



THE RATIO OF EXPENSES AND PROFITS ON THE EXAMPLE OF JOINT-STOCK COMPANIES

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Abstract. During the pandemic, the market situation has become unstable and unpredictable. Many famous companies and corporations lost the opportunity to pay dividends to their shareholders, and after they declared bankruptcy, this situation confirmed the fact that it is necessary to analyze and audit profits and expenses. It is not enough to analyze profit only by growth dynamics, this indicator needs to be considered more carefully. In market conditions, the activity of each business entity is aimed at making a profit. The most detailed information about the profit can be provided by the statement of financial results, or the profit and loss statement. For a full study of this report, it is necessary to familiarize yourself with terms such as "profit" and financial result. To maintain the necessary level of profitability, there is an objective regularity of the normal functioning of an enterprise in a market economy. The systematic lack of profit and its unsatisfactory dynamics indicates the inefficiency and riskiness of the business – one of the main internal causes of bankruptcy. In order to manage profit, it is necessary to conduct an objective system analysis of the formation, distribution and use of profit, which will allow identifying reserves for its growth. Such an analysis is of interest to both internal and external entities, since profit growth determines the growth of the potential capabilities of the

enterprise, increases the degree of its business activity, increases the income of the founders and owners characterizes the financial condition of the enterprise.

This article discusses the concept of profit and expenses, their relationship. An analysis of the dynamics of profit in the period of five years was also made. The ratio of profit and expenses is analyzed on the example of joint-stock companies of the Republic of Uzbekistan. After determining the dynamics of profit and expenses for five years, the ratio of profit and expenses is determined, which shows that the growth of expenses increases equally with the growth of profits, for a more transparent analysis of this indicator, an analysis of profits and expenses of joint-stock companies was carried out.

Keywords: Financial result, expenses of the period, other operating expenses, loss, profit, financial condition, bankruptcy, positive dynamics.

Introduction. During the pandemic, the market situation has become unstable and unpredictable. Many famous companies and corporations lost the opportunity to pay dividends to their shareholders, and then declared bankruptcy, such as: Intelsat (Intelsat Company, the world's largest satellite operator), Pioneer Energy (a large American oilfield services company headquartered in San Antonio), Flybe (a British airline, one of the largest regional



carriers in Europe), Virgin Australia (one of the largest airlines in Australia).

This is the part of well-known companies that have declared bankruptcy, there are other companies that are trying in every possible way to stay on the market. The pandemic also scared off investors who invested, taking into account many factors, but not predicting such an outcome of events. It is now becoming clear that auditing and proper accounting of financial results can somehow help to navigate in unforeseen situations [1].

The Head of our government also plays an important role to this issue in the Decree of the President of the Republic of Uzbekistan No.4947 dated February 7, 2017 "On the strategy of actions for the further development of the Republic of Uzbekistan", the third direction is devoted to – "Development and liberalization of the economy", provides for ensuring the stability of the national currency and prices, the gradual introduction of modern market mechanisms of currency regulation, the expansion of the revenue base of local budgets, the expansion of foreign economic relations, the introduction of modern technologies for the production of export-oriented products and materials, the development of transport and logistics infrastructure, increasing investment attractiveness for the development of entrepreneurship and foreign investors, improving tax administration, the introduction of modern principles and mechanisms of banking regulation, the development of diversified farms, as well as the accelerated development of the tourism industry – all this is the main goal of private enterprises in a market economy.

Profit is the difference in the value of net assets at the end and at the beginning of the period, for a certain period of production

activity, adjusted, if necessary, for the amounts withdrawn or added by the owners[2].

Profit or loss is the total amount of income less expenses, excluding components of other comprehensive income[3].

If we consider the definitions of profit according to the chronology of several years, then we can understand that today the concept of profit is a more extensive concept. If we consider the definition of profit by P. Heine in his book "Economic Way of Thinking" published in 1997, "Profit as an indicator calculated on specific accounting accounts based on specific accounting entries," then we can safely say that after the advent of foreign exchange and many innovations, it is sometimes even difficult to link profit and specific accounting. On the other hand, if we take the activity of joint-stock companies as the object of research, then this definition is always relevant[4].

