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Improving the Analysis of Joint-Stock Company Profitability Indicators

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Annotation: The article examines the analysis of production costs and profitability indicators in economic entities. The main tasks of the analysis of production costs and the analysis of costs for one soum product, the analysis of the profitability indicators of the joint-stock company were studied.

Keywords: accounting, audit, economic analysis, financial analysis, production costs, production cost analysis, cost structure, production cost, net sales, profitability, financial stability.

Introduction

In the conditions of economic development and liberalization in the Republic of Uzbekistan, technical and technological re-equipment of production serves to establish the financial and economic activities of economic entities and ensure their economic and financial stability.

In the decision of the President of the Republic of Uzbekistan dated September 19, 2018 "On measures to further develop audit activity in the Republic of Uzbekistan" modern approaches in regulation in accordance with international standards are introduced.

One of the directions of the consistent economic policy conducted in our republic is the modernization of production enterprises, technical and technological updating, and reduction of production costs based on the widespread introduction of innovative technologies. Objective distribution of costs for products (work and services) created in economic entities according to cost objects and their correct accounting in the initial documents, as well as production costs in the cost of products (work and services) It is an urgent task to make clear decisions for future periods by auditing that is being formed correctly.

Decision No. PQ-4611 of the President of the Republic of Uzbekistan dated February 24, 2020 "On additional measures for transition to international standards of financial reporting" [2] by accelerating the transition to international standards of financial reporting, providing foreign investors with the necessary information environment in order to expand access to financial markets, as well as to improve the system of training accounting and auditing specialists according to international standards, joint-stock companies, commercial banks, insurance organizations will organize accounting on the basis of **IFRS**

from January 1, 2021, and from 2021 from the end of the year, it is decided to prepare the financial report based on **IFRS**.

In accordance with the Law of the Republic of Uzbekistan No. ORQ-677 dated 25.02.2021 [3], NSA were canceled on July 31, 2021, and it was determined that the audit activity will be carried out entirely in ISA.

Today, we need to develop export-oriented products (works and services) in business entities. For this, the products must be competitive and our product manufacturers must gain competitive advantage. Competitive advantage is determined by reducing the costs of manufactured products (work and services), increasing their quality, and quickly adapting to market requirements. In this case, issues of reducing production costs are important.

For this reason, it is necessary to objectively distribute the costs of the products (work and services) created in the business entities according to the cost objects and correctly account for them in the original documents and in the cost of the products (work and services) to make accurate decisions for future periods by auditing the correct formation of production costs. Because it shows that the current system does not fully meet the requirements of the management in accounting and reports of the expenses spent on the manufactured products (work and services). Therefore, a positive solution to the issues described above requires conducting scientific research on this topic and determines the need to solve these issues in the work.

In order to achieve effective results, effective organization of the production process in enterprises, rational use of available resources, and improvement of their financial stability are one of the urgent issues.

Analysis of literature on the topic

The issues of production costs in economic entities are given a lot of attention in normative legal documents and works of economists.

According to Doctor of Economics, Professor B.A. Khasanov, "Profit and profitability are one of the important indicators of the company's activity and its evaluation. The factor affecting the profit is the cost" [5].

Considering the findings of Doctor of Economics, Professor R.D. Dusmurov, cost accounting objects are separate structural units where costs are incurred and accounted for [6].

Candidate of Economics, associate professor A. Shoalimov believes that reducing the cost of products reflects the saving of live labor and manufactured labor, provides an increase in profits, and makes it possible to lower wholesale and retail prices [7].

Candidate of Economics, Associate Professor A.V. According to Ilina, expenses are the value of material, labor, financial and other resources used in the economic activity of the organization during the reporting period. Costs can be assets or costs of the organization [8].

Candidate of Economics, Associate Professor D.M. According to Akbasheva, in order to effectively manage costs, it is necessary to take into account production and choose the right method of calculating costs and production costs [9].

Studies have shown that the theoretical problems of the analysis of production costs are one side of the issue, and the other side is its practical relevance to various industries. This determines the relevance of the topic of the scientific article.

Research methodology

The methods of grouping, comparison, analysis, synthesis, induction, deduction and factor analysis were used in the research work. In particular, the comparison method is the most basic method of analyzing the company's activity, and it is also used in the analysis of financial results. Because every metric, every number, control, and forecast used for benchmarking is only meaningful when compared to a similar metric. As a result of the comparison, it will be possible to systematically control production costs and comprehensively evaluate them. Grouping is a widely used method, especially in the analysis of production costs. Because the analysis of the cost structure, taking into account their characteristics and main aspects, allows to increase the quality of audits.

In the analysis of production costs, dialectical methods of knowledge - analysis and synthesis are used. These methods are used to estimate the composition of costs and generalize the results of the analysis.

