

Eurasian Journal
of Humanities and
Social Sciences



Improving Methods For Calculating Profitability And Its Analysis

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ABSTRACT

In a scientific article, using profitability methods, the level of profitability of business entities is calculated. As a result of the analysis of the level of profitability of the subjects, proposals and recommendations were developed to increase the level of profitability.

Keywords:

profitability, net profit, sales revenue, calculation methods, factors, total assets, fixed assets, current assets, cost, sources of equity, liabilities, analysis

Introduction. In the current digital economy, it is important and currently one of the most pressing issues that business entities end their financial and economic activities with profit, at the same time turning them into farms with high profitability. When the profitability of a business entity is high, it will be able to expand the economy, that is, it will have great opportunities to create new jobs, acquire new techniques and apply modern technologies in production.

Profitability (profitable in German - profitable, benefit) is the profitability, usefulness, efficiency of an enterprise or business, the efficiency of economic activity on a microeconomic scale. Profitability is the main indicator of evaluating the financial results of an enterprise or business activity. Profitability is expressed in percentages, which show that the profit is comparable, that is, it is determined in relation to the costs. When long-term and operational costs (machines, structures,

devices, raw materials, fuel, materials, semi-finished products, labor and other purchases) are different in content, 4 basic methods of profitability are used to find out how they will be achieved.

Strengthening the intensive factors of economic growth in the digital economy creates great opportunities to increase profitability and maximize profits. Production of goods that meet the requirements of the market, modernization of production, reduction of consumption of raw materials and materials, reduction of current costs to save resources, increase of labor productivity, formation of capital structure (working capital), increase of labor incentives (worker - the labor of employees incentives, increasing labor productivity, forming a desire for savings) are the main factors of increasing profitability. The use of these factors is managed at the enterprise level. for this purpose, it conducts renrability monitoring.

In the digital economy, economic tools are widely used in the process of production management. This includes profit, price return indicators, taxes, loans, interest, etc. In their work, profit is the most important criterion in deciding the financial and economic activity of the enterprise. In a free economy, every business entity strives to maximize profits as its main objective in production and service is to make a profit. Thus, the interests of the enterprise and each worker are reflected in the amount of profit. Therefore, profit is an economic category that reflects the commodity-money relationship that is produced and distributed in it. The more profitable the business entity is, the more it motivates each employee, the more it expands the enterprise, the more it is possible to increase the funds of reproduction funds. Therefore, the more profit the enterprise makes, the more the society benefits from it, and the more taxes are paid to the state budget. Therefore, it can be seen that the importance of profit in a free economy has increased significantly. Pictures of growth in all sectors of the economy, in turn, lead to a constant increase in profits.

Review of literature. The financial result is the result that shows the amount of profit and the level of profitability of the enterprise. Tajekeev Z., Baijanov S., Ismaylov K., Abishov M., Utegenova S. gross profit of business entities, profit from main production activities, profit from general economic activities, profit before tax in the textbook "Economic Analysis" and net profit (loss) indicators are discussed separately [2].

In the digital economy, the main criterion that emphasizes the economic and financial activity of enterprises is net profit. To determine the amount of net profit, it is necessary to determine the following intermediate profit indicators:

1. Gross profit = Pure revenue - cost of goods sold
2. Profit from the main production activity = Gross profit - period costs \pm other income (expenses) from the main activity
3. Profit from general economic activity = Profit from the main activity + dividends received + other dividends received \pm interest on loans

received and given \pm other interest received and paid \pm currency difference \pm other income (expenses) on financial activity

4. Profit before tax = Profit from general economic activity \pm contingency profit (loss)

5. Pure profit (damage) = Profit before tax - profit tax and other taxes and appropriations.

The absolute amount of profit cannot comprehensively determine the level of economic performance of enterprises. Therefore, it is necessary to determine comparative indicators. This indicator is a profitability indicator. The profitability indicator is an indicator that determines the economic and financial performance of each individual enterprise. In this indication, expanded production is shown in the monetary form of savings in labor costs for the production and sale of products that satisfy the needs of the general state and ensure the social well-being of the population. It should be noted that profitability is an important economic indicator. The following profitability indicators are recommended in accordance with the rules on the composition of costs for the production and sale of products (work, service), added to the cost of the product (work, service) and the composition of financial results. These include: return on total assets (property), return on goods sold, return on equity and return on equity, and so on.

Pardayev M.Q., Israilov J.I., Israilov B.I. In the economic analysis textbook, special attention is paid to profitability indicators [3]. In addition, it can be shown how many other profitability indicators can be determined. Let's take a look at the profitability metrics below:

1. Profitability on total assets (PTA) shows the level of the enterprise's result of using fixed and current working capital. The norm (norm) of this rate of return should be from 5 percent to 10 percent. The level of profitability of property - shows the profit obtained from one soum of property of the enterprise. This indicator includes the function of an indicator of competition between enterprises.

