

Highlights of the Analysis of Business Activity

MutabarKhodjayeveva– associate Professor of the Tashkent State University of Economics, Candidate of Economic Sciences, Uzbekistan, mutabar.khodjaeva@tsue.uz
Zafar Muqumov– associate Professor of Budget Accounting and Treasury, Candidate of Economic Sciences, Uzbekistan, muqumov.81@mail.ru
AbdovakhidovFarkhod–associate Professor of Budget Accounting and Treasury, Candidate of Economic Sciences, Uzbekistan, farxod196674@mail.ru
NorkuchkorovAbdulaziz–assistant of Budget Accounting and Treasury, Candidate of Economic Sciences, Uzbekistan, norquchqorov@bk.ru

Abstract. The article outlines the main aspects of the analysis of the labor activity of economic entities, summarizes the scientific works of economists and gives practical recommendations for solving the problems of analysis of labor activity. In particular, the economic nature of labor activity, a system of indicators recommended by economists in its assessment, methods based on economic content and logical sequence were studied. In particular, the composition and structure of indicators of economic potential were analyzed and recommendations were made using the practical data of the research object of Auto Terra LLC. The share of current assets in the balance sheet assets of the analyzed enterprise during the reporting year was the main one. The company management should take the necessary measures to increase the volume of long-term assets. This will improve the capital structure of the company, increase its economic potential and have a positive impact on its financial condition. The article also considers the structure of the financial potential of Auto Terra LLC and provides practical recommendations. During the reporting year, the share of liabilities in the liabilities of the balance sheet of the enterprise played a key role. This situation can be assessed as negative. So in society there is a need for debt. Therefore, the analysis gives recommendations on calculating the ratio of own and borrowed funds. The implementation of these proposals in the practical activities of enterprises will increase economic efficiency and ensure financial stability.

Key words. Business Activity, Economic Potential, Financial Capabilities, Fixed Assets, Working Capital, Sources Of Capital, Liabilities, efficiency, financial condition, comparable analysis

Introduction. In the conditions of further economic development, any business entity will need to ensure that its resources are properly managed - the flow of financial, material and labor resources and the efficiency of its use. The use of inefficient management methods can lead to economic imbalance. In order to properly and efficiently manage corporate financial resources, it is necessary to first define and analyze its financial position, resource utilization efficiency.

The root of the economic and financial strengths of economic entities is evident in its activities. The study of indicators reflecting their business activity plays an important role in the financial situation analysis. The market place, financial and economic potential of the enterprises, their position depends largely on the status of their business performance.

Materials and methods: Indicators of business activity of business entities are important indicators for assessing their financial condition. In the literature on financial analysis, business activity was viewed as the main and current assets revaluation of debt liability cycle. The importance of these indicators in the assessment of the financial position of enterprises should be examined and explained separately, depending on their importance.

In the text book of M.U.Rahimov, economist scientist, "Business activity of economic entities is defined as the conversion of its principal and current assets, the reliability of debt" [1]. According to the economic scientists of our country M.K Pardaev and B.H Hasanov, the activity

of the business is: “The measures are taken to ensure the economic growth of the enterprise on a regular basis, due to the efficient use of economic and financial potential for the achievement of its goals” [2]. The following indicators are compiled by the authors as a key indicator of their business activity: profit and profitability indicators (Fig. 1).

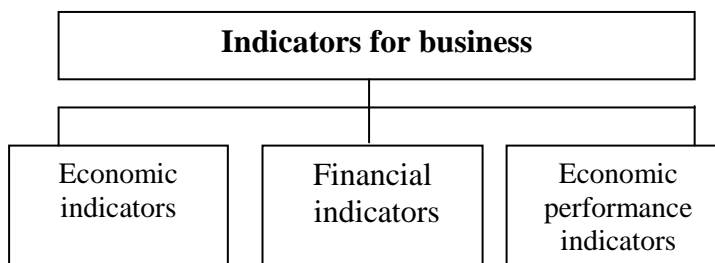


Fig.1 : Indicators for business activity.

