

**Sviatlana Shcharbatsiuk<sup>1</sup>, Kateryna Pylypenko<sup>2</sup>, Pelageya Papkovskaya<sup>3</sup>**

<sup>1</sup> Grodno State Agrarian University, Republic of Belarus

<sup>2</sup> Poltava State Agrarian Academy, Ukraine

<sup>3</sup> Belarus State Economic University, Republic of Belarus

## **The Counterparty Assessment Mechanism in the Receivables Management System of Agricultural Organizations in the Republic of Belarus and the Ukraine**

**Abstract.** The article investigates issues regarding settlements between business counterparts in the Republic of Belarus, including those between Ukrainian and Belarusian enterprises. The presence of bad debts is identified as a key issue, leading to overdue and unrealistic debt collection accounting that burdens a company's balance sheet, resulting in a loss of financial stability of the creditor enterprise. Monitoring of business counterparts helps minimize this risk. Therefore, a mechanism has been developed to collect information about a counterparty and create a credit dossier. There is a proposal to monitor a counterparty's solvency based on criteria that has been specifically established for an industry. The proposed mechanism will help control unjustified growth in the receivables of agricultural organizations in The Republic of Belarus and the Ukraine in hopes of keeping funds in circulation, and reducing the risk of companies losing their own financial stability due to overly loyal credit policies.

**Keywords:** counterparties, receivables, monitoring, solvency

**JEL Classification:** C61, H12, L22, Q14

### **Introduction**

Many factors, such as global economic crisis, instability of commodity markets, geopolitical problems, and high volatility of national currencies, increase the risks of financial deterioration of companies, loss of financial stability, and insolvency. The most critical reason for the deterioration in companies' ability to pay in 2020 is the COVID pandemic. According to the World Economic Outlook Update (IMF, June 2020), this crisis is like no other the world has seen. The pandemic rapidly intensified in a number of emerging markets and developing economies, necessitating stringent lockdowns and resulting in even larger disruptions to activity than had been forecast. This, in turn, has given rise to a chain reaction of non-payments both in specific sectors and in national economies as a whole. The situation provokes the desire of companies not so much to expand their business as to preserve it. This is often achieved by stimulating product sales by lending to customers, which results in an increase in receivables.

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<sup>1</sup> PhD, Faculty of Accounting, Grodno State Agrarian University, Republic of Belarus, Grodno, Tereshkova St., 28, e-mail: svet\_ggau@mail.ru; <https://orcid.org/0000-0001-8814-5367>

<sup>2</sup> D.Sc.(Economics), Department of Accounting and Economic Control, Faculty of Accounting and Finance, Poltava State Agrarian Academy, 1/3 Skovorody Str., Poltava, 36003, Ukraine, e-mail: pilipenko.katya@yahoo.com; <https://orcid.org/0000-0003-3170-1208>

<sup>3</sup> Dr. hab., Prof., Department of Accounting, Analysis and Audit in Industries of the National Economy, Belarus State Economic University, Republic of Belarus, Minsk, 26 Partizansky Av., building 3, e-mail: pelagea@tut.by

It should be understood that the loans provided to consumers in the form of accounts receivable ... as part of the working capital are ... an expenditure of company funds. Minimizing these investments in relation to the level and nature of ordinary activities is critical to managing functioning capital in general (Herlfert, 2003).

The presence of receivables is associated with deciding between risk and profitability. Its optimal size is determined by comparing the benefits that the company expects to receive at a certain level of investing in accounts receivable, with the costs that it will have to spend on this (Vanhorn, 2008).

Speeding up or delaying payments when receiving and making payments ... can make cash flow management an intractable problem (Helfert, 2003). Linking or releasing capital while increasing or decreasing ... accounts receivable ... refers to the concept of investment / disinvestment (Khan, Hunchenberg, 2005).

Each company must carefully monitor bills to ensure they are fully paid to avoid bad debt losses (Siciliano, 2005). Ultimately, the increase in toxic debt of debtors may lead to financial difficulties for the lender. Thus, the presence of toxic receivables indicates the organization's irrational policy of granting a delay in settlements with customers, poses a real threat to the insolvency of the creditor company and weakens the liquidity of its balance sheet (Selezneva and Ionova, 2006).

Thus, the issues of receivables management are issues of the formation of the company's competitive advantages and its dynamic development (Sutyagin, 2011). They require an integrated approach. So, according to Helfert (2003), the key to successful inventory and receivable management will be to take into account all possible economic alternatives.

Modern approaches in the theory and practice of financial management allow us to identify key tasks in the management of receivables. They are associated with the assessment, firstly, of the additional costs of doing business, including expenses on managing the credit system, losses on bad debts, as well as costs caused by the inability to use funds diverted into receivables for more profitable purposes; secondly, the benefits of the increase in sales that can be achieved by providing customers with a deferred payment (Berzon and Teplova, 2014; Vanhorn, 2008; Middleton, 1997; Etrill, 2006).

