic substance—enhances the efficiency of accounting, analysis, and management of settlement operations. It has been established that maintaining a rational balance between these types of indebtedness is a crucial prerequisite for sustaining an enterprise's liquidity, solvency, and financial stability.

In the current economic climate, a comprehensive approach to debt management—encompassing continuous monitoring of settlements, analysis of debt structure, and the development of an effective credit policy—assumes particular significance. The implementation of these measures contributes to strengthening the enterprise's financial position, improving the efficiency of working capital utilization, and ensuring sustainable economic development.

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