Doctor of Economics, Professor The business activity index, taken by E.Akramov as an important factor in ensuring the financial sustainability of the enterprise, is seen as an important tool in the enterprise, which contributes to economic growth and enterprise development, allowing product development plans to be increased.

The author describes the organization’s business activity as follows (Fig. 2). This principle is referred to internationally as “the corporate golden rule” [3].

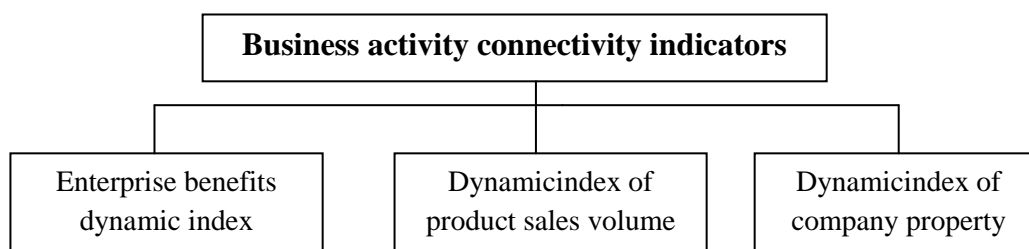


Fig. 2 : Business Connectivity Indicators

We recommend studying the indicators that characterize the performance of economic entities in the following composition (Fig. 3).

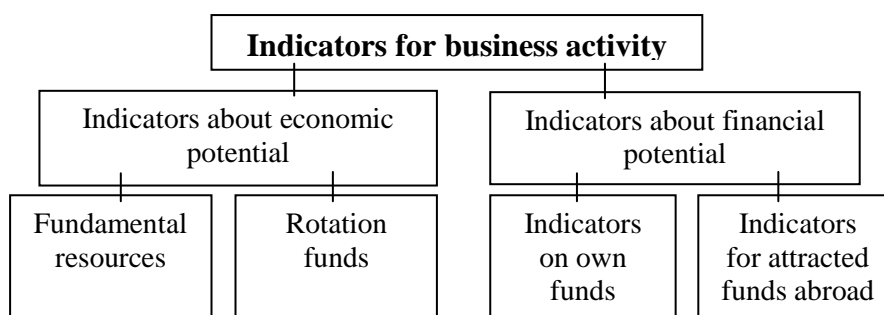


Fig. 3 : System of indicators indicating business activity.

In our opinion, “Business activity of business entities is defined as practical measures to ensure financial sustainability based on the analysis of turnover and returns on capital and circulating assets and equity funds”[4].

It is important to analyze the performance of business entities in the assessment of financial stability. The results of the analysis will be used to identify internal economic opportunities to increase productivity and to develop measures to involve them into the production cycle.

The activities of enterprises of different ownership are directly related to the main and circulating assets. These funds are used and multiplied by the establishment of business entities. Therefore, it is crucial to analyze the business activity of enterprises in ensuring their financial sustainability.

The main objectives of business activity analysis are as follows:

- Increasing its financial and economic capacity by analyzing business activity;
- analysis of the role and activity of economic entities in the market and the possibility of their development;
- assessment of the impact of business activity on its financial position;
- Establishment of targeted management of economic entities;
- determination of measures to accelerate the circulation of money and liquid assets;
- Determine how to keep the goods and resources in operation and ensure their turnover.

Beside these, we studied scientific researches of scientists as well as: Dontsova L.V., Nikifirova N.A [6], Ilxamov Sh., Xodjayeva M [7], Bernstein, L. A [8], Garrido, P. e Iñiguez, R. [8], M. Hanusch[9] and others.

Result and discussion. To manage the enterprise's financial resources accurately and efficiently, first of all, it will be necessary to identify and analyze the financial position, resource utilization efficiency to increase business activity.

Nowadays, material and labor resources and non-material assets are also involved in the enterprise to generate and benefit from the economic processes. It is not enough to call their collections as material and labor resources. This is why it is desirable to call them the economic potential of the enterprise. Because together with material resources, the non-material assets and labor resources are fully reflected.