Since the quality of any receivables is evaluated solely by the degree of probability of their timely payment (Vanhorn, 2008), the selection of potential buyers and determination of the terms of the credit policy of the firm are of great importance (Bernstein, 2003; Vanhorn, 2008; Kovalev, 2007; Middleton, 1997; Etrill, 2006), as well as monitoring collection of debts (Berzon and Teplova, 2014; Blank, 2005; Kovalev, 2007; Lysenko, 2012; Middleton, 1997; Etrill, 2006). Thus, the work on the management of receivables is focused on reducing the toxicity of debts in two areas: 1) existing receivables, and 2) potential receivables. In this case, the degree of toxicity is characterized by poor-quality receivables, including doubtful debts and bad debts.

Since relations between contractors are built on a contractual basis (for example, in accordance with the Civil Code of the Republic of Belarus, the Civil Code of Ukraine, the Civil Code of the Russian Federation, etc. (<http://pravo.by/>, [https://lawportal.com.ua /](https://lawportal.com.ua/), <http://www.pravo.gov.ru/>), there is a need to form two monitoring systems in the framework of receivables management: 1) at the stage of concluding the contract (assessment of the reliability of the potential debtor); 2) in the process of executing the contract (monitoring the collection of debts) (Shcharbatsiuk et al., 2017).

Assessing the reliability of a potential debtor is part of the credit policy of the firm. So, at the stage of concluding an agreement with a buyer, it is necessary to minimize the risk of

losses from toxic debt. In management practice, there are certain approaches to analyzing the factors that are taken into account when developing a company's credit policy. There is an opinion that credit conditions will be determined, firstly, by the state of the competitive environment, and secondly, by the creditworthiness of the client-consumer (Helfert, 2003). In a more expanded form, the "five C of loans" are used: creditworthiness (capital); credit limit (capacity); loan collateral (collateral); characteristic of the client (character); purpose, amount and interest rates (conditions) (Etrill, 2006). In most cases, standards are used to evaluate the buyer and diversify the terms of the loan (Blank, 2005; Berzon and Teplova, 2014; Vanhorn, 2008; Kovalev, 2007; Lysenko, 2012), which are based on an assessment of the creditworthiness of the client.

From the above, it becomes obvious that a business needs detailed information that gives an idea of a client's ability to pay debts on time (Etrill, 2006). This information should be systematized and contain comprehensive information about the potential client. It should be useful and reliable for so that company managers are able to make appropriate management decisions.

## **Data and methods**

The purpose of this study is to develop a mechanism for assessing a counterparty's reliability from the point of view of its solvency and the risk of toxic debts for enterprises in the agricultural sector of the Republic of Belarus and the Ukraine.

The study examined literary sources on financial management of domestic and foreign authors, methods and recommendations in the field of receivables management (Berzon and Teplova, 2014; Bernstein, 2003; Blank, 2005; Breg, 2005; Brigham and Erhardt 2009; Vanhorn, 2008; Drucker, 2014; Kovalev, 2007; Lysenko, 2012; Meskon et al., 1995; Middleton, 1997; Selezneva and Ionova, 2006; Siciliano, 2005; Walsh, 2001; Fallmouth, 2003; Khan and Hunchenberg, 2005; Helfert, 2003; Eichler, 2013; Etrill, 2006).

Studies of the Belarusian and Russian practice of evaluating counterparties have shown that they boil down to monitoring the debt that has already arisen and control over its collection. The approach of Podsumkova (2017) was studied, which developed an algorithm for assessing the state of receivables and payables, substantiated the need to manage and control the balance of receivables and payables, and gave the advantages of balancing debts for a number of enterprises in the city of Saratov. For this, an economic and mathematical model is proposed, built on the basis of identifying the correlation between the factors, with accounts receivable as a variable, and accounts payable as a dependent value. The work of Karpovich and Manzhinsky (2017) on the characteristics of the main methods of managing receivables, and a comparative expert assessment of the effectiveness of the application of these methods, depending on the specific goals and priorities of the debtor in the relationship with the creditor, was also investigated. The analysis of the client's stability is based on the period of cooperation, the volume of sales, the client's outstanding debt at the end of the period. The assignment of the client to a specific group is based on the calculation of the integral assessment, which is the product of points for all the specified parameters.

The system for monitoring accounts receivable by Galyautdinova (2015) was also analyzed. It should allow collecting, aggregating, filtering and providing possible options for further actions, which will help the company save time, eliminate the subjective factor, and minimize the likelihood of "mechanical" errors in identifying problem debts. The monitoring

system of Galyautdinova (2015) includes a table for monitoring accounts receivable simultaneously from several angles: by documents in order to identify unpaid invoices; on counterparties in order to identify problem (unreliable) counterparties and carry out further work with them on special conditions; by divisions of financial management in order to monitor the performance of individual divisions; for the enterprise as a whole, taking into account the implementation of the reconciliation of existing counter obligations.

