

Essence and Significance of Factor Analysis of Enterprise Profit

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Abstract

The article describes the factors that mediate the formation of the enterprise's profit, shows the structure of the company's profit formation in accordance with the Regulation "On the composition of the costs of production and sales of products (works, services) and the procedure for the formation of financial results", the tasks of factor analysis of the company's profit. At the same time, special attention is paid to the main part of the generated profit - profit from sales of products, the important role of non-operating income and expenses of the enterprise in generating profit is emphasized.

Keywords: *profit, financial result, factor analysis, enterprise profit structure, profit from core activities.*

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Introduction. Profit has always been and will be the most important indicator of the efficiency of the enterprise, the source of its vital activity. The current mechanism of fierce competition, the constantly changing market situation necessitates the enterprise to effectively use the available material, labour and financial resources, on the one hand, and on the other hand, to respond in a timely manner to changing external conditions, which include: market conditions, state tax policy, financial - credit system, pricing mechanism, relationships with suppliers and buyers. As a result of these reasons, the directions of analytical activity are also changing.

The stimulating role of profit has a special place in the life of the enterprise. The use of profit as the main estimated indicator contributes to the growth of the production volume and sales of products, improving its quality, and improving the use of available production resources. The strengthening of the profit role is also due to the current system of its distribution, in accordance with which the interest of enterprises in increasing not only the total amount of profit, but especially that part of it that remains at the disposal of enterprises and is used as the main source of funds allocated for production and social development, as well as material incentives for employees in accordance with the quality of the labour expended.

Profit as a value category is part of the value added. Accordingly, the functions of profit in the process of managing are subject to the achievement of the goal of production (works, services). At the same time, the sources of profit formation as part of the added value are narrowing. And distribution functions are expanding, which is caused by its redistribution between the subjects associated with the financing of the needs of reproduction, which manifests an increase in the role of profit. Therefore, the establishment of a perfect model for the formation of profits, and the strengthening of the impact on the interests of participants in production largely depends on the depth of study of factors affecting profits.

The lack of a methodology for determining the factors influencing the formation and distribution of profits adversely affects the practice of formation, distribution and use of profits, the organization of financial work and, in particular, its control.

Research methodology.

In the process of working on the study, the author based on current trends, legislative and regulatory support, development of the county's tax policies, approved by legislative and regulatory acts, used a systematic approach, economic and scientific analyses.

Literature review. Profit is the goal of any economic activity of the enterprise. In addition, it is an object of economic theory and determines an important role in a market economy. In modern textbooks and scientific journals, the category "profit" is inextricably linked with the categories of income, as well as capital, abstinence, interest, expectations, etc. (Dontsova L.V., 2007), (Efimova O.V., 2016), (Zabakova M.M., 2011), (Kuzmicheva I.A. and etc., 2013), (Savitskaya G.V., 2011), (Tolpegina O.A., 2009).

The authors of individual literary sources present the problem of profit from a position that is characterized by the microeconomic level of research, and not social production as a whole (Lipsey R.G., Steiner P.O., 1975), (McConnel C.R., 1978), (Miller R.L., 1979), (Samuelson P.A., 1980).

The authors of the book "Economics" want to convince that there are two types of profit: economic, or net, and normal, or zero, profit. Economic profit is the difference between total income and economic (total, total competitive) costs. The latter, in turn, consist of explicit costs

(cash costs for wages, for hired workers, for the purchase of raw materials, materials, etc.) and implicit ones, which include income from production factors owned by the owner of the company and used by him (implicit wages, implicit rent and implicit interest). Normal, or zero, profit is that which is necessary to retain capital in a given branch of production. The text of the textbook by R. Lipsey and P. Steiner differs in some originality in terms of terminology, but not in the essence of the matter. They single out gross profit as the difference between gross income and direct costs (costs of materials, wages, electricity, etc.), net profit as the difference between gross profit and indirect costs (depreciation, overhead, administration salaries, etc.); economic profit as the difference between net profit and the opportunity cost of equity and risk bearing, which is equal to normal profit (Lipsey R.G., Steiner P.O., 1975).