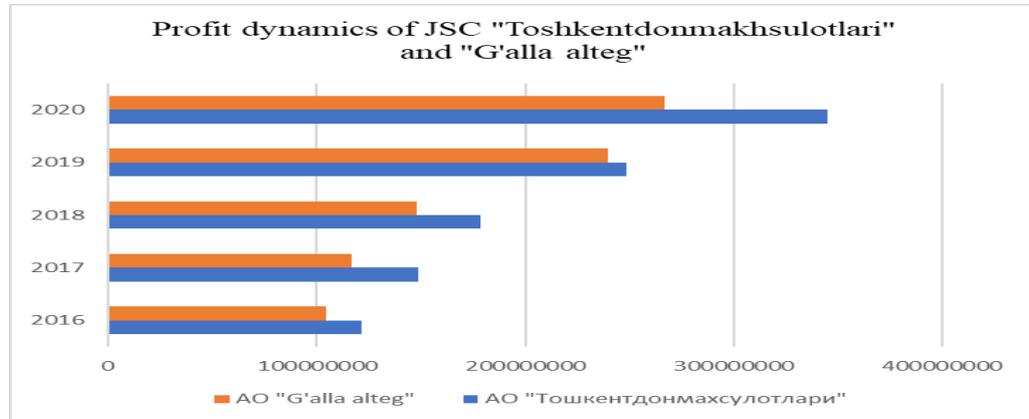
Hendriksen E.S. argued that profit is the result of the use of capital for a certain time[5]. This point of view was announced more than twenty years ago, which is probably why it is very contradictory for the present times, since we understand that profit already has not a direct, but an indirect connection with capital, since there are a lot of levers affecting profit today, but if we consider the general theory of economics, then of course, the concept of Money-Commodity-Money' [6] is the basis of this statement.

Expenses make up the cost of production, the production cost of products (works, services) includes costs directly related to the production of products (works, services), due to the technology and organization of production. These include: direct and indirect material costs, direct and

indirect labor costs, other direct and indirect costs, including overhead costs of a production nature.

Materials and Methods.

Considering the profit data on the example of joint-stock companies, you can see the positive dynamics, Picture № 1.



Picture № 1. Profit dynamics of JSC "Toshkentdonmakhsulotlari" and "G'alla alteg"

Profit is constantly growing, and is a positive factor. Within five years, the profits of joint-stock companies have almost doubled and even more. But it is necessary

to take into account other indicators, and accordingly it is too early to draw hasty conclusions.

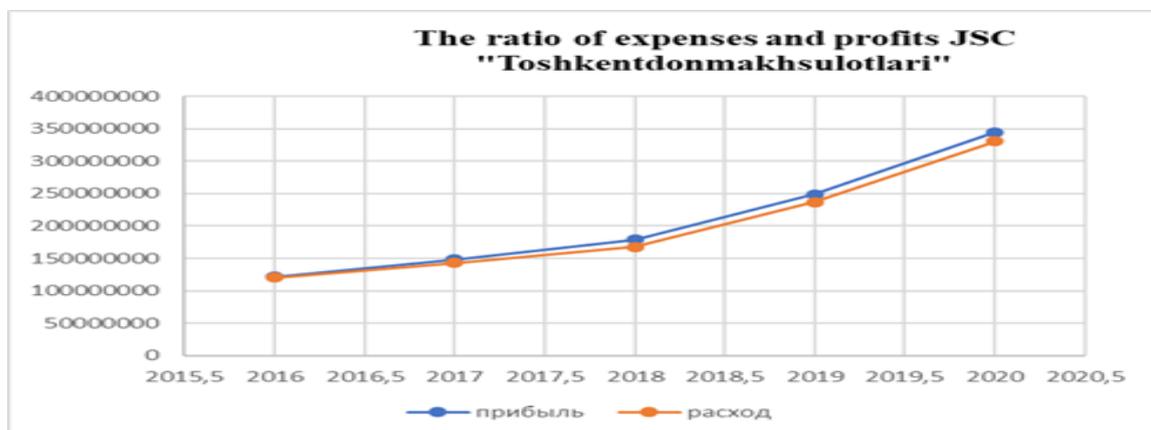
Table-1

The ratio of expenses and profits JSC "Toshkentdonmakhsulotlari"

Indicators	2016	2017	2018	2019	2020
profit	121785881	148547163	178912867	248504686	344656772
expenses	120562490	143125528	167820843	236926025	330914026

If we consider these indicators, then we can pay attention that profits are growing, and expenses are growing

accordingly. This can be seen more clearly in the graph Picture №. 2.



Picture № 2 The ratio of expenses and profits JSC "Toshkentdonmakhsulotlari"

We can see how expenses and profits are growing dynamically.