The system of key indicators was investigated by Kasacheva and Udod (2018) to assess the quality of accounts receivable: the level of reduction of accounts receivable; the level of liquid overdue receivables; the level of sub-liquid overdue and the level of illiquid overdue receivables, the level of optimization (settlement) of overdue receivables. The characteristics of preventive measures to reduce the risk of toxic debts and the mechanism of their implementation in the practice of Russian enterprises by Shchurina and Prunenکو (2017) were studied. The characteristics of preventive measures to reduce the risk of toxic debts and the mechanism of their implementation in the practice of Russian enterprises by Shchurina and Prunenکو (2017) were also studied. The article considers strategic approaches for optimizing accounts receivables developed by Deloitte, which are based on the use of a system of key indicators (KPI).

Paying attention to the fact that settlements between counterparties lie in the plane of economic and legal relations, we studied a number of legal sources posted on the official websites of state bodies and legal portals of the Republic of Belarus, the Ukraine and Russia (<http://pravo.by/>, <https://vcpi.nlb.by/pravovye-internet-resursy/respublika-belarus>, <http://ncpi.gov.by/>, <http://www.minfin.gov.by/ru/accounting/>, <https://www.mof.gov.ua/uk>, <https://lawportal.com.ua/>, <http://uaport.net/cat/site/ukr-pravo-at-ua>, <https://legalexpert.in.ua/>, <https://www.minfin.ru/>, <http://www.pravo.gov.ru/>, <http://pravo.minjust.ru/>).

Assessment of the status of mutual settlements, the availability and structure of receivables was carried out on the basis of statistical data of the Republic of Belarus and the Ukraine, submitted by national statistical offices on official websites (<https://www.belstat.gov.by/>, <http://www.ukrstat.gov.ua/>). Analytical reviews of the National Bank of the Republic of Belarus were used.

The proposed methodologies for assessing the solvency of organizations were tested on the basis of data from agricultural enterprises of the Republic of Belarus and Ukraine using their annual financial statements.

In addition to researching the information capacity of government agencies' websites, the possibilities of alternative verification of counterparties were studied on the basis of Internet services of the Republic of Belarus, the Ukraine, and Russia (<https://kartoteka.by/>, <https://legat.by/>, <https://ci.cbt.ua/>, <https://nomis.com.ua/ru>, <https://opendatabot.ua/>, <https://youcontrol.com.ua/>, <https://vladelets.online/идр>).

## **Settlement status between business entities in the Republic of Belarus and the Ukraine**

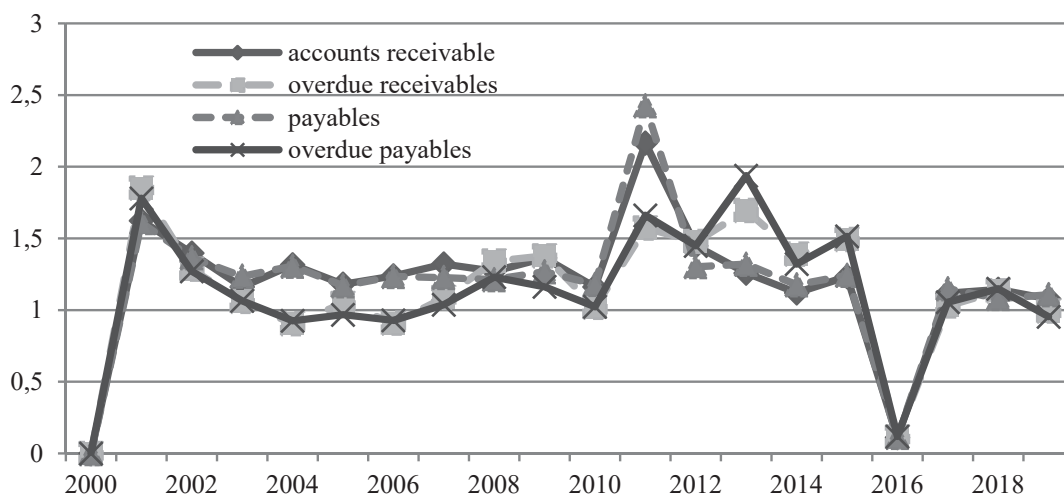
A study of the dynamics of the state of settlements between business entities in the Republic of Belarus shows that the share of organizations with overdue debts (as a percentage of their total number) is slightly decreasing. As of January 1, 2020, 62.1% of organizations had overdue accounts payable (62.5% as of January 1, 2019). Overdue receivables as of

January 1, 2020 were observed in 75.6% of organizations (as of January 1, 2019 – in 75.7%) (National Bank of the Republic of Belarus (January 2020)) (Figure 1).

Figure 1 shows that in certain periods during 2001-2015 there were surges in the levels of both receivables and payables. The period 2001-2015 was especially unfavorable. At the same time, whereas in 2011 there was a simultaneous sharp increase in the size of both payables and receivables (more than 2 times), in 2013-2015 the growth of overdue debts increased. The sharp decline in debt levels in 2016 is explained by the denomination held in the Republic of Belarus.