In these literary sources, the emphasis is on the quantitative aspect of determining profit, its analysis from a purely market side. With such a focus on superficial manifestations of profit (the difference between income and costs), the role of labor as a whole in production in creating profit is almost completely denied. At the same time, the inclusion of normal profit in the composition of implicit costs obscures the difference between costs and income, masks the existence of value added, and presents profit as an element of production costs. The very designation of profit as “normal”, or “zero” (Kolesnikova L., 2001), persistently holds the idea that it serves as a “fair” reward for the entrepreneur for his activities and the risk associated with it.

Analysis and results. One of the priority problems generated by the formation of profits is the creation of an effective mechanism that determines the boundaries of net profit that does not destroy the balance between the formation and distribution of profits. Such a mechanism cannot arise suddenly, on its own - during the formation of net profit or by creating the boundaries of consumed funds from the deduction made from the distributed profit.

The firm can achieve an equilibrium state over various time intervals: 1) instantly - so that it does not have time to respond to changes in demand by changing supply and price; 2) for a short time during which the production capacity of the company remains constant, but it can vary the volume of output using these capacities with greater or lesser intensity; 3) for a long time, during which the company is able to change the volume of resources used by it, new firms may be introduced into the industry, and some of the former may leave it (Alieva, S.S. 2019).

Recently, the press is beginning to unfold debatable questions about the formation of profits by assessing the financial condition of enterprises, using this assessment as a tool for distributing profits. But the process of profit formation itself is associated not only with the payment of funds from distributed profits, carried out by assessing the usefulness of its use, but also with the implementation of a strong social policy at enterprises that concerns the interests of workers.

What is the novelty and essence of such a “strong” system of profit formation, providing for a policy that would directly contribute to the revitalization of enterprises?

Firstly, in its target orientation to increase the vital activity of enterprises, as well as their comprehensive, harmonious development using non-traditional innovative approaches and tools.

Secondly, in involving all employees in the formation and implementation of this policy by providing them with the opportunity to set and solve practical problems within the framework of their interest.

Thirdly, in the organic interconnection of social events with the results of the enterprises

activities and with the innovation and investment mechanism for regulating net profit.

The conceptual basis for the analysis of profit formation should be a detailed understanding of the role and tasks of net profit in the structure of gross profit, on the one hand, and on the other hand, in the system of profit formation.

In questions about the analysis of the profit formation as an object of distribution, simplifications are unacceptable. In its analysis, the features of its content are often overlooked. In accordance with the classical approach, the formation of profit acts as a unity of four moments: possession, consumption, disposal, appropriation.

Profit as the main result of the enterprises activities provides the needs of the enterprise itself and the state as a whole. And this requires a more consistent definition and analysis of the profits composition.

The value of both gross and net profit is influenced by a combination of many factors that depend and do not depend on the activities of the enterprise. Under the influence of these factors, gross profit and the bulk of net profit are formed. It represents the sum of profits (losses) of the enterprise, both from the sale of goods (products, works, services), and income (losses) not related to them.

In the structure of profits of enterprises, a certain place is occupied by incomes associated with the best location, as well as the provision of qualified labor resources (Zaynalov, J. R., & Alieva, S. S., 2022).

Profit analysis in the aspect of the study of cause-and-effect relationships, factors influencing the formation of both positive and negative trends, is an obligatory component of the study and the most important information base for making managerial decisions (Tolpegina O.A., 2009).

