

**THE USE OF PROFITABILITY INDICATORS IN ASSESSING THE EFFECTIVENESS OF THE ENTERPRISE (JOINT-STOCK COMPANY "BUKHARA ENTERPRISE OF TERRITORIAL ELECTRIC NETWORKS").**

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**Annotation**

*This article highlights the level of efficiency at enterprises, methods for their assessment, indicators and stages of analysis of efficiency, analytical data on the assessment of profitability indicators on the example of the Joint-Stock Company "Bukhara Enterprise of Territorial Electric Grids".*

**Keywords**

*Enterprise efficiency, efficiency assessment, enterprise performance, business profitability, return on sales, return on current assets, return on non-current assets, return on equity, return on invested capital, return on borrowed capital.*

The efficiency of the enterprise is characterized by the production of goods or services at the lowest cost. It is expressed in its ability to produce the maximum amount of products of acceptable quality at minimal cost and sell this product at the lowest cost.<sup>76</sup>

Evaluation of the effectiveness of the enterprise, due to its complexity, involves the use of private and general indicators.<sup>77</sup>

By private indicators, you can determine:

- efficiency of use of each of the company's resources;
- the effectiveness of the implementation of each type of product/service

of the company.

According to the general indicators determine:

- ✓ efficiency of all resources, products/services of the enterprise;
- ✓ performance of the company as a whole.

The procedure for assessing the effectiveness of the enterprise

<sup>76</sup>

[https://ru.wikipedia.org/wiki/Экономическая\\_эффективность#:~:text=Эффективность%20предприятия%20характеризуется%20производством%20товара,эту%20продукцию%20с%20наименьшими%20издержками](https://ru.wikipedia.org/wiki/Экономическая_эффективность#:~:text=Эффективность%20предприятия%20характеризуется%20производством%20товара,эту%20продукцию%20с%20наименьшими%20издержками)

<sup>77</sup> [https://www.profiz.ru/peo/12\\_2020/effektivnost\\_kompanii/](https://www.profiz.ru/peo/12_2020/effektivnost_kompanii/)

The efficiency of the enterprise is evaluated in several stages.

1. Calculate and evaluate the overall profitability indicators, reflecting the efficiency of the company's production activities:

- business profitability - informs about the share of net profit in sales proceeds:

Business Profitability =  $\text{Net Profit} / \text{Sales Proceeds} \times 100\%$ ;

return on sales - gives an idea of what is the share of profit from sales in sales revenue:

Return on sales =  $\text{Profit from sales} / \text{Sales revenue} \times 100\%$ ;

profitability of products sold - shows the effectiveness of product sales:

Return on sales =  $\text{Profit from sales} / \text{Cost of sales} \times 100\%$ .

2. Calculate and evaluate the overall profitability indicators, reflecting the efficiency of the use of enterprise resources:

- return on current assets - reflects the efficiency of the organization's working capital:

Return on current assets =  $\text{Net profit} / \text{Average value of current assets} \times 100\%$ ;

profitability of non-current assets - shows the effectiveness of the use of non-current assets of the enterprise:

Return on non-current assets =  $\text{Net profit} / \text{Average value of non-current assets} \times 100\%$ ;

return on equity - reflects the efficiency of the organization's use of equity capital:

Return on Equity =  $\text{Net Income} / \text{Average Equity} \times 100\%$ ;

return on invested capital - characterizes the return on the amount of money invested in the business:

Return on invested capital =  $\text{Net income} / (\text{Average equity} + \text{Average long-term liabilities}) \times 100\%$ ;

- return on borrowed capital - characterizes the effectiveness of the organization's use of borrowed capital:

Return on borrowed capital =  $\text{Net profit} / \text{Average amount of borrowed capital} \times 100\%$ .

3. Factor analysis of profitability indicators is carried out. The goal is to determine the reasons for the deviations of the values of the reporting period compared to the data of previous periods or plans for the reporting period.

4. Calculate and evaluate private performance indicators that reflect certain aspects of the enterprise. Among them may be such indicators:

- cost intensity of output;
- output and wages per employee;
- the share of aggregated cost items in the cost of production, etc.

