

Classification of Profitability Analysis Methods in Joint Stock Companies

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Abstract

The article discusses the object, subject and functions of profitability analysis in joint-stock companies. There is also an author's classification of techniques for profitability analysis, based on a systems approach.

Keywords:

Joint-stock companies, profitability, profitability indicators, income, expenses, profit, loss complex analysis, subject of economic analysis, object of analysis, analysis tasks, analysis techniques.

Introduction

In the report of the President of the Republic of Uzbekistan Shavkat Mirziyoyev at the extended meeting of the Cabinet of Ministers, dedicated to the main results of the socio-economic development of our country in 2016 and the most important priorities of the economic program for 2017, "The first is the effectiveness of the implementation of targeted programs that show the effectiveness of the reforms. Among these, the following economic and financial indicators of the development of industry and other sectors can be mentioned: the condition of production facilities, the reduction of expenses and costs, the level of localization and profitability, and the unconditional

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The methods of analysis, synthesis, induction, deduction, modeling, experiment, systematic and complex approach were used in elucidating this topic.

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Economic analysis, like any other science, has its subject, research object and methods. The subject of economic analysis can be characterized as the business processes in the life of enterprises, the results of the achieved activities, which are affected by various factors.

We can see that the subject of economic analysis reflects the technological stage of the decision-making process and is one of the functions of management, which is to ensure management decisions.

The subject of economic analysis is the real reality, open to the researcher, consisting of a set of events and objects that are interconnected, constantly moving and developing. The main focus is on the fact that analytical research should be based on the study of causal relationships between events and processes.

In turn, the object of economic analysis can be the organization's financial and economic activity, that is, the area of complex analysis, and its separate aspects, that is, the analysis part related to the topic.

It should be noted that the object of economic analysis is considered from the point of view of connection with the technical-organizational, social and natural conditions of economic activity, and is understood as the activity of the organization formed on the basis of their production relations.

Thus, the business activity of the enterprise is divided into economic processes as an object of general analysis and financial results obtained under the influence of factors of various descriptions reflected in economic information.

It should be noted that in modern economic literature, such categories as the subject and the object of profitability analysis are not distinguished.

Summarizing the opinions of experts in the field of economic analysis, it can be said that the financial and economic activity of enterprises with the organizational and legal form of joint-stock

companies is the object of profitability analysis. In turn, the subject of profitability analysis is the expression of the financial results of joint-stock companies in absolute and relative terms.

The final result of the production and financial activity of the enterprise can be the profit or loss of the enterprise. Therefore, the tasks of profitability analysis include the following areas:

- 1) analysis of profitability plan indicators of different areas of joint-stock companies' activities;
- 2) assessment of dynamic changes in the system of profitability indicators of joint-stock companies;
- 3) implementation of the factor analysis of changes in the system of performance evaluation indicators of joint-stock companies;
- 4) determination of reserves for increasing profitability indicators of joint-stock companies.

It would be appropriate to add another additional task - the task of identifying and studying the causes of losses and damage caused by inefficiency, errors in management and other errors in the production and economic activity of the enterprise.

The evaluation of the efficiency of production and business activity of the enterprise is carried out on the basis of the data obtained as a result of analytical work. The method of economic analysis of activity efficiency has the scientific basis of researching economic processes, their development and their relationship with the environment.

Methods of economic analysis include:

- use of a system of economic indicators that comprehensively describes the efficiency of financial and economic activity of joint-stock companies;
- to study the reasons for the change of indicators and to determine the influencing factors;
- measuring interactions between indicators in order to improve business efficiency and effectiveness.

Unlike the method of economic analysis as a general approach to the study of socio-economic phenomena, the methodology of economic analysis includes a set of methods and rules used to process economic information about the results of joint-stock companies. Therefore, the methodology serves as a practical application of the method of analyzing the profitability of financial and economic activity.

Various methods used in the process of economic analysis of the profitability of joint-stock companies based on a systematic approach can be divided into general and special methods.

