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## **ASSET MANAGEMENT PRINCIPLES IN A FINANCIAL MANAGEMENT SYSTEM**

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***Summary.** The perspectives on principles of asset management from a position of controlling and controlled systems have been grouped. The principles of asset management in term of controlling system have been supplemented by the principles of efficiency (any decision on the assets formation and use should provide a certain economic, social or environmental effect), and the formalization (clearly defined and formalized fixing of functional responsibilities, rights and responsibilities of all assets management participants). The principles of asset management controlled by the system are arbitrarily divided into two groups: the management principles of operating assets formation and management principles of operating assets use.*

*The results are aimed at improving the organizations leaders understanding of modern financial management and at acceptance of improved management decisions in the organization as a common system.*

***Keywords:** assets; principles; management; approach; controlling; organization; system.*

**Introduction.** Efficiency of modern organization financial management largely depends on what principles its leaders adhere, taking management decisions, and what methods they use for their implementation. The right choice will provide the desired income by the least effort. Management principles are rules governing control subjects and defining management system requirements, process and mechanism. It is therefore necessary to make systematization principles of asset management both in terms of management systems that determine the rules of conduct for managers in the organization of the asset management and in terms of the control system, which will establish requirements for the management processes of operating assets formation and using.

Based on that principle is a “basic theoretical knowledge that is not proven and does not require proof” [1], it is, in our view, an asset management methodology element. Since management principles are the fundamental laws and rules of administrative functions managers conduct, enterprise asset management should be based on the basic assumptions and rules that are guided by managers at all levels.

**Analysis of recent research** witnesses that a small number of researches are dedicated to isolation of the principles of organizations asset management.. The best-known researchers of this problem are the Ukrainian scientists: I.A.Blank [2; 3] Zh. Dovhan [4], O.A.Kyrychenko and I.V.Hilenko [6] S.I. Yurii, V.M. Fedosov and L.M. Alekseienko [12]; and Russian scientists: S.V. Zahorodnikov [5]; G.A. Mahovikova and V.E. Kantor [8], G.B. Poliak [11], F.M. Rusinov, M.L. Razu, V.A. Denisov [9]. However, most researchers selected the asset management principles only as a part of the financial management principles [5-10]. Only works [2-4] are dedicated to specificity and content of the organizations asset management principles.

The research purpose is grouping of views regarding the composition and content of the asset management principles in the enterprises financial management and their addition. This aim is based on the following objectives:

- 1) to group views concerning the asset management principles based on the positions of the management and control systems;
- 2) to add the asset management principles from a management system position;
- 3) to codify the asset management principles from a control system position.

**The results of research.** In the investigated scientific studies the economic researchers proposed the financial management principles [3; 5; 6; 8], the principles of companies financial management [11; 12], as well as asset management [2; 4]. Critical analysis of the existing asset management principles allows to conclude that in the existing areas of research and development works there is also no unity. Thus, a large number of the proposed enterprises financial management specific principles are the rules to manager's action taken after the financial policies and financial management principles development.

Given that management principles are rules governing control subjects and defining system, process and mechanism management requirements [7; 10], we systematized the asset management principles in terms of management system that define the rules of managers conduct in the organization of asset management process [3; 5; 6; 8; 11; 12] and in terms of the control system [2; 3] which define requirements to management processes of operating assets formation and using (Table 1).

Hence, the nature and content of the principles proposed by I.A. Blank are the best corresponding to the theoretical interpretation of the "principle" definition.

The basic asset management principles in terms of the control system called by the mentioned scientist are the following [3, p. 28-30]:

1. Consistency (integration with the overall company management system).
2. Complexity (complex nature of the administrative decisions formation; any decisions concerning formation and use of assets should consider other solutions and requirements).

**Table 1**

**Approaches to the determination of the company asset management principles composition**

Principles type	Scientists, authors	Company's asset management must be based on the following principles....
The asset management principles from a management system position	I.A. Blank S.I. Yurii, V.M. Fedosov L.M. Alekseienko	systematic, integrated, planed, dynamic, variability, strategic
	O.A. Kyrychenko I.V. Hilenko S.V. Syrotian	scientific, comprehensiveness, consistency, objectivity, accuracy, reliability, effectiveness, cohesion of plans, operational, interest, democracy.
	Zh. Dovhan	compliance with the assets target structure; diversification of active operations; risks tracking and prevention in asset management; maintaining return on assets
	F.M. Rusinov, M.L. Razu, V.A. Denisovq	planed and consistency; thrust; diversification; strategic orientation.
	G.A. Mahovikova V.E. Kantor	complexity; functionality; adaptability; uniformity
	G.B. Poliak	financial independence of the company; self-financing; financial interest; liability; risks security by financial reserves.
	S.V. Zahorodnikov	focus on the strategic goals of the company; asset management integrity of the overall company management system; allocation of financial asset management and investment decisions; financial structure of the company; separation of cash flow and profit management; harmonious combination of enterprise profitability and increase its liquidity; complex nature of the management decisions; high dynamic management; variation in approaches to individual management decisions/
	The asset management principles from a control system position	the asset management formation principles
the asset management use principles		I.A. Blank Ensure maximum utilization of existing assets Providing conditions for the assets turnover acceleration during their use Providing minimization of assets loss during their use

Source: author formed

3. High dynamic asset management (decisions in the fields of asset formation should be flexible and available depending on environmental changes in space and time).