The economic potential of the enterprise is all material and labor resources and non-material assets that fully cover the economic process in it. One of the key features of financial analysis today is to study the economic potential of the enterprise, ie the comprehensive study of property, reserves and expenditures. They should be adequate to ensure that the enterprise operates in a moderate way, as well as through product sales and contracting, and providing a service plan. Particularly, depending on the balance, it helps to assess the composition of an enterprise's property, determine its net cash position, and measure its capacity. The study of the structure of enterprises' property and identifying ways to increase it plays an important role in the analysis of business ownership, asset mobility, effectiveness and causes of change.

The initial valuation of the entity's economic potential based on the balance sheet is done by comparing balance items at the end of the reporting period to the data available at the beginning of the year and identifying the returns. Changes in certain items of the balance result from the entity's economic activities.

Table 1 below summarizes the economic potential of the "AutoTerra" limited liability company. When designing it, the status of pure, usable assets is explored using the balance sheet data. The information provided is equal to the total balance sheet.

Table 1 : Analysis of the structure of the “Auto terra” limited liability company’s economic potential

Indicators	The beginning of the reporting year		The end of the reporting year		The difference (+,-)	
	Thousand sums.	Share, %	Thousand sums.	Share, %	Thousand sums.	Share, %
Total property. Including:	228765,00	100	899908,00	100	+671143	-
1.Long-tern assets (principal). From:	1785,00	0,78	247508,00	27,50	+245723	+26,72
basic tools	1785,00	100	247508,00	100	+245723	-
2.Current assets (non-circulating). From:	226980,00	99,82	652400,00	72,50	+397420	-26,72
money	11759,00	5,18	136075,00	20,86	+124316	+15,65
accounts receivable	215221,00	94,82	507325,00	77,76	+292104	-17,06
short term investments	-	-	9000,00	1,38	-	+1,38

Table 1 shows that the commercial funds of AutoTerra limited liability company increased by 671143 thousand sums as of the end of the year, amounting to 899908,00 thousand sums. At the beginning of the reporting year, the share of long-term assets in the property structure of the enterprise was 0,78 percent, while their share at the end of the year reached 27,50 percent. The share

of fixed assets in the structure of long-term assets is 100%. The share of current assets in the assets of the “Auto Terra” limited liability company decreased by 26,72% to 99,82% in the beginning of the reporting year, and 72,50% in the end. Leading positions in the structure of current assets occupy the share of receivables, which at the end of thereporting period decreased by 17,06%, having made 77,76%. The volume of accounts receivable in the society at the end of the reporting year increased by 292104 thousand sums compared to the beginning of the year. There is no overdue accounts receivable at the entity under analysis. They improve the business structure and have a positive impact on their financial status.

The share of cash in the structure of current assets in the reporting period increased by 15,68%. The amount of funds at the beginning of the reporting year amounted to 11759,00 thousand sums and increased by 124316 thousand sums. At the end of the end of the reporting year, the share of short-term investments in the current assets amountedto 1,38%, the absolute amount – 9000,00 thousand sums. Thus,short-term investments were used in the reporting period.

While the process of liberalization of the economy ensures theindependence of each enterprise, its responsibility also increases.Under such circumstances, each enterprise should have its ownfunds, its management method, property, ownership. This is themain source of all available property, the financial capacity ofthe enterprise.

Financial capacity can be sufficient in each undertaking. They arecomposed of two sources. Firstly, each company owns its ownfunds, and secondly, it is the money borrowed from abroad as abank loan to provide its business.Any enterprise, firm, organization must have some financialpotential to provide funding for its activities. If the enterprisedoes not have the financial opportunity, it will not be able toform its own material and technical base and turnover funds. As a result, it will be difficult to operate.

When evaluating the enterprise’s financial potential, it is necessaryto analyze the structure of the balance sheet, ie its own funds andthe share of borrowed funds borrowed from abroad. The optimalratio of these resources will determine the future of the enterprise.Analysis of the sources and sources of financial resources is mainlycarried out by internal and external users based on the accountingdata of the source structure. We refer to the following table foranalysis (Table 2).