The factor analysis method is the main method used in the analysis of production costs. Because the method of factor analysis is used to calculate all the factors affecting the change of the cost indicator. As a result of the application of this method, it will be possible to determine the internal economy's opportunities to reduce costs and increase the amount of profit.

Analysis and results

When assessing the activity of a joint-stock company, the evaluation of profitability indicators is of great importance. Profitability is a result indicator that expresses the goal of managing the company's activities.

Profitability indicators can be divided into two large groups. The first is intended for external, that is, enterprise owners and potential investors, and it expresses the profitability of invested capital. The second is internal, it is intended for the managers of the joint-stock company, and the share represents the efficiency of the company's activity.

The first type of profitability can include the return on equity capital, return on private equity and return on assets:

Table 1. Analysis of general profitability indicators in "G'alla-Alteg" joint-stock company¹

Indicators	As of January 1, 2018	As of January 1, 2019	As of January 1, 2020	As of January 1, 2021	As of January 1, 2022
Net profit, thousand soums	1323466	6 949 127	24 933 460	14844177	24253620
Authorized capital, thousand soums	639863	639863	639863	639863	639863
Private capital, thousand soums	14680037	22 018 710	44138436	14680037	20544201
Total assets, thousand soums	90707711	96171739	114634322	170001571	185367637
2.1. Authorized capital profitability = Net profit / Authorized capital *100%	206,8%	1086,03%	3896,68%	2319,89%	3790,43%
2.2. Private capital profitability = Net profit / Private capital *100%	9,01%	31,56%	56,49%	101,12%	118,05%
2.3. Assets profitability = Net Profit/Total Assets*100%	1,46%	7,22%	21,75%	8,73%	13,08%

¹ The author was concluded by the author on the basis of Division of JSC "Galla-Alteg".

As a result of the increase of the net profit of the joint-stock company from year to year, the profitability indicators mentioned above have increased. Also, the status of the authorized capital on January 1, 2022 has not changed at all compared to January 1, 2018. Year-on-year increase in the cost of private capital also influenced the growth of profitability indicators.

The second category of profitability indicators representing the efficiency of the activity is given in the table below.

Table 2. Analysis of profitability indicators representing the efficiency of activity in "G'alla-Alteg" joint-stock company²

Indicators	As of January 1, 2018	As of January 1, 2019	As of January 1, 2020	As of January 1, 2021	As of January 1, 2022
Sales profitability = Gross profit/Product sales net income	11,35%	14,32%	17,18%	11,18%	8,58%
Cost price profitability = Gross Profit / Cost of Goods Sold	12,81%	16,72%	20,74%	12,58%	9,38%
The main activity profitability= The main activity profit/(Cost of Goods Sold + Period Expenses)	2,60%	6,92%	13,96%	7,76%	3,73%

It can be seen from the table that the performance indicators are also increasing.

In our opinion, in order to justify the opinion about the reliability of the financial report, the auditor should evaluate the importance of accounting information according to mandatory indicators, and for a clear conclusion, according to additional indicators.

Taking into account the high importance of all these indicators for users, it will be possible to extrapolate the result of the assessment to the entire set of accounting information of the enterprise.

In the audit of financial statements, the objective basis of the auditor's opinion is the auditor's evidence, and accounting information is considered the basis of their explanation. The need to develop a clear and logical methodology for substantiating the auditor's opinion at each stage of the audit.

Thus, if the value of this coefficient (financial independence coefficient) is greater than one, then it can be concluded that the level of financial independence and stability of the financial situation of the joint-stock company will be in a bad situation.

The following practical recommendations for further improvement of the analysis of the structure of the joint-stock company's property and the sources of its organization can be referred to in the performance of analytical operations by the auditing organization.

Table 3. Recommendations on improving the composition of the balance sheet of the joint-stock company³

BALANCE SHEET ASSETS	BALANCE SHEET LIABILITIES
INCREASE IN THE BALANCE AMOUNT	
In line with purpose	In line with purpose
1. Increasing the value of basic funds. 2. Increase the amount of shipped goods	1. Increase of authorized capital. 2. Increasing retained earnings.

²The author was concluded by the author on the basis of Division of JSC "Galla-Alteg".

³ The author was concluded by the author on the basis of Division of JSC "Galla-Alteg".

(within 20-40% of the amount of working capital).	
3. Increase production reserves as a result of increase in production volume.	3. Increasing allocations to funds.
4. Increase funds in the account number (within 10-30% of the amount of working capital).	4. Increasing own funds.
Not fit for purpose	Not fit for purpose
1. Growth of funds (if it is more than 30% of the amount of working capital).	1. Increase in accounts payable.
2. Increase in receivables (more than 40% of total working capital).	2. Increase in loans and debts.
DECREASE IN THE BALANCE AMOUNT	
In line with purpose	In line with purpose
1. Reduction of production reserves as a result of a decrease in production volume.	1. Reduction of accounts payable.
2. Reducing the volume of unfinished production.	2. Credit and debt reduction.
3. To reduce the costs of the next period.	
4. Reducing the stock of finished products	
5. Reduction of receivables	
Not fit for purpose	Not fit for purpose
1. Reduction of funds (less than 10 percent of the amount of working capital)	1. Reduction of retained earnings.
2. Reduction of production reserves despite the increase in production volume.	2. Reduction of authorized capital.