Accounts payable as of January 1, 2020 compared with January 1, 2019 increased by 10.8%, accounts receivable for this period increased by 7.9% . Overdue accounts payable as of January 1, 2020 amounted to 7.9 billion rubles, and compared to January 1, 2019 decreased by 4.6%, overdue receivables, respectively, 8 billion rubles and decreased by 0.6%. The share of overdue accounts payable decreased from 16.9% as of January 1, 2019 to 14.5% as of January 1, 2020, and the share of overdue accounts receivable decreased from 20.9% to 19.2%, respectively (National Bank of the Republic of Belarus (January 2020)).

Table 1 shows that in 2018, the share of overdue debt in foreign trade amounted to a little more than 10%. At the same time, whereas in respect to counterparties outside the CIS countries there was an excess of debt *of* organizations of the Republic of Belarus over debt *to* organizations of the Republic of Belarus, in respect to counterparties from the CIS countries the opposite is the case. In particular, in mutual settlements with Ukrainian organizations.



**Figure 1.** The growth rate of receivables and payables, index

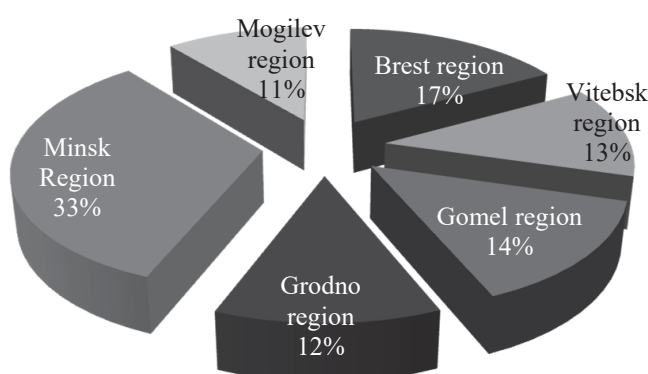
Source: Authors' research based on Belstat data.

**Table 1.** Status of settlements of Belarusian organizations with foreign organizations (millions of dollars and %)

Indicator	01.01.2018			TOTAL		
	CIS countries	including the Ukraine	countries outside the CIS	01.01.2018	01.01.2019	01.01.2020
Debt of organizations of the Republic of Belarus (accounts payable)	2149.59	96.31	2935.87	5085.47	4824.29	5314.77
Including overdue	137.58	12.42	373.24	510.82	408.19	521.75
In % of the total	6.40	12.89	12.71	10.04	8.46	9.82
Debt to organizations of the Republic of Belarus (accounts receivable)	2358.34	99.56	1789.32	4147.67	4171.08	4488.40
Including overdue	268.46	9.53	186.29	454.76	412.17	390.42
In % of the total	11.38	9.57	10.41	10.96	9.88	8.70
Excess of debt of organizations of the Republic of Belarus over debt to organizations of the Republic of Belarus	-208.75	-3.24	1146.55	937.80	653.21	826.37
In % to the amount of receivables	-8.85	-3.26	64.08	22.61	15.66	18.41
Including overdue	-130.89	2.89	186.95	56.07	-3.98	131.33
In % of the total	62.7	-89.06	16.31	5.98	-0.61	15.89

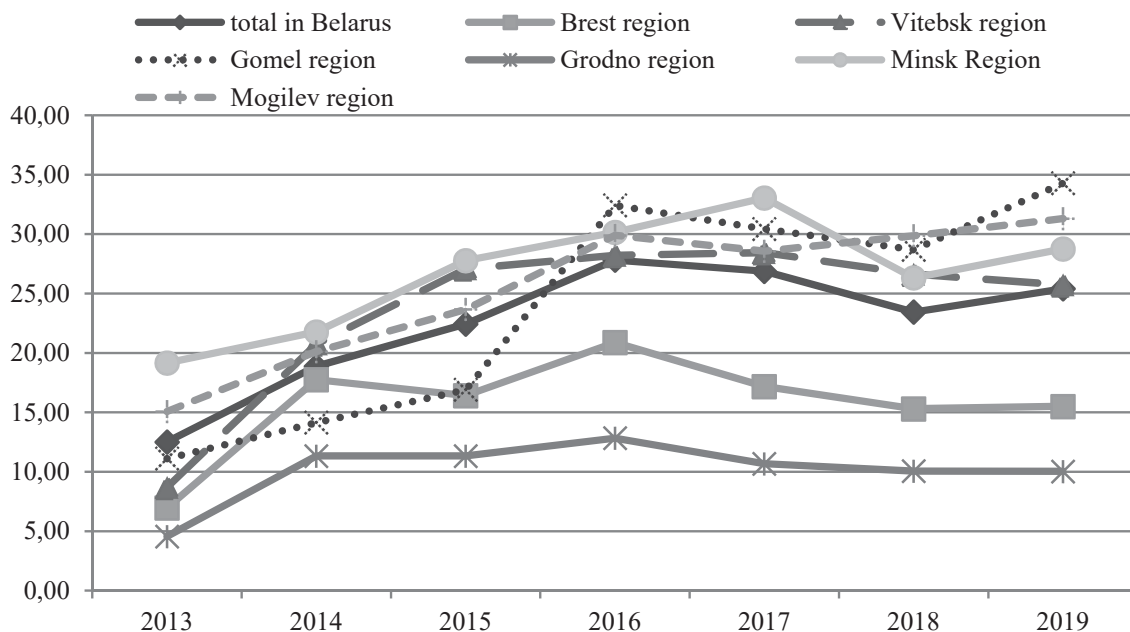
Source: Authors' own elaboration based on Belstat data.

