Economics, Finance
and Accounting

ACCOUNTS PAYABLE ANALYSING IN THE CONTEXT OF IMPROVING THE FINANCIAL STABILITY OF ORGANIZATIONS

Gyullo Arabyan*
Armenian State University of Economics, Ph.D. in Economics
gyulloarabyan@mail.ru
ORCID ID: https://orcid.org/0000-0003-4289-5327

Tatev Galstyan
Armenian State University of Economics, MBA in Economics
tatevgalstyan01@gmail.com
ORCID ID: https://orcid.org/0009-0006-4062-5023

Abstract: The study presents the role, importance and problems of accounts payable analysis in commercial organizations. Questions were asked whether organizations can effectively manage their accounts payable, reduce financial risks and improve the overall financial condition. In particular, a study of the composition and structure of the liabilities of Armenia International Airports CJSC - accounts payable - for 2021-2023 was carried out, and accounts payable turnover indicators were calculated. An analysis of the ratio of accounts receivable and accounts payable was performed and recommendations were presented for the methodology for assessing the financial condition.

Research aims: to conduct an analysis of the composition, structure, and intensity of the accounts payable of the organization, with presenting the impact of accounts payable analysis on improving the financial stability and achieving strategic business goals.

Research novelty: new approaches to improving accounts payable management procedures have been proposed, which contribute to increasing the efficiency of organizations' liability processes and realistic financial risk assessment.

Introduction

Accounts payable are one of the main components of financial management of any organization. Their analysis is important in order to ensure the financial stability of the organization and prevent possible risks (Emilia Brown. 2022). The applied significance of accounts payable analysis is especially great in the field of financial management and control of organizations. Today, in the rapidly changing conditions of the economy, effective analysis is carried out especially in the conditions of economic instability, financial crises and global competition. Unscrupulous or unstable analysis of accounts payable can lead to increased financial risks, such as risks of non-fulfillment of predicted debts and financial crises. Timely study of accounts payable helps to identify possible risks that may be associated with debt obligations, such as risks of delays or non-fulfillment of payments (R. Davidson 2020).

These risks can negatively affect the activities of organizations, which emphasizes the importance of effective analysis. Comprehensive analysis of accounts payable can help organizations improve their business processes by identifying opportunities for improving economic efficiency.

Literature Review

Accounts payable analysis is presented from different perspectives. Many authors and specialists have come up with their studies and opinions on the analysis of accounts payable. Here are some main trends and opinions based on studies and publications in recent years (Babar Latif 2024).

Accounts payable is the amount of debt payable by a company to other parties, which arises as a result of financial and economic relationships. "Accounts payable analysis involves assessing the financial condition of a creditor to determine its intended ability to pay (Joe McGuire 2024). This process includes examining financial statements, estimating projected cash flows, and assessing the volume and type of liabilities. In addition, the analysis takes into account the general state of the economy and possible disruptions," notes Michael Miller (Michael B. Miller, 2021).

Accounts payable analysis refers to the process of analyzing a company's accounts payable to understand their management status, risks, and financial stability. This analysis is important because it helps assess the structure and solvency of the company's liabilities (Shihan Sheriff, 2023). The analysis examines the duration of debt overdue payments and their causes. It examines how the company is going to repay its debts, taking into account cash flows

and other resources. Strategies are created for repaying debts, taking into account long-term or short-term liabilities.

Furthermore, it assesses how debt repayment and cash flows may change depending on the current financial situation (Dan Brittner, 2021).

The methodology

The research used methods of analysis, comparison, and systematic approach to identify the necessary results. Comparative analysis compares data between different periods or between budget and actual data to identify unexpected changes.

Comparative analysis of financial statements for different periods examines significant changes and compares the financial indicators of the organization. Financial Ratio Analysis: The debt-to-equity ratio assesses the size of an organization's debts by comparing them to the total size of its assets to assess their ratio and the organization's financial stability.