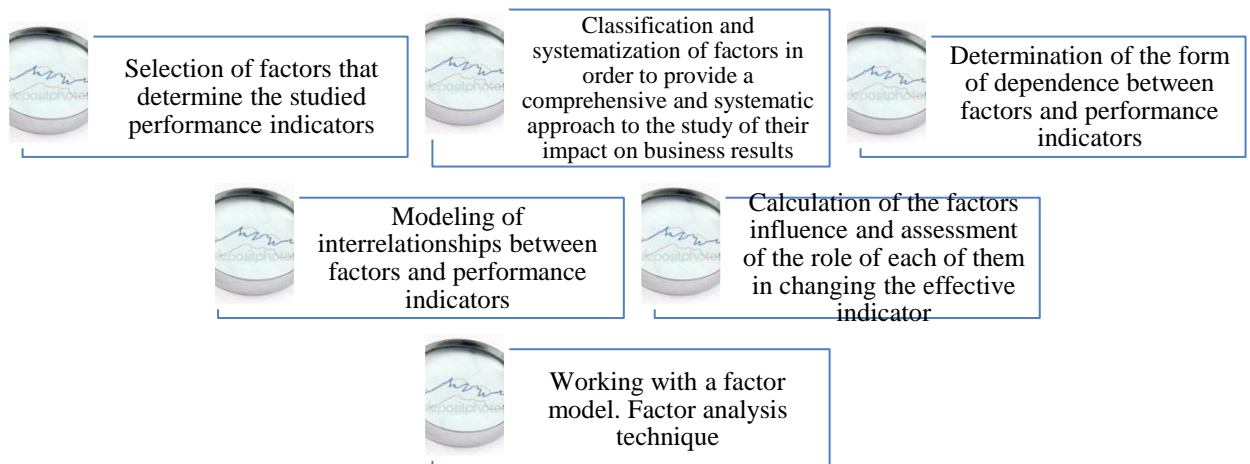


Fig. 1. Problems of factor analysis of profit (Efimova O.V., 2016)

Algorithm for calculating factor analysis V. Dontsova and N.A. Nikiforov is seen as follows: determining the influence of the “realization price” factor requires preliminary clarifications. It is necessary to recalculate the proceeds of the current year at the cost of the base (last) year, for which the cost of sales of the reporting period is divided by the price index. The difference between actual and adjusted revenue indicates its increase due to the price factor (Dontsova L.V., 2007).

According to the current Regulation “On the composition of costs for the production and sale of

products (works, services) and on the procedure for the formation of financial results”, gross profit as the final financial result is determined on the basis of the accounting of all business operations of the enterprise and the assessment of balance sheet items.

The formation of the enterprise’s gross profit is presented in the form of a diagram (see Fig. 2). The approach outlined in this diagram only clarifies the possible options within the framework of one or another basic indicator and allows us to conclude that enterprises receive the vast majority of gross profit from the sale of products (works, services), special attention is paid to this part of the profit (see Fig. 3).