As of January 1, 2019, the largest share in the structure of the total receivables of agricultural organizations of the Republic of Belarus falls on the Minsk region (33%), all other regions were distributed approximately equally (from 11% to 17%) (Figure 2).

**Figure 2.** The structure of receivables in 2019 of agricultural organizations by Republic of Belarus regions, %

Source: Authors' research based on Belstat data.

The share of overdue receivables in the total amount, which is on the balance sheets of agricultural organizations of the Republic of Belarus, grew steadily in the period 2014-2019, and exceeded 25%, that is, more than a quarter of the debts of counterparties of agricultural producers are toxic. The most problematic regions are Mogilev and Minsk, and in the last year – Gomel. The smallest share of overdue receivables in total over 2014-2019 is observed in Grodno region (Figure 3).



**Figure 3.** The proportion of overdue receivables in the total amount of receivables, %, including by regions  
 Source: Authors' research based on Belstat data.

Thus, the analysis data indicate the need to improve the efficiency of receivables management of agricultural producers.

### Counterparty valuation information base

As analysis of special sources shows, most approaches to receivables management involve the systematization of information resources. For example, Etrill (2006) includes recommendations from other companies, recommendations of banks, published reports, interviews with clients, credit agency information, credit ratings and reports on credit transactions, district court decision registers, and other suppliers. Vanhorn (2008) adds here the results of banking and commercial inspections, the company's own experience. For example, major banks provide online applications that allow you to track payment documents and control the payment of customer debts (Shchurina, Prunenko, 2017).

**Table 2.** Some information sources for checking counterparties available on the websites of state bodies of Belarus and the Ukraine

The Republic of Belarus	The Ukraine
<i>Business Registration</i>	
Unified State Register of Legal Entities and Individual Entrepreneurs <a href="http://egr.gov.by/egrn/index.jsp?content=Find">http://egr.gov.by/egrn/index.jsp?content=Find</a>  Ministry of Taxes website <a href="http://www.portal.nalog.gov.by/grp/">http://www.portal.nalog.gov.by/grp/</a>	Unified State Register of Legal Entities, Individuals - Entrepreneurs and Public Associations <a href="https://usr.minjust.gov.ua">https://usr.minjust.gov.ua</a>  State Tax Service of the Ukraine <a href="https://tax.gov.ua/">https://tax.gov.ua/</a> Electronic office of the taxpayer <a href="http://www.cabinet.sfs.gov.ua;">www.cabinet.sfs.gov.ua;</a>
<i>Business liquidation, bankruptcy</i>	
Information on the liquidation / termination of business entities (announcements in the journal "Justice of Belarus") <a href="https://justbel.info/liquidation/findmyrequest">https://justbel.info/liquidation/findmyrequest</a> Unified State Bankruptcy Register <a href="http://www.bankrot.gov.by">www.bankrot.gov.by</a> Judicial Bulletin Plus: Economic Justice <a href="http://court.by/supcourt_publications/ec_vestnik">http://court.by/supcourt_publications/ec_vestnik</a> . On the website of the Ministry of Economy ( <a href="http://www.economy.gov.by/ru/restructuring-insolvency/perechen-organizaciy-v-procedurah-bankrotstva">http://www.economy.gov.by/ru/restructuring-insolvency/perechen-organizaciy-v-procedurah-bankrotstva</a> ), on the website of the Ministry of Taxes ( <a href="http://www.nalog.gov.by">http://www.nalog.gov.by</a> ).	No analogue  Cabinet of electronic services. <a href="https://kap.minjust.gov.ua/services?product_id=3&amp;is_registry=1&amp;keywords=&amp;usertype=all">https://kap.minjust.gov.ua/services?product_id=3&amp;is_registry=1&amp;keywords=&amp;usertype=all</a> Відомості про справи про банкрутство Unified register of enterprises in respect of which bankruptcy proceedings have been initiated <a href="http://vgsu.arbitr.gov.ua/pages/157">http://vgsu.arbitr.gov.ua/pages/157</a>
<i>Information on the consideration of applications in the order of writ in economic courts</i>	
Information on the websites of economic courts of the regions and the city of Minsk	Unified state register of court decisions <a href="http://www.reyestr.court.gov.ua">http://www.reyestr.court.gov.ua</a>
<i>Increased risk of offence in the economic environment</i>	
Register of commercial organizations and individual entrepreneurs with an increased risk of committing offenses in the economic environment <a href="http://www.nalog.gov.by/ru/reestr_ru/">http://www.nalog.gov.by/ru/reestr_ru/</a> Register of unfair suppliers <a href="http://www.icetrade.by/articles/view/12">http://www.icetrade.by/articles/view/12</a>  No analogue	No analogue  Unified state register of persons who have committed corruption offences <a href="https://corruptinfo.nazk.gov.ua/">https://corruptinfo.nazk.gov.ua/</a>
<i>Debt information to the budget</i>	
Companies and entrepreneurs with debts to the budget <a href="http://www.nalog.gov.by/ru/zadolzhennost101/">http://www.nalog.gov.by/ru/zadolzhennost101/</a> The list of payers of insurance premiums with the largest amounts of arrears <a href="https://ssf.gov.by/ru/debtors-ru/">https://ssf.gov.by/ru/debtors-ru/</a>	Learn more about the business partner from the SFSU <a href="http://sfs.gov.ua/businesspartner">http://sfs.gov.ua/businesspartner</a>  Register of enterprises, institutions, organizations of Ukraine that have arrears of wages <a href="http://dsp.gov.ua/category/reiestr-borzhnykiv/">http://dsp.gov.ua/category/reiestr-borzhnykiv/</a> Unified register of debtors <a href="https://erb.minjust.gov.ua/#/search-debtors">https://erb.minjust.gov.ua/#/search-debtors</a>
<i>Data from territorial enforcement agencies</i>	
Kartoteka.by	Unified register of debtors <a href="https://erb.minjust.gov.ua/#/search-debtors">https://erb.minjust.gov.ua/#/search-debtors</a>
No analogue	Cabinet of electronic services <a href="https://kap.minjust.gov.ua/">https://kap.minjust.gov.ua/</a>