The level of competitiveness is determined by comparing the profitability of the total assets of the enterprise under analysis with the average coefficient in the industry [2].

The rate of return on total assets is determined by the following formula: the ratio of net profit (NP) to the average amount of total assets (AATA):

$$PTA = \frac{NP}{AATA} * 100 \quad (1)$$

Here:

PTA - Profitability on total assets;

NP - Net profit;

AATA - Average amount of total assets

2. Profitability of fixed assets (PFA). This calculation is determined by multiplying the net profit (NP) for the period by 100% and the ratio of the average annual value of fixed assets (VFA):

$$PFA = \frac{NP}{VFA} * 100 \quad (2)$$

Here:

PFA - Profitability of fixed assets;

NP - Net profit;

VFA - Average annual value of fixed assets.

This profitability reflects the result of efficient use of fixed assets.

3. Profitability of the product sold (PPS) defines the share of profit per unit of product sold, that is, the efficiency of the product sold, and determines the amount of gross profit (GP) in relation to the amount of product sales revenue (SR) according to the following formula

$$PPS = \frac{GP}{SR} * 100 \quad (3)$$

Here:

PPS - Profitability of the product sold;

GP - gross profit;

SR - sales revenue.

Cost of goods sold profitability (CGSP) (margin profitability) is determined by the ratio of gross profit to the cost of goods or services. It is also called profit from goods, services and other services. The profitability of the product shows how much profit the enterprise has made from one soum spent on production

$$CGSP = \frac{GP}{CGS} * 100 \quad (4)$$

Here:

CGSP - Cost of goods sold profitability;

GP - gross profit;

CGS - cost of goods sold.

It is worth noting that since profitability is a comprehensive concept, it is necessary to use a system of indicators to make a complete and accurate conclusion about its status and level of

use. Therefore, based on the officially accepted requirements of the representative bodies of the Russian Federation and the Republic of Uzbekistan, we will briefly consider the system of profitability indicators and their calculation methods. As a result of an in-depth study of the economic literature, it should be noted that there is no consensus among economists on this issue. For example, in the "Methodological Changes in Financial Analysis" approved by the Government Commission on Enterprise Bankruptcy and Rehabilitation of the Republic of Uzbekistan on April 17, 1997, the following profitability indicators were determined: profitability of sold products, profitability of fixed assets, profitability of private capital, profitability of permanent (investment) capital and profitability coefficient of total capital.

In the literature devoted directly to the financial situation of enterprises, great attention is paid to the analysis of profitability indicators, one of the prominent works is the study guide "Analysis of the financial situation of enterprises" published by A.Akromov [1]. In this book, the author recommends comparing profitability indicators with two systematic indicators:

I. General profitability indicators:

- 1) profitability on total assets;
- 2) profitability of production funds;
- 3) profitability of the company's actual costs;
- 4) profitability of the sold product

II. Additional profitability indicators:

- 1) profitability of private capital;
- 2) profitability of borrowed capital;
- 3) profitability of fixed capital;
- 4) profitability of working capital;
- 5) profitability of permanent (investment) capital.

These profitability indicators to calculate, we need to calculate the business entity's net income, cost of goods sold, gross profit, operating profit, general operating profit, pre-tax profit, net profit.

Research methodology. The study examined the dynamics of enterprise profitability, scientific research into factors influencing profitability. The research used methods of scientific observation, abstract logical thinking, comparative analysis, factor analysis, data

grouping, scientific observation and descriptive statistical comparison.

Analysis and results. Accounting for the formation and distribution of profits in the conditions of the digital economy occupies a central place in the activity of the enterprise. The operation of enterprises of various forms of property is related to fixed and working capital. These funds are used and multiplied by economic entities. Private capital is the most important means of increasing economic debt. Capital, in turn, consists of authorized capital, added capital and reserve capital. Based on this information, the last financial result obtained from the enterprise's activities is from retained earnings. Therefore, the analysis of the company's profit is a necessary object. In the analysis of financial results, an assessment is made in the event that income and expenses differ from each other. Changes in the composition of profit and loss formation of financial results are studied. A factor analysis of benefits and harms is carried out. The presence of internal opportunities to improve the financial result in the enterprise and measures to implement them are determined. Profitability indicators and its factor analysis are carried out, which characterize the level of profitability of the enterprise. The analysis is carried out on the basis of reading data on financial results, vertical analysis, horizontal analysis, trend analysis and indicator determination. When reading the calculation of financial results, its

indicators are arranged by lines, the value of these lines describing the financial result, information about the calculation period and the data for the same period of the previous year is given. In vertical analysis, mutual changes or comparative changes in financial results that occur in one line or in multiple lines are evaluated. In the horizontal analysis, the financial results and their changes are shown in the column. In the basic trend analysis, the financial results and their changes over the years, the dynamics of the changes are evaluated in relation to the base year [4]. The main indicators that can be used in the analysis of financial results include profitability or final indicators of the enterprise, indicators of market assets. Profitability indicators are taken as the main indicators describing the profitability of the enterprise.