Table 2 : Analysis of the financial potential of the “Avtoterra” limited liability company

Indicators	The beginning of the reporting year		The end of the reporting year		The difference (+,-)	
	Thousand sums.	Share, %	Thousand sums.	Share, %	Thousand sums.	Share, %
1	2	3	4	5	6	7
Total property sources. Including:	228765,00	100	899908,00	100	+671143	-
1.Own sources of funds	228765,00	100	264022,00	29,34	+35257	-70,66
2. Obligations. Including:	-	-	635886,00	70,66	+635886,00	+70,66
2.1.long-term creditors liabilities	-	-	71227,00	11,20	+71227,00	+11,20
2.2.short-term creditors liabilities	-	-	564659,00	88,80	+564659,00	+88,80

As Table 2 shows, the balance sheet of Liability Company “Auto Terra” at the end of the year amounted to 899908,00 thousand sums and increased by 671143 thousand sums. The share of its capital in its structure was at the beginning of the year at 100%, and by the end of the year it was 29,34%.

Private equity is the basis of the source of equity of the enterprise and is one of the most important indicators characterizing the financial condition of the enterprise. Depending on the nature of its assets, the economic dependence and independence of the entity will be assessed at the beginning of the year there were no liabilities in the balance sheet, while its share at the end of the year was 70,66%.

This means that there is a need for borrowed funds in society. An increase in the number of liabilities affects the effectiveness of business activity. Liabilities lead to an impairment in production, a chain of non-payment and an increase in accounts receivable and payables, and a deterioration in their financial position.

The majority of the liabilities of the limited liability company “Auto Terra” were long-term and short-term debt repayments. During the analysis, it is important to identify the coefficient of the ratio of own funds and borrowed funds. The ratio of the ratio of own funds and loans to borrowings is determined as the ratio of borrowed funds to their own funds. This coefficient represents the amount of borrowed funds per each UZS equity. This coefficient amounted to $635886,00 : 264022,00 = 2,41$ at the end of 2013 at the AutoTerra limited liability company, or

2,41 tiyin worth of debt in own funds of the enterprise. Thus, the dependence of the enterprise on borrowed funds has increased significantly. This situation reduces the degree of stability of its financial position. Resources at the analytic object were originally raised at the expense of own funds at the beginning of the year,

and at the end of the year increased due to debt sources. This leads to a decline in the financial independence of the enterprise, and a decline in solvency.

Conclusions. In summary, it is important to note that currently all enterprises have the right to make timely cash flows, to comply with accounting discipline, to ensure that the private and borrowed funds are properly proportioned, and to follow financial discipline and discipline, economics and economy. Failure to comply with these requirements can result in economic failures. This, in turn, requires the analysis of business activity. Analysis of business activity indicators plays an important role in the assessment of its financial and economic

performance. The analysis of business activity of business entities is an integral part of the financial analysis. Analysis of business activity indicators is crucial in valuing its financial and economic performance. One of the main objectives of the financial analysis is to develop a system of indicative indicators for objectively evaluating the object being analyzed or of any economic category, their theoretical and methodological substantiation.

Acknowledgements. Therefore, a system of indicators that reflects business activity has been recommended, and ways to evaluate and analyze them. Based on the findings of the research, the following aspects of the effectiveness of indicators of business activity can be presented as recommendations for the enterprise: avoiding excessive fixed assets, removal of outdated and non-hazardous fixed assets, determining the default forms of depreciation of fixed assets, automated systems, timely, accurate and timely delivery and delivery of contracts and the financial status of suppliers and buyers, the responsibility of the parties in the mutual contractual relationship and strict adherence to the terms of the contract, setting the terms of the legal liability for the amount of any delayed payments, the development of a mechanism for the creation of reserves for doubtful debts and etc. Implementation of these proposals into practical activities of the enterprises will allow increasing the efficiency of their activities and increasing the financial standing of their businesses.

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