Source: Review of websites of state bodies of Belarus and Ukraine.

Based on this, the basis for assessing the creditworthiness of a buyer can be classified according to its following sources: 1. internal (from the experience of the company working



with this client); 2. external (received from the client and from third parties). In any case, the use of various data in making management decisions is associated with the likelihood of information distortion (information risk). Thus, information obtained from various sources, which is consistent, should be regarded as more reliable than that obtained from a single source. A less reliable source is the information received from the client himself and not confirmed by a third party, for example, the auditor or not complying with the results of the credit rating (solvency) assessment. Guided by the premises indicated above in order to minimize information risk, we systematized the received information about the client in the form of a credit dossier, which includes the following sections: 1. information received about the counterparty on the website of official government bodies (Table 2); 2. information posted on the counterparty's website; 3. information obtained from documents provided by the client, including the results of monitoring the solvency of the client (Shcharbatsiuk et al., 2017).

At the same time, the amount of information collected and the depth of its research (they both determine the amount of information costs) for each counterparty should be determined taking into account the expected economic effect of the received order for products and the costs of studying the reliability of a potential client. The depth of the counterparty's assessment also depends on the system of credit conditions, the scope of its activity, and the volume of the transaction. Therefore, we recommend that counterparties be divided for control of toxic debt risk: Group 1 – buyers who are credited in a general way, and in some cases (obtaining significant economic benefits for the creditor company) – on favorable terms; Group 2 – customers whose credit can be provided in a limited amount (for example, by the amount of the loan, the period of its presentation, or both conditions); Group 3 – customers who are not given credit because of the high risk of overdue receivables (Shcharbatsiuk et al., 2017).

## **The choice of methodology for assessing the solvency of the counterparty**

In order not to enter into a relationship with an insolvent counterparty, an option such as monitoring financial condition should be provided in the receivables management system to enable the assessment of the possibility of paying off debt and fulfilling contractual obligations. Thus, the purpose of monitoring the financial condition of a counterparty is to diagnose its solvency, as well as to forecast the likelihood of its bankruptcy during the execution of contractual obligations. (Shcharbatsiuk et al., 2017).

In this regard, it is relevant to select methods for analyzing the solvency of a potential client, which can be carried out in the form of monitoring its financial condition.

In earlier studies (Shcharbatsiuk, 2015), we came to the conclusion that solvency is an external manifestation of a company's financial condition, arising from its internal characteristics – financial stability.

In our studies, we will distinguish between concepts: monitoring of a counterparty and monitoring of its financial condition. By monitoring of a counterparty, we mean constant monitoring of the fulfillment of its contractual obligations, and monitoring of the financial condition of a counterparty means a diagnosis on a regular basis of its solvency and a forecast of its financial stability for the period of the contract. The weakening of the financial stability

of the counterparty is manifested in a decrease in its solvency, the appearance of difficulties in ensuring the supply of products (work). (Shcharbatsiuk et al., 2017).

