

Analysis of Financial Results of Business Entities

*Ismailov Timur Kuatbaevich*¹

Abstract: The financial performance of business entities plays a crucial role in economic stability and growth. This study examines the financial results of enterprises, particularly analyzing profitability indicators based on national accounting standards and international financial reporting systems. A significant gap exists in adapting global financial assessment methods to national accounting frameworks, leading to inconsistencies in evaluating business performance. The study employs a combination of scientific observation, comparative analysis, factor analysis, and descriptive statistical methods to assess the profitability trends of a selected enterprise over a five-year period. The findings reveal a downward trend in net profit, with enterprises facing challenges in managing production costs and financial liabilities. The results indicate that without cost optimization and improved financial management, businesses may experience long-term instability and potential bankruptcy. The study highlights the need for enhanced financial strategies, including better cost management, revenue diversification, and policy reforms to ensure economic sustainability. These findings contribute to a broader understanding of financial analysis methodologies and their implications for business entities in emerging economies.

Key words: revenue, income, expense, interest, tax, profit, loss, gross profit, operating profit, profit before tax, net profit, financial result, analysis.

Introduction. The National Accounting Standards of the Republic of Uzbekistan apply the “Statement of Financial Results”, while the International Financial Reporting Standard uses the “Profit and Loss Statement.”

The "Profit and Loss Statement" reflects all income and expenses for a certain period. From the income received, expenses, profits made or losses incurred for the period are subtracted.

The income statement contains information about the financial performance of the company. It reveals the change in capital - an increase or decrease under the influence of income and expenses in the period.

The main objective of this report is to disclose information about business profitability, namely:

- gross profit;
- operational benefit;
- income before taxes;
- annual profit.

Each of them is calculated differently. When accounted for together, they demonstrate the ability to manage different groups of costs in a business as well as in the profit generation process. The largest one is called gross income.

Gross profit is the difference between revenue and cost of sales. Revenue is income from core activities. Cost of sales includes all costs associated with producing a product or service.

¹ Karakalpak State University, Uzbekistan, Nukus.
ismailov_t88@mail.ru



Gross profit is the difference between the sales price of a product or service and production costs. The next level of profit is called operating profit. It fully reflects the result obtained from the main activity - the profitability or unprofitability of the business.

Other operating income includes income from the sale of property related to the main activities of the business. From time to time the company may sell its assets. And the income received from this is not included in revenue, but in other operating income.

Selling and product management expenses are expenses aimed at the overall functioning of the business. Sales expenses include all costs associated with the sale of the main product or service. An example would be the costs of market research, product advertising, and delivery of products to customers. These can also be called trading expenses.

Management expenses are expenses aimed at running a business. For example, the salary of the head or financial director of the company, expenses for the activities of management departments, etc.

Profit before taxes is the difference between operating profit and interest expense.

Interest expense includes interest paid on loans received and various loans. These are also called financial expenses. If you run a business without any credit or borrowing, operating profit is equal to profit before taxes. If the same business is run using debt, the operating profit will be greater than the profit before taxes. It is calculated from tax before income tax and tax expenses. Taxes are the amount paid from the profits earned from the trade process in favor of the state.

Profit for the year is net profit after taxes. It increases equity in the statement of financial position. But the profit for the year may be negative. In this case, the business will incur losses that reduce capital.

Review of literature. Sheremet A.D. developed a different mechanism for analyzing financial results, and gave the concept that a detailed marginal analysis of the profit that was received over a certain time period is carried out [2]. G.V. Savitskaya write in their work that profit is part of the net income that business entities directly receive after selling products [1]. T.U. Turmanidze say that "Financial result is an increase or decrease in the capital of an organization in the process of financial and economic activities for the reporting period, which are expressed in the form of total profit or loss." [3]

Research methodology. In the course of the research, the dynamics of the profitability level of enterprises, scientific research on factors affecting profitability were studied. The study employed methods of scientific observation, abstract-logical thinking, comparative analysis, factor analysis, data grouping, scientific observation, and descriptive statistical comparison.