Research results

Accounts payable analysis is an important component in the financial management process of an organization. It helps to track the existence of debts, assess their risks and ensure financial stability (R. Davidson, 2020). We will present the importance and problems of the analysis of accounts payable based on the data of "Armenia" International Airports CJSC.[4]

---

[4] Financial statements and independent audit opinion of "Armenia" International Airports CJSC, December 31, 2023,
https://www.azdarar.am/announcments/org/161/01502324

Let's analyze the classification of the liabilities of the organization under study, the changes in their composition and structure over the past three years. Let's present the classification of the liabilities of "Armenia" International Airports CJSC using Figure 1.
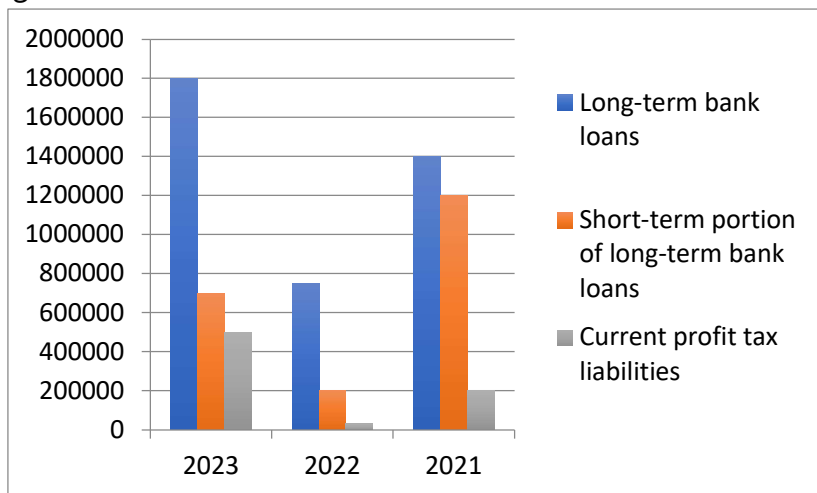

Figure 1. Classification of liabilities of "Armenia" International Airports CJSC for 2021-2023

On December 28, 2022, the company signed a credit line agreement with Ameriabank CJSC. According to this agreement, the maximum amount of the credit line is EUR 40,000,000, which was provided at an annual interest rate of 6% and is subject to repayment by December 23, 2025, in equal semi-annual installments. In December 2023, accordance with the procedure agreed with the bank, an additional repayment of EUR 20,000,000 of credit funds was made, as a result of which the credit line

repayment deadline was accordingly reduced to 2024. December 23.

In order to secure bank loans, the company has fully pledged its shares, bank deposits and cash. Therefore, long-term bank loans were not recorded in 2023, and in 2022 compared to 2021 they decreased by 66%, amounting to 6,670,702 thousand drams. Current liabilities include the short-term part of long-term bank loans, trade and other payables and current income tax liabilities. The analytical process evaluates indicators characterizing the intensity of accounts payable. These indicators are the turnover of accounts payable, the duration of the turnover of accounts payable, the share of accounts payable in current liabilities, and the ratio of accounts receivable to accounts payable.

The Figure 2 shows, that accounts receivable exceed accounts payable over the three years. In 2023, accounts receivable exceed accounts payable by 69%, in 2022 by 18%, and in 2021 by 66%. This indicates, that the organization can pay its accounts payable through accounts receivable, but when accounts receivable exceed accounts payable, the company's financial stability is at risk. There may be problems with the collectability of receivables, which will lead to solvency problems. The average duration of the organization's receivables in 2023 was 24 days, and in 2022-2021 - 16 days, these indicators also indicate that problems with collectability have arisen, which leads to an increase in the provision for expected credit losses on receivables. This is a negative indicator and the organization should take steps to improve the collectability of receivables in order to be able to repay its payables on time.