Diagnostics of a company's financial stability should be aimed at identifying signs of their financial crisis, assessing the likelihood of a deterioration in their financial condition and loss of financial equilibrium (Shcharbatsiuk, 2015).

A previous study (Shcharbatsiuk, 2015) shows that many methods have been developed to diagnose the financial condition of companies and likelihood of their bankruptcy. Although these methods differ in the scope, composition of indicators, and diagnostic methods, they are associated with the formation of a crisis field – i.e. systems of special indicators, indicators that determine a change in financial stability.

An analysis of the composition of indicators for diagnosing financial stability shows that multicriteria systems are mainly used (for example, the method of W. Beaver; the methodology of the Committee for the generalization of listening practice (Great Britain); the methodology of the Ukraine for identifying signs of insolvency; the methodology for analyzing the financial condition of organizations of the Russian Federation; the Argenti method ; credit scoring of D. Duran; discriminant models of E. Altman, R. Lis, R. Tuffler, J. Fulmerr, G. Springate, Conan and Golder, G.V. Savitskaya, R. S. Sayfullin and G. G. Kadykov; binary selection models of Platt-Pantelona, Bart, M. Zmievsky, G.V. Savitskaya; method of rating analysis Sheremet A.D. and Sayfullina R.S., integral indicators of J. De Palyan, Kovaleva V.V. and Volkova O.N. and etc.). Less commonly, a single-criterion approach is used when one or two criteria of financial stability are investigated (for example, the two-factor model of E. Altman; instructions for analyzing the financial condition of organizations of the Republic of Belarus).

Widespread use was made of quantitative methods of crisis diagnosis. Among them we can distinguish regulated methods approved at the legislative level (for example, a methodology for analyzing the financial condition of organizations of the Republic of Belarus; a methodology for the Ukraine to identify signs of insolvency; a methodology for analyzing the financial condition of organizations of the Russian Federation).

Thus, the Ministry of Finance of the Republic of Belarus (<https://economy.gov.by/uploads/files/sanacija-i-bankrotstvo/PostSM-ot-12-12-2011-N1672.pdf>) defined a system of criteria for determining the unsatisfactory structure of the balance of insolvent enterprises based on indicators of current liquidity and provision with own working capital. Despite the limited indicators used for analysis by this technique (K1 - Current ratio, K2 - The ratio of own working capital, K3 - Asset liabilities ratio, as well as Absolute liquidity ratio), it is quite suitable for express diagnostics of the counterparty's financial condition. The basis for calculating solvency indicators is the balance sheet data, and the coefficients themselves are widespread, easily interpreted from the values, therefore this technique is quite simple to use. In addition, standards are established for each coefficient depending on the industry sector (type of economic activity) of the company, which allows for setting the solvency level at the reporting date quickly.

The results of such express diagnostics can be displayed on the credit file of the client. To do this, the following notation can be introduced: a) by the level of its financial stability, which will reflect the possibility of paying off debts in the foreseeable future – financial stability (FS); pre-crisis state (PCS); crisis state (CS); b) based on the level of financial stability in conjunction with other studied aspects for a particular client, it is determined which group of risk of toxic debt it belongs to (low; medium, high); c) the advisability of concluding an agreement with a firm can then be decided (recommended (R)); not

recommended (NR); additional verification required (AVR)) and options for credit conditions.

**Table 3.** Counterparty solvency assessment

Counterparty	Type of financial condition	Risk group	The possibility of concluding a contract	The ratio of own working capital (standard - not less than 0.2)					Current ratio (standard - not less than 1.5)					Asset liabilities ratio (standard - not more than 0.85)					Absolute liquidity ratio (standard - not less than 0.2)				
				deviation from the norm					deviation from the norm					deviation from the norm					deviation from the norm				
				01.01.2017	01.01.2018	01.01.2019	01.01.2020		01.01.2017	01.01.2018	01.01.2019	01.01.2020		01.01.2017	01.01.2018	01.01.2019	01.01.2020		01.01.2017	01.01.2018	01.01.2019	01.01.2020	
1	FS	low	R	0,43	0,38	0,33	0,4	0,2	1,76	1,63	1,48	1,66	0,16	0,38	0,43	0,42	0,39	-0,46	0,05	0,07	0,05	0,09	-0,11
2	CS	high	NR	-0,36	-0,53	-0,80	-0,79	-0,99	0,74	0,65	0,56	0,56	-0,94	0,61	0,69	0,74	0,75	-0,1	0	0	0	0	-0,2
3	PCS	me- dium	AVR	0,33	0,28	0,24	0,3	0,1	1,49	1,38	1,32	1,42	-0,08	0,38	0,38	0,37	0,37	-0,48	0,01	0	0	0,01	-0,19
4	PCS	me- dium	AVR	0,32	0,29	0,3	0,33	0,13	1,47	1,41	1,44	1,48	-0,02	0,44	0,44	0,43	0,43	-0,42	0	0	0	0,02	-0,18

Source: Calculations are based on the official methodology of the Republic of Belarus according to conditional data.

