THE IMPACT OF EQUITY ON THE FINANCIAL STABILITY OF THE COMPANY

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Annotation. *The article examines the impact of equity aimed at strengthening the financial condition of the company. The results of the study substantiate the importance of equity as a long-term source of financing that increases the financial stability of the company.*
Keywords: *financial stability, equity, financial condition, insolvency, business, economic, market.*

Introduction. In conditions of uncertainty and complexity of the economic environment of the functioning and development of an economic entity, the variability of key factors of business success and the need for an adequate response from the company to them, there is a need to strengthen financial stability, a guarantor and conditions for the survival of the business entity. If a company is financially stable, then it is capable of to withstand changes in market conditions and avoid bankruptcy. Equity is one of the key elements determining the financial stability of a company, as it acts as a long-term source of financing for activities and ensures the financial independence of the business entity.

In modern economic conditions, the activity of each enterprise is the subject of attention of a wide range of market participants. An assessment of the financial condition of an enterprise is a study that allows an objective assessment of the company's activities, and, if necessary, provide specific proposals to strengthen its financial position. Analysis of the financial position of an enterprise based on financial statements is applicable and necessary in all areas of business: in business, in the work of financial and banking authorities, as well as in organizations with state participation in capital. But at the moment, many enterprises lack their own financial resources, which entails the attraction of borrowed funds. At the same time, an excessive share of borrowed capital in sources of financing contributes to a decrease in financial independence, financial stability and solvency. An unsuccessful choice by the company's management of strategic partners (suppliers, contractors, buyers, etc.) from among the insolvent entities can also significantly reduce the efficiency of the company, preventing an increase in business value. Naturally, investors will invest their savings in the purchase of shares and shares of financially stable enterprises with good performance.

At the same time, financial reporting data serve as the main sources of information for analyzing the financial condition of an enterprise. After all, in order to make a decision, it is necessary to analyse availability of financial resources, expediency and efficiency of their placement and use, solvency of the enterprise, its financial relations with partners, etc. The assessment of these indicators is necessary for effective enterprise management. With their help, managers carry out planning,

control, reduce the risks of financial and economic activities, and improve the efficiency of their activities.

Literature review. According to Professor Yu.A. Babaev, equity is capital minus attracted capital (liabilities), which consists of a combination of authorized, additional and reserve capital, retained earnings and other reserves (trust funds and reserves).[1]

L. Drobozina believes that the company's equity represents the difference between the amount of assets and the amount of external liabilities of the company. Its value can only be calculated based on the balance sheet data.[2]

Professor K.Y. Tsygankov, having conducted a number of historical and practical studies, came to the conclusion that "the accounting department of economics was originally created to calculate equity, and this particular category of accounting is the main subject of accounting." Despite the relevance of the issue we are considering, currently there is no normative formulation of the term "capital" that would exactly correspond to the standards, which indicates and indicates that the concept is controversial and ambiguous.[1]

Research methodology. The methodology of this article uses methods of analysis and synthesis, scientific abstraction, generalization, and comparative theoretical interpretation. In addition, the scientific basis of the article is international information from the research of scientists in domestic and foreign scientific publications.

Discussions and results. The impact of equity on the financial stability of an economic entity is manifested in various aspects:[3]

1. Reducing financial risks. If there is a sufficient level of equity, the company can more easily cope with possible financial risks caused by lower profits or higher costs. In case of losses, the company can use its own sources to cover obligations to counterparties and continue financial and economic activities, instead of attracting credit resources and increasing the debt burden;
2. Positioning of the company in the commodity and financial markets. Equity capital affects the efficiency of the company's production and economic activities, increases the potential of the business entity in business cooperation. A high level of equity capital improves the company's rating among economic partners and counterparties, and allows it to fulfill financial obligations without delay;
3. Increasing investment attractiveness. A company with a high level of equity is attractive to potential investors, since dependence on external creditors and investors is low and independence in decision-making remains. At the same time, an influx of cash receipts is ensured with a low level of insolvent debtors. This preserves the high financial stability of the economic entity at an acceptable level of risk, which leads to an increase in investments.

There are many types of capital, consider the classification of capital.