Analysis and results. Since the subject we are studying - the joint stock company "Karakalpak don Mahsulotlari" has not yet switched to "International Financial Reporting Standards," its data had to be analyzed on the basis of national accounting standards.

Tabel 1. Analysis of financial results of JSC "Karakalpak grain products" for 2019 - 2023
(thousand soums) [6]

Indicators	2019 y	2020 y	2021 y	2022 y	2023 y	Change in %	
						2019r	2023r
Profit (loss) from main production activities	3562465,00	3019038,00	1593101,00	1497646,00	- 3259103,60		
Amount of income from financial activities:				1766,00			
Interest income				1766,00			



Income from other financial activities							
Total expenses for financial activities:	251768,00	2133627,00	1185148,00	846652,30	925624,00	514,70	109,30
Interest expenses	251768,00	2133627,00	1185148,00	846652,30	925624,00		
Profit (loss) from general economic activities	1044785,0	885411,0	407959,0	652759	-4184728,0		
Income before tax	1044785,0	885411,0	407959,0	652759	-4184728,0		
Income tax	216329,0	183330,0	49036,0	97914,0			
Net profit in the reporting period	828456,0	702081,0	358923,0	554845,0	-4184728,0		

Table 1 analyzes the financial results of Karakalpak dan Mahsulotlari JSC for 2019 - 2023. According to the analysis, in 2023, compared to 2019, profit from realized core production activities increased by 162.8 percent, and compared to 2022 - by 1.1 percent. Net profit was received in the period from 2019 to 2022. However, in 2023, no net profit was received and ended in loss.

In the modern economy, based on data, the main tasks of financial analysis when analyzing the financial results of enterprises are

1. Assess the level of profitability of the enterprise.
2. Assess the composition, structure and dynamic changes in the financial results of the enterprise;
3. Business - study and assessment of the achievement of the level of utility defined in the plan and the factors influencing it;
4. Checking the validity of the formation and application of profit.
5. Determine the impact of the result from the sale of products (works, services) and other services on an increase or decrease in profit.
6. Assessment of the gross profit of the enterprise and factors influencing it.
7. Assess the formation of profit before tax and the factors influencing it.
8. Study and evaluate the net profit of the enterprise and the factors influencing it.
9. Determine directions for increasing net profit.
10. Study of enterprise profitability indicators and assessment of factors influencing them.
11. Development of measures to increase the overall level of profitability of the enterprise, etc.

In the information economy, economic levers are widely used in the production management process. These include profit indicators, price profitability, taxes, loans, and interest. Among them, the most important criterion for the financial and economic activity of an enterprise is profit. In a free economy, since the main purpose of production and provision of services is to make a profit, each economic entity strives to obtain greater profits. Therefore, the amount of profit reflects the interests of the company's collective and each employee. For this reason, profit is an economic category that reflects commodity-money relations through production and distribution. The greater the profit received by an



economic entity, the more each employee will be stimulated, the enterprise will expand comprehensively, and the resources of reproductive funds will increase. Society is interested in this, that is, the greater the profit of the enterprise, the greater will be the tax paid to the state budget. In this regard, we see that in a free economy, the importance of making a profit has increased significantly. Growth rates in all areas of the economy, in turn, led to a stable increase in profit volumes.

Financial result is the result of an enterprise's activities, expressed in the amount of profit and level of profitability. In the digital economy, the main criterion determining the economic and financial activities of enterprises is net profit. To determine the amount of net profit, it is necessary to determine the following intermediate profit indicators [4].

1. Gross profit = Net revenue - cost of goods manufactured.
2. Profit from the main production activity = gross profit - expenses of the period \pm other income (expenses) received from the main activity.
3. Profit from general business activities = profit from operating activities + dividends received + other dividends received \pm interest on loans received and issued \pm other interest received and paid \pm currency difference \pm other income (expenses) from financial activities.
4. Profit before tax = Profit from general business activities \pm profit (loss) in exceptional cases.
5. Net profit (loss) = before taxable profit - income tax, other taxes and allocated funds.