General methods include methods based on generally recognized approaches to the study of economic categories: analysis, synthesis, induction, deduction, analogy, modeling, abstraction, clarification, observation, measurement, experiment, representation, systematic and complex approach.

Special methods of economic analysis of the profitability of financial and economic activity can be divided into two groups:

- traditional;
- economic-mathematical.

Traditional analysis methods are used to study and evaluate functional relationships between indicators. The main traditional methods are comparison, average and relative indicators, balance method, index method, grouping, percentage participation method.

Economic-mathematical research methods are used in the study of stochastic systems, where the relationship between the analyzed factors and the resulting indicators has a probabilistic description. Economic analysis uses correlation, regression, mathematical programming, game theory, public service theory, matrix and predictive analysis methods, etc. to study efficiency.

Methods of profitability analysis can be classified as follows:

- 1) by the types of factor analysis, which includes product type profitability and functional analysis using the formula;
- 2) each stage of the formation of the financial result and the analysis of the profitability is evaluated according to the scheme of the impact on the final result of the organization's activity;
- 3) according to profitability classes based on the distribution of the organization's activities in accordance with world practice: current (main), investment, financial.

Based on the systematic study of the profitability indicators of joint-stock companies, the author's classification of the methods of analyzing the profitability of enterprise activity in accordance with the goals of scientific research is presented (Fig. 1). The system of methods for analyzing the profitability of joint-stock companies that we recommend differs from the proposed system of methods in that it uses a multi-level approach to the analysis of profitability indicators based on financial reporting, accounting and statistical data, which allows for a systematic approach, that the objectives of the analysis of capital profitability are in different directions, formed taking into account sales and activity directions to achieve maximum economic efficiency.