Table 1

Capital classification[4]

№	Signs	Content
1	By ownership of capital	- equity is a set of material assets, cash, financial investments and various costs for the acquisition of rights and privileges that are necessary for the financial and economic activities of the enterprise; - borrowed capital is the funds raised for financing and future development of the enterprise. Also, the borrowed capital is based on the principle of repayment of funds, either in the form of money or in the form of property, while all forms of borrowed capital that the company uses are its financial obligations that must be repaid within a strictly set time frame.
2	By purpose of use	- productive capital is the funds of an enterprise that are invested in operating assets for the purpose of carrying out production and sales activities; – loan capital is capital that has been invested in various monetary instruments, for example, short-term deposits in commercial banks, as well as in debt stock instruments, for example, bonds or certificates of deposit; - speculative capital – characterizes the funds that are used to carry out speculative (based on price differences) operations.
3	According to the form of investment	- monetary; - tangible; - intangible
4	By investment objects	- basic – characterizes the part of capital that is used to invest in all types of non-current assets; - working capital – characterizes the capital that is invested in all types of current assets.
5	By usage time	- short-term capital; - medium-term; - long-term.
6	By creation time	- the initial one is the funds that are invested by entrepreneurs to start their business; - current is the state of the capital, which is reflected in the balance sheet on a certain date.

The amount of equity is used directly for the analytical assessment of the financial stability of the company. Traditionally, the main criterion for the "sustainability" of an economic entity is the high share of equity in the total sources of funds of the company and the positive dynamics of the coefficients characterizing the effectiveness of its use. Therefore, the management of companies strives to increase the share of equity capital using different approaches.

To increase the value of equity in the total capital of the company, the following actions are required[5]:

1. Accumulation or conservation of retained earnings. In order to maintain and/or expand the core business, during which profits are used for non-production purposes. Net profit can be distributed to reserve funds, which are created in accordance with the company's constituent documents, but it is important to comply with a certain limit on the size of the fund, which depends on the size of the authorized capital;
2. Increase in the authorized capital. This process is carried out by making additional contributions by the founders at a regular or extraordinary meeting of shareholders, which is necessary to take anti-crisis measures to prevent deterioration of the company's financial condition and prevent its insolvency;
3. Increasing depreciation charges. It acts as a stable source of self-financing, the amount of which depends on the methods of depreciation of fixed assets. Taking into account the condition of fixed assets, depreciation charges can be one of the methods of increasing one's own sources of financing. For this purpose, an inventory of fixed assets is necessary, which will allow grouping fixed assets according to the degree of their depreciation, including both physical and moral, as well as the discovery of unused assets that can be sold or leased, which will lead to an increase in the company's equity. In the future, a more thorough analysis of the feasibility of acquiring fixed assets and monitoring their technical condition is needed.[6]

Equity capital serves as the basis for the financial stability and stable operation of the company. Ways to increase the share of equity in total sources of financing make it possible to strengthen the financial stability and investment attractiveness of an economic entity, which contributes to the growth of its profitability and favorable development in the future. Thus, one of the most important The characteristics of a company's financial condition are the stability of its operations in the long term, which is directly dependent on the adequacy of its own capital, which directly correlates with various aspects of the financial and economic activities of the business entity[7]. Assessing the financial stability of a company, provided it is implemented on time, helps to reduce or prevent the risks of insolvency and strengthen the financial condition of an economic entity.

Conclusion. The economic essence of equity is determined by the ability of an economic entity to be financially stable. Undoubtedly, accounting, analysis and audit of equity are interrelated elements included in the management system of an economic entity. Their need for making investment and financial decisions for strategic development is indisputable. Complexity of investment projects, financial and strategic decisions regarding equity are determined by the lack of national standards. The lack of a unified methodology in the field of accounting and auditing of equity capital determines a competent and creative approach to the organization of accounting and tax accounting of equity components for fair reflection of invested and accumulated capital in accounting statements, as well as comprehensive economic analysis and system audit.

Conducting a successful business is facilitated by a comprehensive assessment and analysis of equity, which makes it possible to assess: profitability, investment

attractiveness, financial stability an economic entity, as well as to form a strategy for its development. Undoubtedly, for a comprehensive analysis and assessment of equity, an individual analysis methodology should be developed that takes into account industry specifics. Integrated assessment analytics is based on a set of indicators, which helps identify "bottlenecks" and hidden reserves that are used to improve the efficiency of using equity, as well as participate in the development of management decisions aimed at reducing investment risk.

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