The absolute value of profit cannot comprehensively determine the level of economic efficiency of enterprises. Therefore, it is necessary to determine relative indicators. This indicator is an indicator of profitability. The profitability indicator is an indicator of social production, economic and financial efficiency of each individual enterprise. This indicator reflects in monetary form the savings in living labor costs spent on the production and sale of products in order to ensure expanded production, meet national needs, social development of the population, as well as the volume of gross surplus production. It should be noted that profitability is a very important economic indicator [5]. In accordance with the Regulations on the composition of costs for the production and sale of products (works, services) included in the cost of products (works, services) and the composition of financial results, the following profitability indicators are proposed. These include: return on total assets (property), return on products sold, return on equity and return on shares.

Conclusions and recommendations. According to the information we have received, the financial condition of business entities in the next few years is unsatisfactory. According to the results of the analysis, net profit decreases from year to year. If a business entity does not manage production and increase profits by cutting costs, it may find itself bankrupt. Therefore, a business entity should find ways to make a profit and develop measures.

References:

1. **G. V. Savitskaya**, *Analysis of the Economic Activity of an Enterprise: Textbook*, Moscow, Russia: INFRA-M, 2014, p. 425.
2. **A. D. Sheremet**, *Analysis and Diagnostics of the Financial and Economic Activities of an Enterprise: A Textbook for Universities*, Moscow, Russia: INFRA-M, 2019, p. 366.
3. **T. U. Turmanidze**, *Analysis and Diagnostics of the Financial and Economic Activities of the Enterprise*, Moscow, Russia: Economics, 2021, p. 480.
4. **Z. Tazhekeev, S. Baizhanov, K. Ismailov, M. Abishov, and S. Utegenova**, *Economic Analysis*, Nukus, Uzbekistan: BILIM, 2024, p. 783.
5. **M. Yu. Rakhimov and N. N. Kalandarova**, *Financial Analysis*, Tashkent, Uzbekistan: ECONOMY-FINANCE, 2019, p. 734.
6. **JSC "Karakalpak Grain Products"**, *Reporting Data for 2019 - 2023*, Internal Company Report, 2023.



7. **R. Cuervo**, "Predictive AI for SME and Large Enterprise Financial Performance Management," *arXiv preprint*, arXiv:2311.05840, 2023. [Online]. Available: <https://arxiv.org/abs/2311.05840>.
8. **M. Xenos, C. Christodouloupoulou, A. Mallas, and J. Garofalakis**, "The Future Time Traveller Project: Career Guidance on Future Skills, Jobs and Career Prospects of Generation Z through a Game-Based Virtual World Environment," *arXiv preprint*, arXiv:1911.08480, 2019. [Online]. Available: <https://arxiv.org/abs/1911.08480>.
9. **C. Dede**, "Comparing frameworks for 21st century skills," *Harvard Graduate School of Education*, 2009. [Online]. Available: [https://sttechnology.pbworks.com/f/Dede_\(2010\)_Comparing%20Frameworks%20for%2021st%20Century%20Skills.pdf](https://sttechnology.pbworks.com/f/Dede_(2010)_Comparing%20Frameworks%20for%2021st%20Century%20Skills.pdf).
10. **B. Trilling and C. Fadel**, *21st Century Skills: Learning for Life in Our Times*, San Francisco, CA: Jossey-Bass, 2009.
11. **E. Manalo**, "Deeper Learning, Dialogic Learning, and Critical Thinking," 2019. [Online]. Available: https://link.springer.com/chapter/10.1007/978-3-030-31256-1_12.
12. **W. Gorton**, "Advancing digital education in Uzbekistan: Wendy Gorton's mission to empower teachers," *UNESCO*, 2025. [Online]. Available: <https://www.unesco.org/en/articles/advancing-digital-education-uzbekistan-wendy-gortons-mission-empower-teachers>.
13. **N. Winans**, "Navigating Career Growth in the Modern Era: A Guide for Young Professionals," *Medium*, 2023. [Online]. Available: <https://nwinans.medium.com/navigating-career-growth-in-the-modern-era-a-guide-for-young-professionals-6f1de548ffc7>.
14. **Root Cause**, "Youth Career Development," 2019. [Online]. Available: <https://rootcause.org/publication/youth-career-development/>.

