

A photograph of a two-story house in winter. The house is covered in snow, and the trees around it are also heavily laden with snow. The scene is lit with a cool blue light, suggesting twilight or night. Warm, yellow light emanates from the windows and a small porch, creating a cozy atmosphere. The text is overlaid in the center in a bold, yellow font.

**Theme 7. Circuit and the
turnover of capital (funds) of
the enterprise**

A serene winter landscape featuring a snow-covered house with a warm light emanating from a window, situated behind a stream. The scene is framed by snow-laden trees and branches, with the water reflecting the house and the surrounding white environment.

1. The reproduction process of the capital

Individual capital - capital of the company, which can always be profitable if it is continuously re-creates the material conditions of production of the new value.

Simple reproduction of individual capital - is a continuous repetition of creative activity.

- Circulation of capital - is one cycle of its motion, which covers the production and circulation of goods produced and completed the return of capital in its original form of money.

Continuously occurring movement of capital forms its turnover.

- That capital was able to fully commit trafficking takes time - time traffic.

Turnover time of advanced value

Production time - the period of stay in the capital of the industrial sector

Orbital period - a period during which the capital of the company is in the field of management and are in the form of cash and marketable equity

A serene winter landscape featuring a snow-covered house with a prominent chimney, nestled among snow-laden trees. In the foreground, a stream flows through a snowy field, with snow-covered branches framing the scene. The overall atmosphere is peaceful and cold.

2. Basic and working capital.

Capital

Fixed assets - is the share of productive capital, which is completely in the long term is involved in the production.

Working capital - the other part of the productive capital, the cost of which is completely transferred to the newly created product.

Depreciation

Physical wear and tear means the loss of the means of labor its usefulness.

Obsolescence of labor means that they are physically fit for use, and no longer economically justify themselves and need to be replaced.

Obsolescence of labor

where the machinery creates cheaper hardware, resulting in impairment of the old comes the existing equipment

where the old machines are replaced by more productive (produce more in the same time). As a result, equipment faster transfers its value to the finished product

- Depreciation is a process of gradual (in part) the transfer cost of capital to the extent of wear on the manufactured product, turning it into cash in order to further compensation deterioration of labor.
- Sinking fund formed by the depreciation, the latter is a form of money transferred to the production cost of existing fixed assets.
- The value of the annual sinking fund depends on two factors: the average cost of capital and depreciation. A *depreciation rate* A_H is defined as the annual amount of depreciation A_0 of the average annual cost of a capital K , expressed in %.
- Depreciation rate shows how many years the cost of capital should be fully recoverable.



Renovation - the update fixed capital, the economic process of substitution, retired due to wear and tear, the new means of labor (full recovery).

- **Expanded reproduction of the firm** means an increase in the size of capital, which leads to an increase in the production of new value. Increase in size is the current capital is due to the accumulation.

The accumulation of capital - is the increment of money and material resources, going on extended reproduction. This capital can be called investment in the future.

Factors of self-financing

Build-up factors

**Division of
profit and
the
accumulation
of income**

**increase in
profits**

**Savings
production**

Accumulation in the company A_c , as a rule, has the following basic structure:

production
accumulation
 A_p

non-
productive
accumulation
 A_n

accumulation,
going to
attract
additional
workers and
training of all
employees **A_w**

Capital formation or investment spent on increasing the number of production and increase in reserves (reserves and insurance funds).

Non-productive accumulation fund is to increase the non-production sphere (housing services and health care), and the additional cost of training and skills development.

A serene winter landscape featuring a snow-covered cabin with a gabled roof and a chimney, nestled among snow-laden trees. A small stream flows in the foreground, reflecting the cabin and the surrounding snowy environment. The scene is captured in a soft, slightly desaturated color palette, emphasizing the white of the snow and the dark tones of the trees and water.

3. Investments as a source of financing of productive assets.

- **Investment** - is the cost of production and accumulation of the means of production and an increase in inventories.

**To finance investment
firms or use**

their profits

**turn to the
market for
money-
capital loans**

- Most businesses to finance investment borrow money in the bank. The use of borrowed money capital they *pay interest on loans*.
- Loan interest is a charge for the use of money capital, in other words, it is the price of money capital.
- Rate (rate) is calculated as the percent ratio of debt to the value of money capital of borrowing, expressed as a percentage.