Table-1 analyzed the profitability of "Karakalpak grain products" JSC for the years 2019 - 2023. According to the table, the return on total assets is decreasing year by year, although the return on fixed assets was 6,3 percent in 2019, it has decreased in the following years. Profitability of goods sold increased by 9,8% in 2021, but decreased in subsequent years. Profitability of products sold increased by 10,9% until 2021, but decreased in subsequent years. In 2023, the return on total assets and the return on fixed assets have generally fallen into the negative.

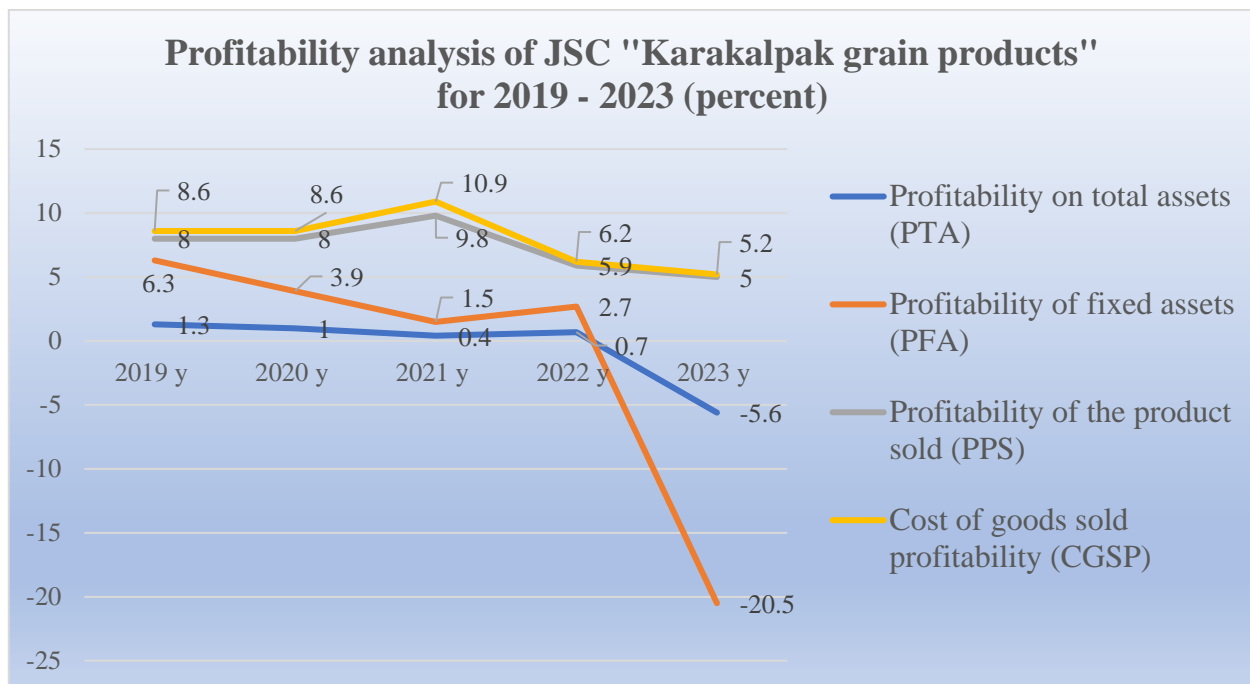
1 - tabel.

Profitability analysis of JSC "Karakalpak grain products" for the years 2019 - 2023¹ (percent)[5].

Indicators	Calculation method	2019-year	2020-year	2021-year	2022-year	2023-year	Change in %	
							2019-year	2023-year
1. Profitability on total assets (PTA)	NP/PTA *100	1,3	1,0	0,4	0,7	-5,6	-6,9	-6,3
2. Profitability of fixed assets (PFA).	NP/PFA *100	6,3	3,9	1,5	2,7	-20,5	-26,8	-23,2
3. Profitability of the product sold (PPS)	GP/PPS *100	8,0	8,0	9,8	5,9	5,0	-3	-0,9
4. Cost of goods sold profitability (CGSP)	GP/CGSP *100	8,6	8,6	10,9	6,2	5,2	-3,4	-1

¹ The profitability analysis was produced by the author based on the report data of "Karakalpak grain products" JSC for the years 2019-2023.

We see the growth of the profitability of "Karakalpak grain products " JSC for 2019 - 2023 in the charts [5].



As shown in Chart 1, it can be seen that the profitability figures for 2019 and 2023 decrease year by year.

Conclusions and recommendations. The results of the analysis show that in the following years, the gross profit and net profit of the joint stock company decreased successively, and the year 2023 ended with more losses, which is why the profitability decreased. In such a situation, the joint-stock company may go bankrupt. In short, ways to increase gross profit and net profit by increasing shareholding and production capacity should be considered.

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