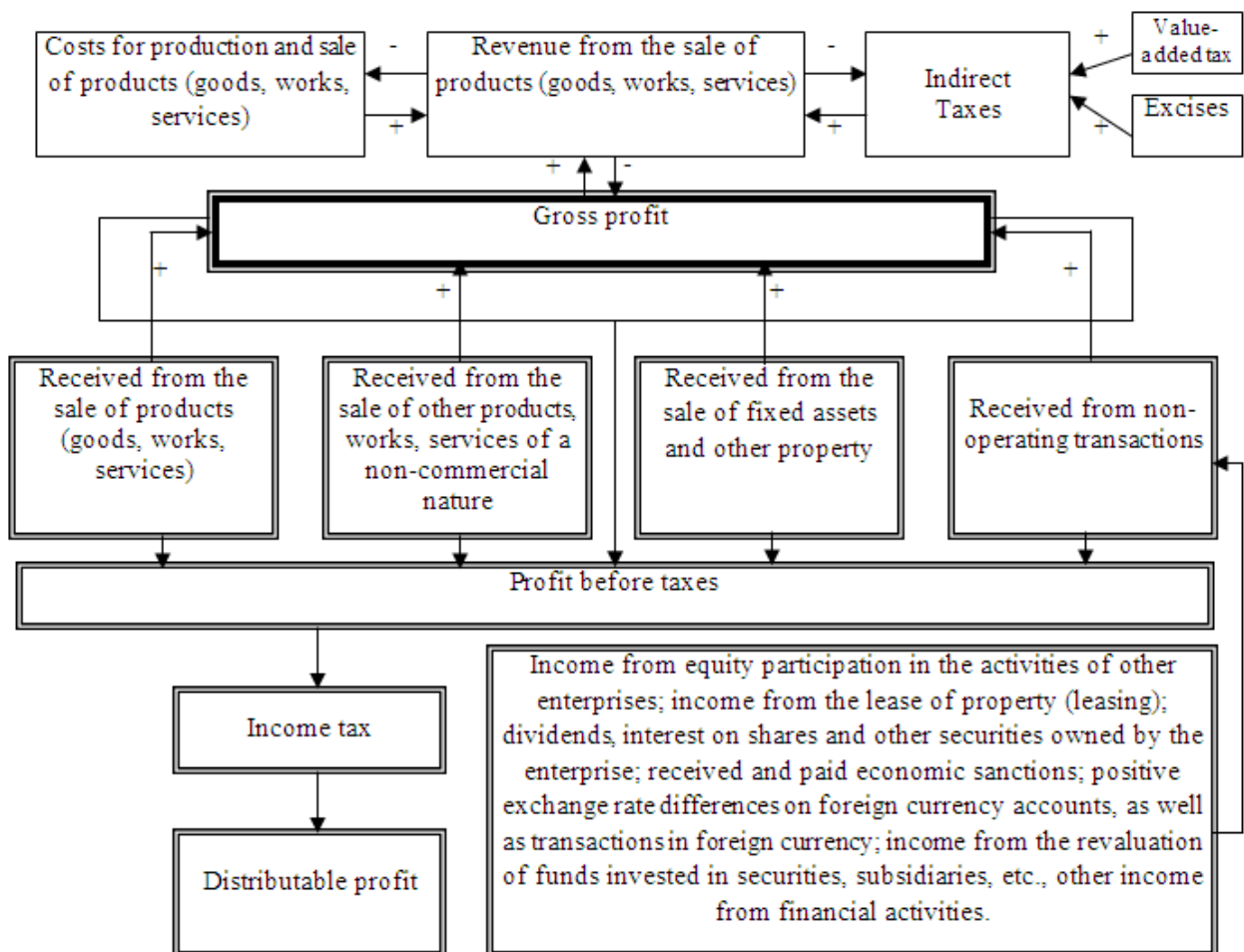


Fig. 2. Model of the enterprise’s profit formation

A separate component of the gross profit can also be the profit from the sale of fixed assets and other property. Their appearance is associated with the search for new financial instruments that ensure the determination of their size in order to regulate the volume of net profit (Ahrorov, Z., & Alieva, S., 2022).

Factors that depend and do not depend on the activities of the enterprise, affect mainly the profit from the sale of products (works, services).

	Gross income	
Material costs	Wages	Profit
Costs (cost price)	Net income	
The volume of goods sales (products, works, services)		

Fig. 3. Formation of the gross income of the enterprise

Sometimes the prime cost is an indicator of the operating costs of enterprises (for example, transport, communications enterprises, taking into account the costs of forwarding and loading and unloading operations). As a result, it is necessary to distinguish between the formation, distribution and use of profits. Here, although the general features of profit remain unchanged, its internal content, of course, differs. For the movement of goods directly affects the formation of net profit in form and content. Therefore, for a detailed analysis of it, the main provision of a unified calculation of net profit is used.

In a market economy, each company sells its products at negotiated wholesale prices, which include the cost of production, profit, excise tax, value added tax and transportation costs for the delivery of goods to the departure station.

This price is indicated in the supply contracts, invoices and bills of lading. Only after the sale of products, enterprises recover their expenses, receive profit and pay due taxes.

From this it is concluded that the profit from the sale of products for tax purposes may not be equal to the profit reflected in accounting. When enterprises sell products (works, services) at prices not higher than the actual cost, for tax purposes the market price for similar products prevailing at the time of sale, but not lower than the actual cost, is taken. This procedure leads to the payment of income tax in the absence of real income.

The fact is that in addition to profit from the sale of products (works, services), gross profit includes profit from the sale of other products (works) and services of a non-commercial nature, which accounts for several percent of gross profit. At the same time, the results from other implementations can be both positive and negative. The enterprises of transport, subsidiary farms, trade organizations that are on the balance sheet of the company can have not only profit, but also losses from the sale of their products, works, services, which will accordingly affect the boundaries of the generated profit. The initial and, perhaps, the main question is also about the individual parts of the gross profit, the nature of the interaction of these parts with the formed net profit.