However, it is necessary to establish harmony between the indicators of the intensity of payables (see Figure 3), otherwise their separate discussion outside the system may have the opposite effect and undermine the financial stability of organizations.
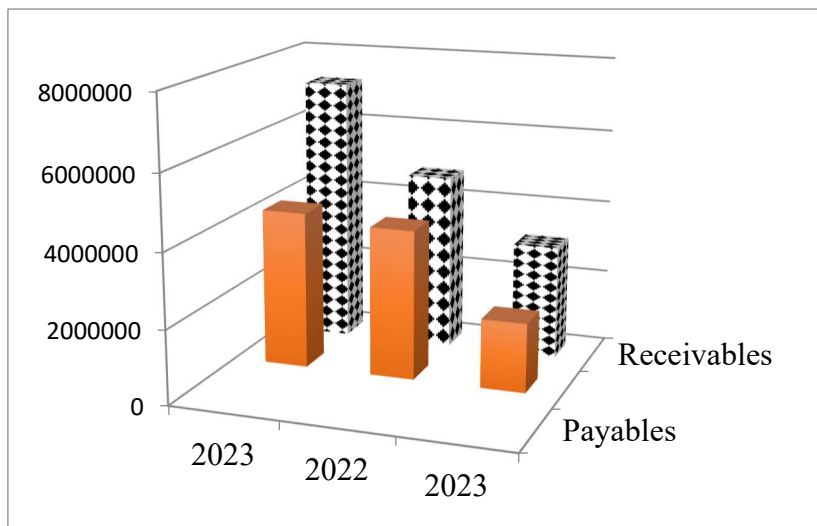

Figure 2. "Armenia" International Airports CJSC's receivables and payables (thousand AMD)

The higher the ratio of receivables to payables, the more financially vulnerable and unstable the organization is. In such cases, it is necessary to develop a policy to optimize liabilities, taking into account that any liability directly affects the company's solvency.

In this regard, we attach importance to establishing normative limits for the interchangeability of indicators of the intensity of payables, based on the specifics of the activities of organizations,

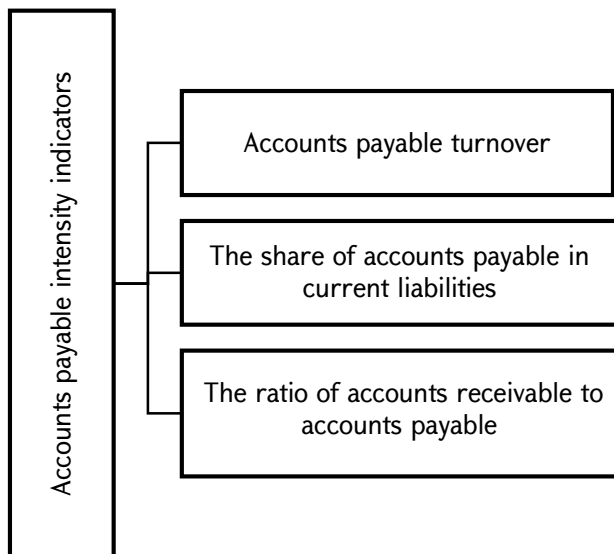which will mitigate the risks of formation of liabilities of organizations.

Figure 3. Ways to harmonize the intensity of accounts payable[5]

Conclusion

As a result of the analysis, we can state that accounts payable help to understand the financial condition of the organization, assess its solvency and financial stability. The analysis reveals shortcomings in the financial process, that can be improved. The analysis showed that accounts payable have a large specific gravity among current liabilities. Therefore, the higher this indicator, the greater the dependence on creditors, and difficulties in financial

---

[5] Composed by authors

stability are possible. In case of reducing it, the company can better manage its current liabilities.

Consequently, the following recommendations can be made:

✓ from the results of the analysis, it is obvious, that one of the most important problems of the organization is the acceleration of turnover, since the organization has a financial risk management policy.

✓ it is necessary to pay attention to the ratio of receivables and payables and their growth rates, develop a strategy to increase the collectability of bad debts, since a high indicator of receivables can lead to financial complications for the companies.