Table 3 presents an analysis of the financial condition of several potential customers – agricultural organizations. Indicators, the level of which does not meet the established criteria, are highlighted. Based on a comparison of the dynamics of the obtained data with the criteria of the coefficients, we can see that only the first counterparty can be considered reliable with minimal risk of toxic debts. Two organizations (No. 3 and No. 4) should be additionally examined, because their financial condition is characterized as financially strained, with a liquidity level that does not meet the established criterion indicates a high probability of late payments. As for enterprise No. 2, it is a potential bankruptcy, which, in addition to low liquidity, has a shortage of working capital, as well as a high level of debt load approaching a critical level. Therefore, it is advisable to refuse interaction with this counterparty.

Some discrepancies in the Belarusian and the Ukrainian practice should be noted. The differences relate to the criteria values of the coefficients, on the basis of which a decision is made to classify the enterprise as a particular risk group (or type of financial condition). So, in the Ukraine, a unified standard for the coefficient of providing own funds is used – at least 0.1, whereas it is differentiated in Belarus, as mentioned above.

It is necessary to pay attention to the following: such an analysis should be carried out at least 4 quarters prior to the date of conclusion of the contract with the counterparty, since the mismatch of the coefficients with the criteria may be temporary (this is relevant for agricultural organizations that have seasonal specifics of activity). So, in the Ukrainian practice it is determined that the financial condition of any enterprise is characterized by current insolvency if, at a particular moment temporarily due to an accidental combination of circumstances, the amount of funds and highly liquid assets available is not enough to pay off the current debt.

Moreover, the need for additional analysis from the point of view of its feasibility can

be compensated by toughening the lending conditions for doubtful customers (in our example, No. 3 and 4).

If we consider the issue of additional verification of the counterparty, we can expand the analysis, for example, based on the Ukrainian methodology. Note that according to this methodology the following can be considered signs of persistent financial insolvency: loss-making activities for two years; deviations of liquidity indicators from the limit value; stop payments which last for more than three months in the presence of debt obligations, payment deadlines which have come; the presence of a significant (more than three hundred of a minimum wage) amount of outstanding debt obligations, payment dates which came more than three months ago; the presence of a significant amount of outstanding debt recognized by the legal entity – the debtor or confirmed by executive documents; the presence of a significant amount of outstanding fines, penalties, and forfeits recognized by the court for non-compliance with the terms of contracts and non-compliance with legal requirements; the presence of an application to initiate bankruptcy proceedings of a given legal entity accepted for consideration by an economic court, or a bankruptcy proceedings of this legal entity. If these negative circumstances are detected, it is advisable to refuse the potential client to conclude an agreement.

## Conclusions

An analysis of the situation regarding the status of settlements with counterparties in the Republic of Belarus, as well as on foreign trade contracts, including between Ukrainian and Belarusian companies, shows an increase in bad debts and indicates the relevance of developing methods for controlling them.

The need for a thorough assessment of the reliability of a potential client and the identification of the risk of toxic receivables is due to the fact that a business needs systematic comprehensive information to make appropriate management decisions. The presence of overdue and unrealistic debt collection burdens a company's balance sheet and gives a distorted view of its liquidity.

A competent receivables management policy helps minimize this risk. Its most important element is monitoring of counterparties and their solvency.

It was proposed to monitor counterparties on the basis of a credit dossier. It includes the following sections: 1) information received about the counterparty on the website of official state bodies; 2) information posted on the counterparty's website; 3) information obtained from documents provided by the client, including the results of monitoring the solvency of the client.

It is recommended that counterparty solvency monitoring be carried out on the basis of express diagnostics using four coefficients (K1 - Current ratio, K2 - The ratio of own working capital, K3 - Asset liabilities ratio, and K4 - Absolute liquidity ratio). As criteria, you can use the standards established by the official methodology of the Republic of Belarus on an industry basis. Of course, one should take into account the limited application of such criteria by nationality of companies. In relation to a potential client the diagnostic results will allow: a) to assess the level of its financial stability, which will reflect the possibility of paying off debts in the foreseeable future – financial stability (FS); pre-crisis state (PCS); crisis state (CS); b) attribute it to a specific risk group for toxic debts based on the level of its financial stability (low; medium, high); c) decide on the advisability of concluding an agreement with

a firm (recommended (R); not recommended (NR); additional verification required (AVR)) and options for credit conditions.

The next step in the study should be the analysis of the policy of receivables management in terms of its effectiveness. This involves monitoring toxic debts on the balance sheet and their impact on the financial condition of the creditor company.

Thus, our proposed mechanism for evaluating counterparties in the receivables management system of agricultural organizations of the Republic of Belarus and the Ukraine will allow us to control the unjustified growth of receivables, prevent excessive diversion of cash from their turnover, and reduce the risks of losing a company's own financial stability as a result of its loyal credit policy.

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