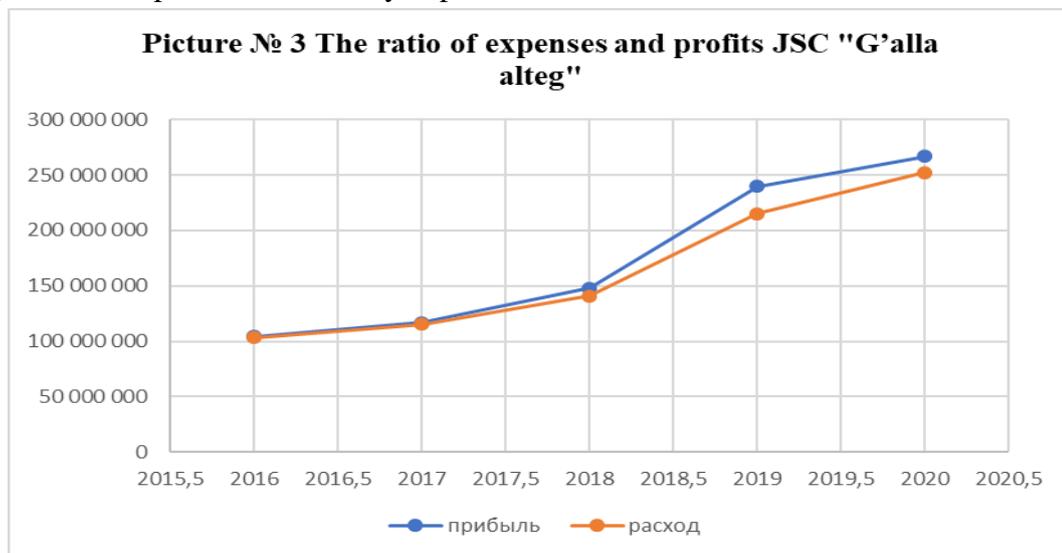
Table-2.

The ratio of expenses and profits JSC "G'alla alteg"

Indicator	2016	2017	2018	2019	2020
Profit	104 526 949	116 898 761	148 033 063	239 899 090	266 974 210
Expenses	103 110 286	115 575 295	141 083 936	214 965 630	252130033

Looking at these tables and charts, you can see that profit is growing dynamically along with expenses. Naturally, profit

growth is interrelated with expenses, whether it is an increase in profit or not.



Picture № 3 The ratio of expenses and profits JSC "G'alla alteg"

Discussion. As noted above, profit in market conditions is an important indicator that characterizes all aspects of the company's activities. One indicator is whether this activity will attract investment or not. For an objective assessment of the profitability of the enterprise, it is necessary to take into account both internal and external factors. Having studied these factors, it is possible to make certain forecasts about what the prospects of this activity are.

This example clearly explains the need for accounting, analysis and audit of financial results, since it is impossible to

draw conclusions only on the amount of profit of the enterprise.

The profit of an enterprise is an absolute indicator, so the availability, size and even profit growth cannot give complete information about the efficiency of doing business.

Types and forms of enterprise profit analysis

Profit analysis is divided into various directions, types and forms depending on the following features:

According to the research directions, there is an analysis of profit formation and an analysis of its use:

-the analysis of profit formation is carried out in the context of the main areas of activity – operational, investment, financial. It is the main form of analysis to identify reserves for increasing the amount and level of profit. One of its aspects is the analysis of profit according to accounting data and taxable profit;

-the analysis of the distribution and use of profit is carried out in the main directions of its use. It is designed to identify the level of profit consumption and its capitalization, as well as specific forms of its production consumption for investment purposes.

According to the organization of the conduct, internal and external profit analysis are distinguished:

internal analysis is carried out by managers or owners of the enterprise using the totality of available information. The results of such an analysis may represent a trade secret;

external analysis is carried out by tax authorities, banks, insurance companies based on the materials published by the enterprise in the open press of the reporting.

According to the scale of activity, the following forms of profit analysis can be distinguished:

-profit analysis for the company as a whole. In the process of this analysis, the formation, distribution and use of profit is studied without the allocation of separate structural divisions of the enterprise (used in financial analysis);

-profit analysis by structural unit or center of responsibility (used in management accounting);

-profit analysis for individual products (is an additional type of analysis that can be used in both financial and management accounting).

According to the scope of the study, a complete and thematic analysis of profits is distinguished:

-a complete analysis is carried out in order to study all aspects of its formation, distribution and use in the complex;

-the thematic analysis is limited to certain aspects of the formation or use of profit (the impact of the company's tax policy on the formation of costs, income and profit;

-the influence of the structure and cost of capital on the level of profitability of the enterprise, etc.).