References:
1. **Babar Latif**. (2024). "Accounts Payable Book: Quick Guide to Accounts Payable", p. 75.
2. **Dan Brittner.** (2021). "Accounting analysis", p. 93.
3. **Emilia Brown.** (2022). "Credit Risk: An Analytical Approach", p. 68.
4. **Francis Godwin.** (2019). "Credit Risk Management in the Modern Financial Environment", p. 4.
5. **Joe McGuire.** (2024). "The Great Accounting Frauds", p. 204.
6. **Mary S. Schaeffer.** (2021). "Accounts Payable and Sarbanes-Oxley: Strengthening Your Internal Controls, Third Edition", p. 159.
7. **Michael B. Miller.** (2021). "Advanced Credit Risk Assessment: Theory and Practice", p. 32.
8. **Davidson, R.** (2020). "Advanced Techniques in Accounts Payable Auditing", p. 54.
9. **Shihan Sheriff** (2023). "Accounting Fundamentals: A Non-Finance Manager's Guide to Finance and Accounting", p. 306.
10. Financial statements and independent audit opinion of "Armenia" International Airports CJSC, December 31, 2023, https://www.azdarar.am/announcments/org/161/01502324

ԿՐԵԴԻՏՈՐԱԿԱՆ ՊԱՐՏՔԵՐԻ ՎԵՐԼՈՒԾՈՒԹՅՈՒՆԸ ԿԱԶՄԱԿԵՐՊՈՒԹՅՈՒՆՆԵՐԻ ՖԻՆԱՆՍԱԿԱՆ ԿԱՅՈՒՆՈՒԹՅԱՆ ԲԱՐԵԼԱՎՄԱՆ ՀԱՄԱՏԵՔՍՏՈՒՄ

Գյուլլը Արաբյան
Հայաստանի պետական տնտեսագիտական համալսարան,
տ.գ.թ.

Տաթև Գալստյան
Հայաստանի պետական տնտեսագիտական համալսարան,
մագիստրոս

Բանալի բառեր – կրեդիտորական պարտք, դեբիտորական պարտք, շրջանառելիություն, ինտենսիվության վերլուծություն, ֆինանսական ցուցանիշների հարաբերակցություն

Հետազոտությունում ներկայացվել են կրեդիտորական պարտքերի վերլուծության դերը, կարևորությունը և հիմնախնդիրները առանձին կազմակերպություններում: Կատարվել են հարցադրումներ, թե արդյո՞ք կազմակեր-պությունները կարող են արդյունավետ կառավարել իրենց կրեդիտորական պարտքերը, նվազեցնել ֆինանսական ռիսկերը և բարելավել ընդհանուր ֆինանսական վիճակը:

Մասնավորապես, գործարարության ֆինանսական կայու-նության ապահովման համատեքստում կարևորվել են կազմա-կերպությունների պարտավորությունների կրեդիտորական պարտքերի կազմի և կառուցվածքի գնահատումները, կրեդի-տորական պարտքերի շրջանառելիության ցուցանիշների

սահմանումները, ինչպես նաև դեբիտորական և կրեդիտորական պարտքերի հարաբերակցության կարգավորումները:

Սակայն կրեդիտորական պարտքերի ինտենսիվության ցուցանիշերի միջև անհրաժեշտ է սահմանել ներդաշնակություն, այլապես համակարգից դուրս դրանց առանձնացված քննարկումը կարող է հակադարձ ազդեցություն ունենալ և խաթարել կազմակերպությունների ֆինանսական կայունությունը:

Այս առումով կարևորվում է ելնելով կազմակերպությունների գործունեության առանձնահատկություններից, կրեդիտորական պարտքերի ինտենսիվության ցուցանիշերի փոխառնչության նորմատիվային սահմանաչափերի սահմանումը, որոնք կմեղմեն կազմակերպությունների ոչ օպտիմալ պարտավորությունների ձևավորման ռիսկերը: