

Analysis of the Company's Profit

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ABSTRACT: The article describes the factors that mediate the formation of the enterprise's profit, shows the structure of the company's profit formation in accordance with the Regulation "On the composition of the costs of production and sales of products (works, services) and the procedure for the formation of financial results", the tasks of factor analysis of the company's profit. At the same time, special attention is paid to the main part of the generated profit - profit from sales of products, the important role of non-operating income and expenses of the enterprise in generating profit is emphasized.

KEYWORD: profit, financial result, factor analysis, enterprise profit structure, profit from core activities.

Introduction. In the current conditions of the development of tough competition, only enterprises with a stable financial condition, capable of ensuring timely payments for their obligations: with counterparties, can carry out activities. Untimely delays in payments can be the reason for declaring the company bankrupt with the possibility of its subsequent liquidation and sale through an auction.

Therefore, the indicator of the "financial health" of an enterprise, that is, its ability to fully and timely fulfil its financial obligations, comes to the fore.

In general, the financial condition of an enterprise is characterized by financial results from all types of its activities, it shows its viability, the compliance of its products with the needs of the market, its profitability and competitiveness, the ability of the company's management to promote its products to the market and respond to changes in the situation, effectively use production potential and resources.

That is, the main direction of improving the financial condition is to create conditions that ensure the use of financial resources necessary for the activities of enterprises and the fulfilment of their obligations to the budget in a developing market environment.

Recently, debatable questions about the formation of profits by assessing the financial condition of enterprises, using this assessment as a tool for distributing profits, have begun to unfold on the pages of the press. But the process of forming profit itself is associated not only with the payment of funds from the distributed profit, carried out by assessing the usefulness of its use, but also with the implementation of a strong social policy at enterprises concerning the interests of employees.

What is the novelty and the essence of such a "strong" system of profit formation, which provides for a policy that would directly contribute to the revitalization of enterprises?

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Firstly, in its target orientation towards increasing the vital activity of enterprises, as well as their all-round, harmonious development using non-traditional innovative approaches and tools.

Secondly, in the involvement of all employees in the formation and implementation of this policy by providing them with the opportunity to set and solve practical tasks within the framework of their interest.

Thirdly, in the organic interconnection of social events with the results of the activities of enterprises and with the innovative and investment mechanism for regulating net profit.

Research methodology.

In the process of working on the study, the author based on current trends, legislative and regulatory support, development of the country, approved by legislative and regulatory acts, used a systematic approach, economic analysis, grouping and synthesis.

Literature review.

Profit as an economic category associated with trade, commodity-money economy has been a subject of study from ancient times to the present day. Mercantilists were the first to try to explain the profit back in the 17th century, and later the Physiocrats. Further, the study of the phenomenon of profit is continued by A. Smith (Smith, 1993), D. Ricardo and others. Further study of profit in theoretical and methodological terms was reflected in the works of such famous scholars of the neoclassical direction as A. Babo (André Babo, 1993), A. Marshall (Marshall, 1984), I. Schumpeter (Schumpeter J.A., 1954), M. Miller and F. Modigliani (Modigliani & Miller M. 2001).

The general theoretical and methodological foundations of the study of the formation and development of the market economy system in the Republic of Uzbekistan are reflected in the works of I.T. Abdukarimov (Abdukharimov, 1999), A. Vakhobov (Vakhobov, 2005), J.R. Zaynalov (Zaynalov, 2011), R.Kh. Karlybaeva (Karlybaeva, 2007), O.O. Olimzhanov (Olimzhanov, 09.04.2001), M.K. Pardaev (Pardaev, 2012), M.B. Khamidulin (Khamidulin, 2008) and others.

Profit is the goal of any business activity of the enterprise. In addition, it is an object of economic theory and determines an important role in a market economy. In modern textbooks and scientific journals, the category of "profit" is inextricably linked with the categories of income, as well as capital, abstinence, interest, expectations, etc. (Dontsova, 2007, Efimova, 2016, Zabakova, 2011, Kuzmicheva & Vorozhbit & Levkina, 2013, Savitskaya, 2011, Tolpegina, 2009).

Analysis and results. One of the priority problems generated by the formation of profits is the creation of an effective mechanism that determines the boundaries of net profit, without destroying the balance between the formation and distribution of profits. Such a mechanism cannot arise suddenly, on its own - with the formation of net profit or by creating the boundaries of consumed funds from the deduction from the distributed profit.

The conceptual basis for analysing the formation of profit should be a detailed understanding of the role and tasks of net profit in the structure of gross profit, on the one hand, and on the other hand, in the system of generating profit.

In questions about the analysis of the formation of profit as an object of distribution, simplifications are unacceptable. When analysing it, the peculiarities of its content are often overlooked. In accordance with the classical approach, the formation of profit appears as a unity of four points: ownership, consumption, disposal, appropriation.

Profit as the main result of the activities of enterprises meets the needs of the enterprise itself and the

state as a whole. And this requires a more consistent definition and analysis of the composition of profits.

The amount of both gross and net profit is influenced by a combination of many factors that depend and do not depend on the activities of the enterprise. Under the influence of these factors, gross profit and the bulk of net profit are added. It represents the sum of the profits (losses) of the enterprise, both from the sale of goods (products, works, services) and income (losses) not related to them.

Profit analysis in the aspect of researching causal relationships, factors influencing the formation of both positive and negative trends, is an obligatory component of the study and the most important information base for making management decisions (Tolpegina, 2009).

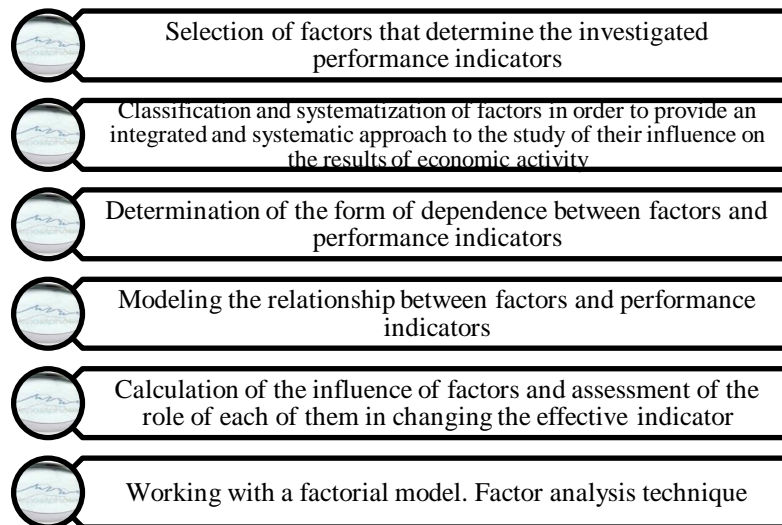


Figure. 1. Tasks of factor analysis (Efimova, 2016)

Algorithm for calculating factor analysis V. Dontsov and N.A. Nikiforov is seen as follows: determining the influence of the "selling price" factor requires preliminary clarifications. It is necessary to recalculate the proceeds of the current year at the cost of the base (last) year, for which the cost of products sold in the reporting period is divided by the price index. The difference between actual and adjusted revenue indicates an increase due to the price factor (Dontsova, 2007).

According to the current Regulation "On the composition of costs for the production and sale of products (works, services) and on the procedure for the formation of financial results" (Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, 1999), gross profit as the final financial result is revealed on the basis of accounting of all business operations of the enterprise and an assessment of balance sheet items.

The formation of the gross profit of the enterprise is presented in the form of a diagram (see: Fig. 2). The outlined approach on the indicated scheme only clarifies the possible options within the framework of one or another basic indicator and allows us to conclude that the overwhelming part of gross profit, enterprises receive from the sale of products (works, services), this part of the profit is given special attention (see: Fig. 3).

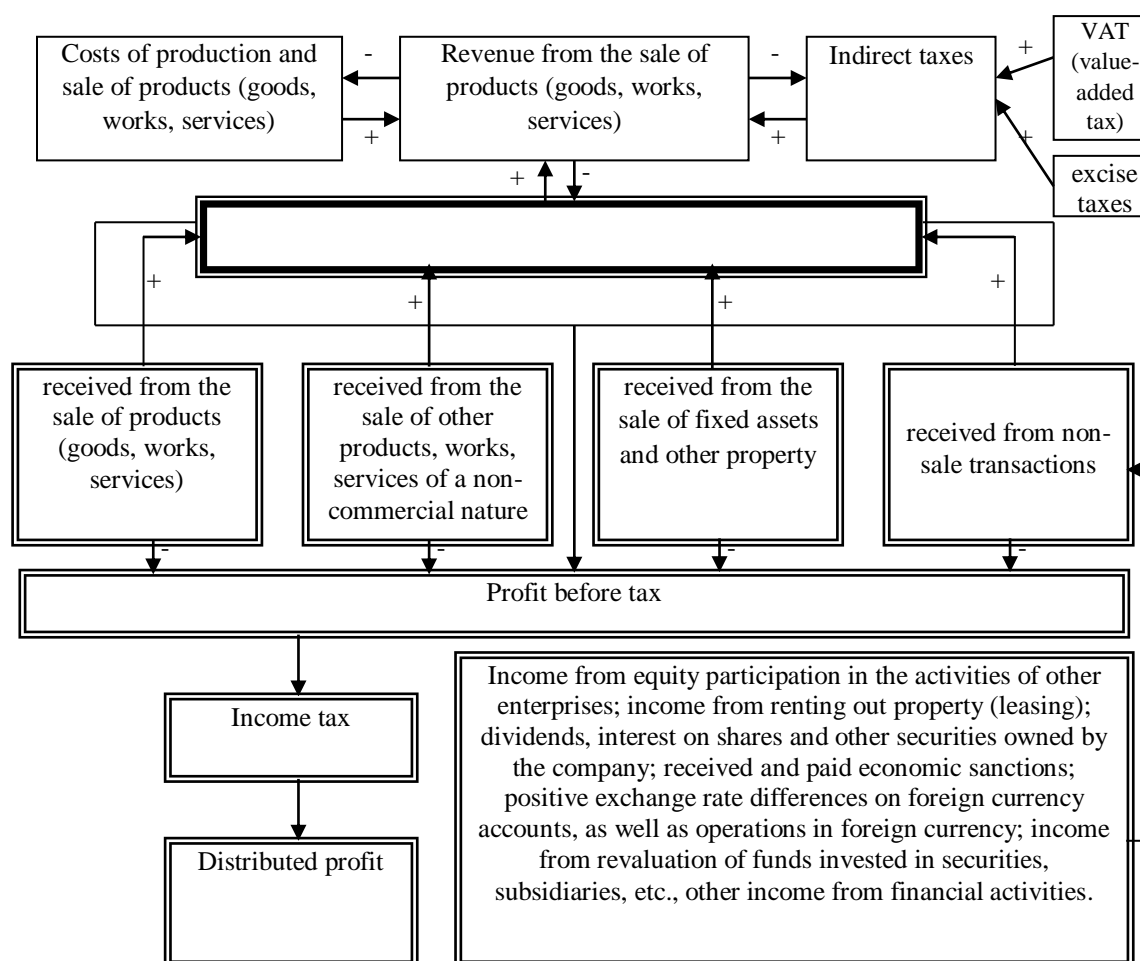


Figure. 2. Model of the formation of the company's profit

Factors that depend and do not depend on the activities of the enterprise affect mainly the profit from the sale of products (works, services).

	Gross income	
Material costs	Salary	Profit
Costs (cost)		Net income
The volume of sales of goods (products, works, services)		

Figure. 3. Formation of the gross income of the enterprise

Sometimes the indicator of operating costs of enterprises (for example, transport, communications enterprises, taking into account the costs of expeditionary and loading and unloading operations) acts as the cost price. As a result, it is necessary to distinguish between the formation, distribution and use of profits. Here, although the general features of profit remain unchanged, its internal content is certainly different. For the movement of goods directly affects the formation of net profit in form and content. Therefore, for a detailed analysis, the basic provision of the unified calculation of net profit is used (Alieva, 2019).

Consider the analysis of the company's profit using the example of the company "AJ" LLC (see: table 1 and table 2).

Table 1 - Change in the statement of financial results in the reporting period compared to the base period

Indicator name	31.12.2020	31.12.2021	In absolute terms	Rate of increase	Specific gravity
Income and expenses from ordinary activities					
Revenue	5 090 005,00	29 799 130,00	24 709 125,00	485,44%	0,00%
Cost of sales	-2 864 482 589	-21 045 620,00	2 843 436 969,00	-99,27 %	56 205,99%
Gross profit (loss)	-2 859 392 584	8 753 510,00	2 868 146 094,00	-100,31 %	56 205,99%
Business expenses	-1 003 401	-1 171 976,00	-168 575,00	16,80%	15,78%
Administrative expenses	-1 337 316	-2 606 762,00	-1 269 446,00	94,92%	17,53%
Profit (loss) from sales	-2 861 733 301	4 974 772,00	2 866 708 073,00	-100,17 %	56 239,30%
Interest receivable	150 424,00	48 677,00	-101 747,00	-67,64 %	-2,79 %
Other income	783 065,00	3 156 768	2 373 703,00	303,13%	-4,79 %
Other expenses	-1 318 941	-1 968 598	-649 657,00	49,26%	19,31%
Profit (loss) before tax	-2 862 118 753,00	6 211 619	2 868 330 37	-100,22 %	56 251,02%
Current income tax	-4,00	-6 124,00	-6 120,00	153 000,00%	-0,02 %
Net profit (loss) of the reporting period	-2 862 118 757	6 205 495,00	2 868 324 252	-100,22 %	56 251,00%

Table 2 - Change in indicators of financial and economic activity in the reporting period compared to the base period

Indicator name	31.12.2020	31.12.2021	In absolute terms	Rate of increase
Sales profit	-2 861 733 301	4 974 772,00	2 866 708 073,00	100,17%
Net profit	-2 862 118 757	6 205 495,00	2 868 324 252,00	100,22%
Net assets	48 594 090	61 539 323,00	12 945 233,00	26,64%
Net assets turnover, %	10,47%	48,42%	37,95%	362,29%
Return on net assets,	-5 889,06 %	8,08%	5 897,14%	100,14%

%				
Equity	48 594 090,00	61 539 321,00	12 945 231,00	26,64%
Return on equity, %	-5 889,85 %	11,27%	5 901,12%	100,19%

From table No. 1 it can be seen that the proceeds from the sale of the company in comparison with the base period increased significantly (from 5,090,005.00 thousand soums as of 31.12.2020 to 29,799 130.00 thousand soums as of 31.12.2021). During the analyzed period, the change in sales amounted to 24 709 125.00 thousand soums. The growth rate was 485.44%.

Gross profit as of 31.12.2020 was -2 859 392 584.00 thousand soums During the analysed period it increased by 2 868 146 094.00 thousand soums, which should be considered as a positive moment and as of 31.12.2021 amounted to 8 753 510.00 thousand soums.

Profit from sales as of December 31, 2020 amounted to -2 861 733 301.00 thousand soums. During the analysed period, it, as well as gross profit, increased by 2 866 708 073.00 thousand soums, and as of 31.12. profit from sales amounted to 4,974,772.00 thousand soums, as well as gross profit, remained at the same level.

It should be noted the high level of commercial and administrative expenses in the structure of the profit and loss statement of the organization. At the beginning of the analysed period, their share was 0.08% of the cost of goods sold. In the reporting period, an increase in their share is observed - as of December 31, 2021, administrative and commercial expenses increased and amounted to 17.95% of the cost of goods, products, works, services sold.

An indicator of an increase in the efficiency of the enterprise can be called a higher growth in revenue in relation to the growth in prime cost, which amounted to 485.44% compared to the growth in prime cost (-99.27%).

A positive point is the positive balance of other income and expenses - as of December 31, 2021, the balance of other income and expenses was established at the level of -385 452.00 thousand soums, in addition, there is a positive trend - for the period from the end of December 31, 2020 by the end of December 31, 2021, the balance on them increased by 1,622,299.00 thousand soums.

As can be seen from table No. 2, the net profit for the analysed period increased by 2 868 324 252.00 thousand soums, and at the end of December 31, 2021 it was established at the level of 6 205 495.00 thousand soums (the growth rate was -100, 22%).

Considering the dynamics of indicators of financial and economic activity of LLC "AJ", special attention should be paid to the return on net assets and the weighted average cost of capital.

For the successful development of activities, it is necessary that the return on net assets is higher than the weighted average cost of capital, then the company is able to pay not only interest on loans and declared dividends, but also reinvest part of the net profit into production.

Table 2 shows that, at the end of the analysed period, the return on equity was 11.27%, which is higher than the weighted average cost of capital, the value of which was 0% in the corresponding period. The current situation suggests that the company is able to pay not only interest on loans and declared dividends, but also to reinvest part of the net profit into production.

Considering the dynamics of income and expenses of LLC "AJ", we can say that in general for the analysed period it can be called positive.

In a market economy, each company sells its products at negotiated wholesale prices, which include the cost of production, profit, excise tax, value added tax and transportation costs for the delivery of goods to the departure station.

This price is indicated in delivery contracts, invoices and waybills. Only after the sale of products, enterprises reimburse their expenses, make a profit and pay taxes due.

Hence, it is concluded that the profit from the sale of products for tax purposes may not be equal to the profit reflected in the accounting records. When enterprises sell products (works, services) at prices not higher than the actual cost, for tax purposes, the market price for similar products is taken, prevailing at the time of sale, but not lower than the actual cost. This procedure leads to the payment of income tax in the absence of real income.

The fact is that in addition to the profit from the sale of products (works, services), the gross profit includes the profit from the sale of other products (works) and services of a non-commodity nature, which accounts for several percent of the gross profit. At the same time, the results from other sales can be both positive and negative. The enterprises of transport, subsidiary farms, trade organizations, which are on the balance sheet of the company, can have not only profit, but also losses from the sale of their products, works, services, which will accordingly affect the boundaries of the generated profit. The initial and, perhaps, the main one is also the question of the individual parts of the gross profit, the nature of the interaction of these parts with the generated net profit.

A separate component of the gross profit can also be allocated profit from the sale of fixed assets and other property. Their occurrence is associated with the search for new financial instruments that ensure the determination of their size in order to regulate the volume of net profit.

Unfortunately, theoretically and methodologically, this issue is not yet fully developed, and therefore there are significant differences in its interpretation. For example, proceeds from the sale of fixed assets or property of enterprises are practically included in gross profit and are subject to taxation. This is indirectly double taxation. In our opinion, the proceeds from the sale of property should be included in the net profit, and only after the payment of income tax. Further, the company can manoeuvre this revenue within the total amount of distributed profits. However, this is practically not legalized, which leads to a complication of the movement of obsolete fixed assets, the introduction of innovative technologies in order to strengthen the material and technical base of enterprises.

The substantive features of the sale of fixed assets in order to ensure capital gains lead us to understand the specifics of their place and role in the system of generating profit, as part of net profit. At the same time, it is important to emphasize the qualitatively new role of a part of net profit. For example, in the UK there is an independent capital gains tax, which is imposed on the gains in the value of some assets upon their sale, and this value is indexed to inflation. And in another developed country, the United States, profits from the sale of assets that were previously owned by this owner for more than six months are taxed at a halved rate or even lower tax rates. In Denmark, Ireland, Portugal, Switzerland, Great Britain capital gains tax is levied on the income of individuals and legal entities received from the sale of property. In this case, the object of taxation is the increase in the value of property, i.e. the difference between the selling price of the property and the price of its acquisition (taking into account the costs incurred in this regard). A number of countries also carry out special taxation of capital gains on legal entities in order to increase the taxation of income from speculative and commercial transactions with real estate.

There is another element of net profit - non-operating income and expenses that are not directly related to the production and sale of products.

The list of such incomes and expenses is given in the chart of accounts of accounting and in the Regulations on the composition of costs for the production and sale of products (works, services) and on the procedure for the formation of financial results (approved by the Cabinet of Ministers of the Republic of Uzbekistan dated February 5, 1999, No. 54) included in the cost price products (works, services).

Conclusion. Undoubtedly, the analysis of the formation of net profit, carried out by the financial service, should be a priority, and include:

- study of the structure, sources of profit formation;
- study of the dynamics of profit and the study of factors affecting the change in its value;
- analysis of non-operating financial results and their composition;
- identification and assessment of sources that ensure profit growth.

The profit assessment system should also include relative indicators, such as the profitability of the enterprise, its products and capital. For profitability should serve as the basis for differentiating the tax rate, in particular, the profit tax of monopoly enterprises.

Hence, it is concluded that the analysis of the profit of the enterprise should provide for:

- assessment of the dynamics of absolute and relative indicators;
- determination of the influence of individual factors on the amount of profit and the level of profitability;
- identification of reserves for the growth of profit and profitability;
- determination of the profit threshold.

When comparing financial results for a number of related periods, one should take into account the change in the accounting policy adopted at the enterprise, in particular in the areas:

- selection of the method of calculating depreciation of fixed assets and intangible assets;
- selection of a method for evaluating materials when they are released into production;
- selection of the procedure for attributing certain types of expenses to the cost of production (creation of reserves);
- determining the composition of indirect costs and the method of their distribution.

These should be the most important areas of accounting policy, which should form the basis for the formation of profit.

So, building a fair and efficient profit management system ensures its clarity, purpose and stability of its growth, which is an important condition for the development of enterprises.

This, in our opinion, is the general approach to the problem of analysing the formation of profit. But in order to finally formulate it, it is necessary to use more advanced models of indicators of the stability of the formation and distribution of profits.

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