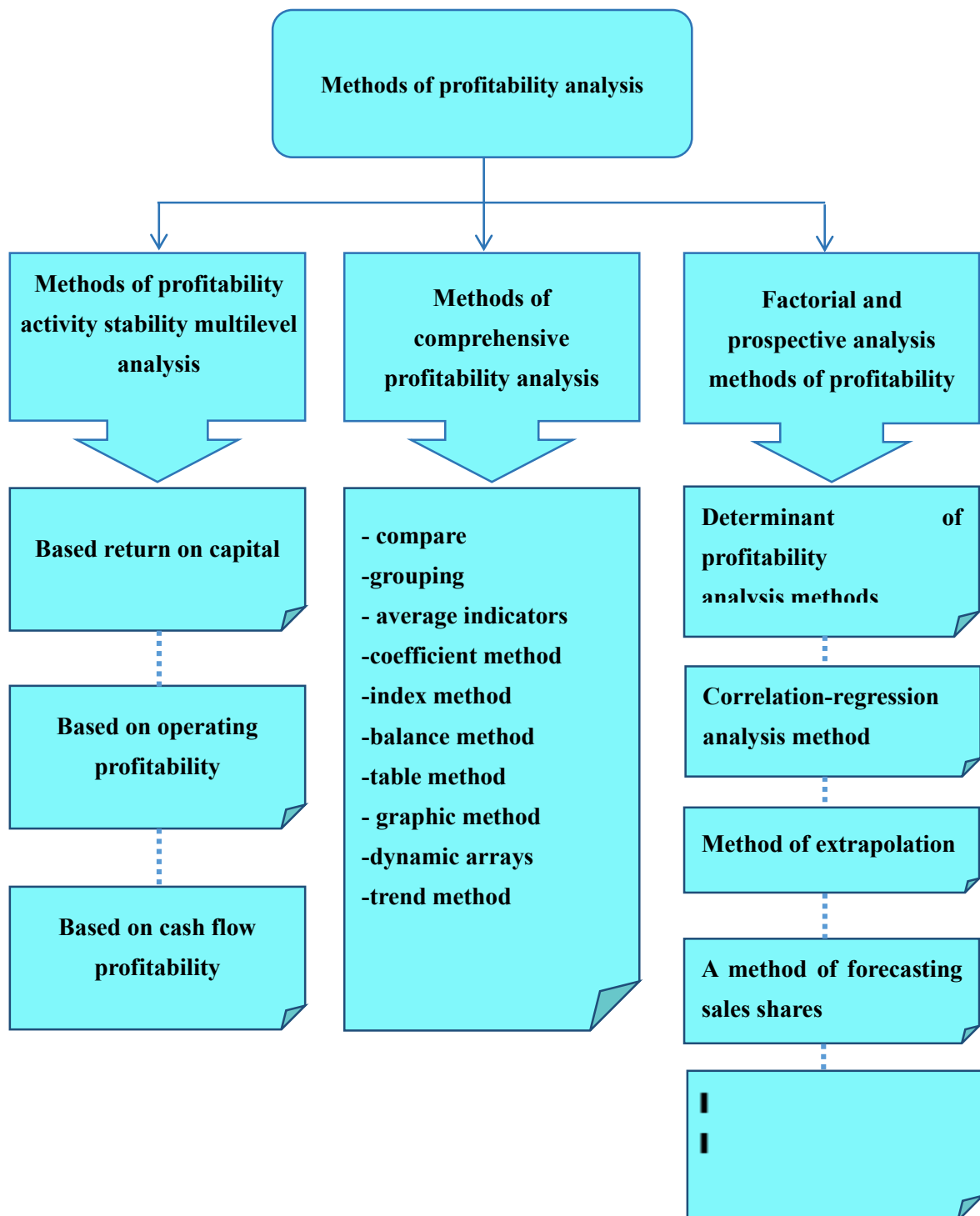


Figure 1. Recommended classification of profitability analysis methods based on a systematic approach

Analyzing the financial results of the enterprises, as the basis for evaluating the profitability, relies on the information contained in the financial report, in particular, the report on the financial results. In this case, the absolute amount of net profit cannot be the only basis for determining profitability.

Profitability joint-stock companies assess the efficiency of business activity, as it reflects the efficiency of the resources involved in the production and sales process in a relative indicator. Profitability is used to evaluate pricing policy and investment policy.

However, there are also some difficulties in the economic interpretation and use of profitability:

1) currently, in the formation of financial information, not the cash method, but the calculation method is used, that is, the received income is taken into account when the product is loaded and sent, not the time of payment, and the expenses are not taken out of the account, but when this type of expenses is calculated;

2) most enterprises try to use the procedure of optimization of taxation in the practice of forming financial statements, which leads to a deliberate distortion or reduction of profits in order to reduce the taxable base;

3) profit is an accounting indicator, not the amount of money that can be used for cash settlement. Profits may differ from the actual size of funds by a number of indicators.

In this case, despite the fact that the profit received by the enterprise is not the same as the sum of the received funds and the difference between the received income and the spent expenses is not calculated, it is still considered as an indicator of its success.

Due to the listed problems, in conditions where the amount of profit shown in the financial documents is large and the level of profitability is high, the company may have a lack of funds. At the same time, a sufficiently stable financial situation can be observed when the profit volume is small and the profitability level is low. Research subjects should take this paradox into account.

Thus, profitability analysis is one of the target areas of economic analysis. It has its own research subject and object, and relies on analytical methods that are unique and require systematic development for the purposes of successful economic development.

2. Among the tasks of analyzing the profitability of the organization, the following directions can be included:

- analysis of profitability plan indicators in various directions of joint-stock companies' activities;
- assessment of dynamic changes in the system of profitability indicators of joint-stock companies;
- implementation of the factor analysis of changes in the system of indicators for evaluating the performance of joint-stock companies;
- determination of reserves for increasing the profitability of joint-stock companies.

It would be appropriate to add another additional task - the task of identifying and studying the causes of losses and damage caused by inefficiency, errors in the management process, and other errors in the production and economic activity of the enterprise.

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