A separate component of gross profit can also be distinguished profit from the sale of fixed assets and other property. Their occurrence is associated with the search for new financial instruments that ensure the determination of their size in order to regulate the amount of net profit.

Unfortunately, theoretically and methodologically, this issue has not yet been fully developed, and therefore there are significant disagreements in its interpretation. For example, proceeds from the sale of fixed assets or property of enterprises are practically included in gross profit and are subject to taxation. This is where double taxation comes into play. In our opinion, proceeds from the sale of property should be included in net income, and only after paying income tax. Further, the company can maneuver this revenue within the total amount of distributed profits. However, this is practically not legalized, which leads to a complication of the movement of obsolete fixed assets, the introduction of innovative technologies in order to strengthen the

material and technical base of enterprises.

In terms of inflation, some owners receive special tax breaks from the state. In the process of circulation capital periodically takes different forms (monetary, productive, commodity) (Zaynalov, D. R., & Ahrorov, Z. O., 2019).

The content features of the sale of fixed assets in order to ensure capital growth lead us to an understanding of the specifics of their place and role in the system of profit formation, as part of net profit. At the same time, it is important to emphasize the qualitatively new roles of the part of net profit. For example, in the UK there is a separate tax on the increase in the cost of capital (capital gains tax), which is subject to the increase in the value of certain assets when they are sold, and this value is indexed to inflation. Inflation and the fight against it is an interesting concept and in many respects is useful (Zaynalov, D., & Aliyeva, S., 2018).

And in another developed country - the United States, profits from the sale of assets that were previously owned by this owner for more than six months are taxed at a halved rate or even lower tax rates. In Denmark, Ireland, Portugal, Switzerland, the United Kingdom, capital gains tax is levied on the income of individuals and legal entities received from the sale of property. In this case, the object of taxation is the increase in the value of property, i.e. the difference between the sale price of the property and the price of its acquisition (taking into account the costs incurred in connection with this). A number of countries also implement special taxation of corporate capital gains in order to increase the taxation of income from speculative and commercial real estate transactions.

There is another element of net profit - non-operating income and expenses that are not directly related to the production and sale of products.

The list of such income and expenses is given in the plan of accounts and in the Regulation "On the composition of costs for the production and sale of products (works, services) and on the procedure for generating financial results" (approved by the Cabinet of Ministers of the Republic of Uzbekistan dated February 5, 1999, No. 54) included in the cost products (works, services).

Undoubtedly, the analysis of the formation of net profit, conducted by the financial service, should be a priority, and include:

- ✓ study of the structure, sources of profit formation;
- ✓ study of the dynamics of profit and the study of factors affecting the change in its value;
- ✓ analysis of non-operating financial results, and their composition;
- ✓ Identification and evaluation of sources that ensure profit growth.

The profit assessment system should also include relative indicators, such as the profitability of the enterprise, its products and capital. For profitability should serve as a basis for differentiating the tax rate, in particular, the tax on the profits of monopoly enterprises.

From this it is concluded that the analysis of the profit of the enterprise should include:

- assessment of the dynamics of absolute and relative indicators;
- determination of the influence the individual factors on the amount of profit and the level of profitability;
- identification of reserves for profit and profitability growth;

- Determination of the profit threshold.

When comparing financial results for a number of adjacent periods, one should take into account the change in the accounting policy adopted at the enterprise, in particular in the areas:

- ✓ choosing of depreciation method for fixed assets and intangible assets;
- ✓ choosing a method for evaluating materials when they are released into production;
- ✓ choosing the procedure for attributing certain types of expenses to the cost of production (creating reserves);
- ✓ Determining the composition of indirect costs and the method of their distribution.

These should be the most important areas of accounting policy, which should form the basis for generating profits.

So, building a fair and effective profit management system ensures its clarity, purpose and stability of its growth, which is an important condition for the development of enterprises.

This, in our opinion, is the general approach to the problem of profit formation analysis. But, in order to finally formulate it, it is necessary to use more advanced models of indicators of the stability of the formation and distribution of profits.

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