According to the period and depth of the conduct, the following types of profit analysis are distinguished:

-preliminary profit analysis (express profit analysis, forecast analysis) related to the conditions of its formation, distribution or upcoming use, with the conditions for the implementation of individual commercial transactions, financial or investment transactions, when drawing up a business plan, analysis of the final accounting statements in order to determine the mass and rate of profit, profitability of sales and assets of the enterprise;

-operational profit analysis carried out in the process of carrying out production, investment and financial activities in order to have an operational impact on the formation or use of profit;

-subsequent (in-depth) profit analysis carried out based on the results of work for the reporting period for the most complete study of financial results in comparison with its preliminary and current analysis, identification of factors that influenced the change in profit in comparison with the business plan, indicators of the investment project being implemented or the previous period, as well as for monitoring and subsequent adjustment of the indicators of

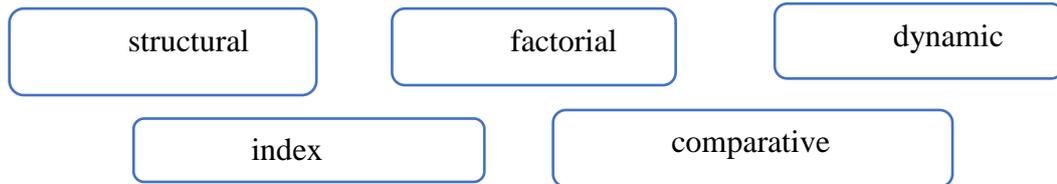
the performed the enterprise of the business plan;

-a detailed profit analysis conducted in the context of studying each of the factors that affect the amount of profit in the whole enterprise, profit for individual types of products or specific sales.

The analysis of the profit and profitability of the enterprise can be external and carried out by investors, auditors and

creditors to assess the financial condition of the enterprise and internal and carried out for the purposes of planning, operational management and strategic decision-making. The planned results can also be compared with the actual results obtained.

Result. According to the methodology of profit analysis the following types of analysis are distinguished:

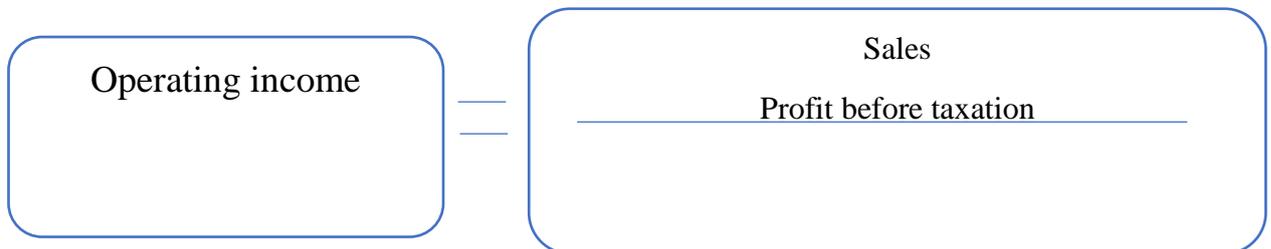


Picture № 4 Types of analysis

Structural profit analysis

Determining the profit structure of an enterprise allows you to analyze the share

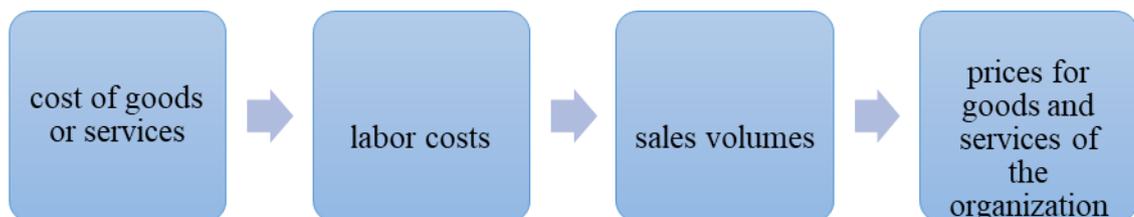
that the profit from the main and other activities occupies in the total amount.



A change in the profit structure may indicate shifts in the profitability of the main activity. An increase in the share of other operations in the amount of profit generated, even with an increase in absolute profit

values, indicates a decrease in the efficiency of doing business in the chosen area.

Factor analysis of profit. Factor analysis involves studying the impact of various factors on profit:



Conclusion.

It is necessary for all business owners to analyze expenses and income, assets and liabilities in order to make the right decisions on enterprise management. But not only the owners are interested in the analysis:

- the management team makes effective management decisions based on the results obtained. In this case, the management team should be understood not only by the board of directors or founders of the company, but also by the heads of structural divisions, because they manage their teams in such a way as to get maximum profit.;

- investors evaluate the prospects of the company if funds are invested there;

- potential business buyers compare the value of the enterprise with its condition;

- suppliers and other partners evaluate the prospects of cooperation through financial indicators;

- banks and lending organizations make a decision on granting a loan through indicators of financial stability or independence;

- the tax service examines the financial situation if the company has debts;

- auditors study the financial activities of the company when the head calls them.

Thanks to the study of the financial situation of his business, the manager understands how stable and correctly his company is developing. But, in addition, you can get a number of benefits from the analysis:

- you can not only get an objective picture of the company's situation, but also see the reasons that led to the current situation;

- see the hidden reserves of the company and use them rationally;

- develop a plan to bring the company out of the crisis;

- predict future financial results.

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