An example of evaluating the effectiveness of a manufacturing company

Let's evaluate the efficiency of a manufacturing company for 2022. We will evaluate it in accordance with the above algorithm.

First of all, we will need data on the results of the company for several reporting years, which include the following indicators:

- the company's revenue from product sales;
- cost of goods sold;
- expenses for the sale of products;
- business management costs.<sup>78</sup>

Using the above information, we will analyze the performance indicators of the enterprise using the example of the Joint-Stock Company "Bukhara Enterprise of Territorial Electric Grids".

Table 1.

**Analysis of financial results Joint-Stock Company "Bukhara Enterprise of Territorial Electric Grids"( thousand soums)**

Indicators	For the corresponding period last year	During the reporting period	Change in %
Net proceeds from the sale of products (goods, works and services)	602084302	678043874	112,6
Cost of goods sold (goods, works and services)	514241378	583385594	113,4
Gross profit (loss) from sales of products (goods, works and services)	87842924	94658280	107,7
Period expenses	74230265	87860242	118,4
Profit (loss) from operating activities	8207554	7642810	93,1
Administrative expenses	6462910	3749841	58,0
Profit (loss) from general business activities	22234873	13050029	58,7
Profit (loss) before income tax	22234873	13050029	58,7
Net profit (loss) of the reporting period	17960373	11092525	61,8

<sup>78</sup> [https://www.profiz.ru/peo/12\\_2020/effektivnost\\_kompanii/](https://www.profiz.ru/peo/12_2020/effektivnost_kompanii/)

Table 2.

**Analysis of the final balance sheet Joint Stock Company "Bukhara Enterprise of Territorial Electric Grids"( thousand soums)**

Indicators	For the corresponding period last year	During the reporting period	Change in %
Long term assets	660252597,2	648465486	98,2
Current assets	338889472,3	569284022,7	167,9
Total assets balance	999142069,5	1217749508,7	121,9
Sources of own funds	250697335	281054497,7	112,1
Long term duties	429654060,4	429028942,3	99,8
Current responsibility	318790674,2	507666249,9	159,2
Total liabilities of the balance sheet	999142069,5	1217749508,7	121,9

Based on the available data, we calculate the performance indicators. We calculate indicators of the overall performance of the enterprise. We use formulas (1)-(3) and find the values of the profitability of the business as a whole, the profitability of sales and the profitability of products sold.

We calculate indicators of the overall efficiency of the use of enterprise resources. We use formulas (4)-(8) and find the values of the profitability of current and non-current assets, own, invested and borrowed capital. When calculating the return on borrowed capital using formula (8), data on short-term liabilities are used as the amount of borrowed capital, since data on long-term liabilities are included in the calculation of the return on invested capital.

We reflect the results in table. 3 and analyze their dynamics:

Table 4.

**Efficiency indicators of resource use Joint Stock Company "Bukhara Enterprise of Territorial Electric Networks"**

Indicators	For the corresponding period last year,%	During the reporting period,%	Change in %
Business profitability	2,98	1,64	55,03
Return on sales	1,36	1,26	92,64
Return on sales	1,59	1,31	82,38
Return on current assets	5,29	1,95	36,86
Profitability of non-current assets	2,83	1,77	62,54

Return on equity	7,16	3,95	55,16
Return on invested capital	2,64	1,56	59,09
Return on borrowed capital	2,39	1,18	49,37

The performance indicators of the company's economic activities at the end of the reporting period of 2022 show that it has slightly changed in the negative direction compared to the data at the beginning of the reporting period of 2022. The overall efficiency has improved slightly, which indicates an insufficient degree of control over management costs.

Based on the data in the table, the following conclusions can be drawn:

- ✓ outstripping growth of profitability of sold products over growth of profitability of sales - a sign of good controllability of production costs;
- ✓ analysis of the efficiency of resource use shows that current assets can be used more efficiently. To do this, their size should be more carefully controlled;
- ✓ decrease in the dynamics of return on equity indicates that the company needs to improve the efficiency of capital management.

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