As can be seen from this table, changes in the asset side and the liability side of the balance sheet are analyzed as a result of the analysis of the corresponding increase and decrease of the changes in the accounting balance. Including, it is necessary to analyze the appropriateness and inappropriateness of the increase on the asset side, as well as the changes on the passive side in the same order. For example: it is necessary to evaluate the increase of money from two aspects. An increase in funds is appropriate if it is in the range of 10-30% of the amount of working capital, if it is more than that, it is not considered appropriate.

Tangible working capital is the main component of current assets, and their rational use increases the level of stability of the joint-stock company's financial position.

Table 4. Analysis of the production costs of dry fodder

Cost Name	Plan		Actual		Difference	
	Total (in thousand sums)	for 1 tn (sum)	Total (in thousand sums)	for 1 tn (sum)		
The volume of products to be calculated	31 800		34 680		(+ -)	%
Materials	105 099	3305	88922	2564	-740,9	77,6
Electricity	263 081	8273	233900	6745	-1528,5	81,5
Depreciation	1 370 834	43108	1737991	50115	7007,1	116,3
Paying for work	158 936	4998	194122	5598	599,5	112,0
Single social payment	34 535	1086	27017	779	-307,0	71,7

Total production costs	2 541 392	79918	2869809	82751	2833,1	103,5
Other expenses	2 227 590	70050	2656900	76612	6561,9	109,4
Total production costs	6 701 468	210 738	7 808 661	225 163	14425,2	106,8

The cost estimate exceeded the plan by 6.8%. The main overhead costs are wages, general production costs and other costs. The reason for this is "due to the increase in wages charged to employees and the increase in transportation costs during the grain receiving season.

Table 5. Administrative expenses

Cost Name	Plan	Practice	Difference	
			(+ -)	%
Depreciation of fixed assets	28 806	10 985	-17 821	38,1
Paying for work	2 717 002	3 675 398	958 396	135,3
Single social payment	326 040	439 838	113 798	134,9
Materials	129 461	338 227	208 766	261,3
Costs of passenger cars	93 885	75 960	-17 925	80,9
Cellular communication services	46 558	79 747	33 189	171,3
Other expenses	57 930	43 696	-14 234	75,4
Total	3 399 682	4 663 851	1 264 169	137,2

The main reason for the fact that the cost estimate was exceeded by 37.2% compared to the plan is the increase in "the increase in wages, complex renovation of the administration building and the demand for internet and mobile communication services".

Conclusions and suggestions

In the conditions of economic development in our country, establishing correct and timely accounting of production costs in economic entities, conducting audits and analysis, as well as rational use of material, labor and financial resources. the establishment of strict control is one of the most important ways to reduce the cost of products.

The analysis of product production costs allows to use internal capabilities and to develop practical suggestions for increasing the efficiency of economic activity. Therefore, in the work: the factors influencing the change of product production costs at JSC "Galla-Alteg" calculation and practical recommendations for determining and increasing internal capabilities were given.

As a result of research, the following can be indicated as the main sources of reducing production costs at the enterprise:

- increasing the production volume based on the full use of the enterprise's production capacity; - increasing labor productivity, reducing production costs due to the economical use of raw materials and materials, electricity, fuel, equipment, elimination of unproductive costs, and avoidance of waste.

The possibility of increasing the volume of product production is determined by analyzing the execution of the production program. Due to the increase in the volume of the product, the variable part of the costs (employees' wages, material costs, etc.) increases, while the constant part of the costs is kept in the same state, therefore, the cost reduction is achieved.

The opportunity to reduce costs is achieved by applying innovations in each cost mode, reducing wages, raw materials, materials, and energy. Material cost reduction Reserves for material cost reduction are determined by the use of new technology and other measures based on the volume of the planned product.

Additional costs for the possibility of increasing the volume of product production are determined for each type of product. It is considered appropriate that the calculation of reserves in this order should be determined separately for each type of product and, if possible, for innovation measures.

As a result of the research, the implementation of the proposals made on the analysis of production costs will allow to increase the economic efficiency of the enterprises.

We believe that the application of these recommendations in the practical activities of the enterprise will allow to accurately diagnose the financial situation, increase efficiency, ensure their competitiveness, prevent bankruptcy, increase their financial potential and ensure their financial stability.

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