4. Variation (each management solution preparing in the area of assets formation and use should consider action alternatives. In the presence of alternative project of management solutions their choice for realization should be based on a criteria system that defines financial philosophy, financial strategy or specific financial policies of the company. The criteria system is established by the enterprise).

5. The strategic nature (focus on the company's strategic goals).

Considering that in conditions of globalization the contradictory quantity of environmental factors affecting business activity is growing, in our opinion, the proposed asset management principles need to be supplemented. First, unfair abandoned the efficiency principle - when any decision of the assets formation and use should be shown in the economic, social or environmental effects.

Second, for more determined system functioning in a changing environment we must respect the formalization principle that is a clear definition and formal consolidation of functional responsibilities, rights and responsibilities of all asset managers.

The asset management principles from a control system position were selected in I.A. Blank's works only. They are arbitrarily divided by us into two subgroups: operating assets formation principles and operating assets use principles. We fully agree with the principles of the first subgroup. The author defines them as following:

1. Integration of immediate prospects of operating activities and diversification forms when creating enterprise assets forming is first subordinated to the task of its operation development. It should be borne in mind that in the enterprise life cycle initial stages an operating volume increases quite rapidly (with the right choice of its market niche). Therefore, the company assets that are formed in the initial stage, should have some reserve capacity, providing opportunities of production operations growth and diversification in the near future period.

2. Ensuring that the existing assets volume and structure have related to production and marketing amount and structure. Such compliance is ensured in the new venture business plan developing process by determining the need of certain asset types, and then must be maintained at each new stage of its development. The implementation of this assets forming principle is aimed primarily at ensuring the projected level of its aggregate productivity.

3. Provide optimal assets composition from the economic activity efficiency standpoint. This assets optimization is aimed, on the one hand, on the providing of a future full useful life of its certain species, and on the other – to increase their total

potential capacity to generate operating profit.

4. Providing opportunities for high asset turnover during their use. The necessity of this principle realization is the fact that accelerating asset turnover makes both direct and indirect impact on the operating profits size.

5. Ensure the progressivity of certain types of assets in terms of their compliance with technological progress. The current production tools and objects market offers for assets formation a number of alternative sites and tools. During their particular choice *ceteris paribus* it is necessary to consider their perspective, modernity, versatility and ability to generate income in a variety of business situations and therefore increase the company market value [3, p. 288-290].

Regarding the second subgroup, such operating assets management principles as security of the current assets maximum load; providing conditions to accelerate the assets turnover during their use; providing minimization of assets loss during their use are not individually accented by this researcher, but they are given in the circuit stages of the company operating assets management [2, p. 71-75].

**Conclusions and Perspectives of further researches.** Thus, based on the viewpoints of the asset management principles in the financial management theory, it is reasonable their grouping from the standpoint of control and controlled systems. We consider it necessary to supplement the asset management principles from the control system position with the efficiency principles (any assets formation and use decision should be shown in a particular economic, social or environmental effect), and the formalization principle (clear definition and formal consolidation of functional responsibilities, rights and responsibility of all asset managers).

The asset management principles from a control system position also can be divided into two groups: the asset management formation principles and asset management use principles.

According to the findings, the studies of asset management function and methods in the financial management system, emerging on research-based principles will be perspective.

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## АНОТАЦІЯ

**Смирнова Н.В. Принципи управління активами в системі фінансового менеджменту**

*Згруповано точки зору стосовно принципів управління активами з позицій керуючої та керованої систем. Доповнено принципи управління активами з позиції керуючої системи принципами ефективності (будь-які рішення з формування та використання активів повинні проявлятися у певному економічному, соціальному чи екологічному ефекті) та формалізації (чіткого визначення і формалізованого закріплення функціональних обов'язків, прав і відповідальності всіх учасників процесу управління активами). Принципи управління активами з позиції керованої системи умовно розділені на дві підгрупи: принципи управління формуванням операційних активів та принципи управління використанням операційних активів.*

*Отримані результати мають бути спрямовані на удосконалення розуміння сучасного фінансового менеджменту керівниками і спеціалістами вітчизняних організацій та прийняття ним більш досконалих управлінських рішень в управлінні організацією як єдиною системою.*

**Ключові слова:** активи; принципи; управління; підхід; менеджмент; організація; система.

## АННОТАЦИЯ

**Смирнова Н.В. Принципы управления активами в системе финансового менеджмента**

*Сгруппированы точки зрения относительно принципов управления активами с позиций управляющей и управляемой систем. Дополнены принципы управления активами с позиции управляющей системы принципом эффективности (любые решения по формированию и использованию активов должны проявляться в определенном экономическом, социальном экологическом эффекте) и принципом формализации (четкого определения и формального закрепления функциональных обязанностей, прав и ответственности всех участников процесса управления активами). Принципы*

*управления активами с позиции управляемой системы условно разделены на две подгруппы: принципы управления формированием операционных активов и принципы управления использованием операционных активов.*

*Полученные результаты должны быть направлены на совершенствование понимания современного финансового менеджмента руководителями и специалистами отечественных организаций и принятия ими более совершенных управленческих решений в управлении организацией как единой системой.*

**Ключевые слова:** *активы; принципы; управления; подход; менеджмент; организация; система.*