World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 28, November, 2023
ISSN: 2749-3628,

FINANCIAL ANALYSIS OF THE COMPANY

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Article history:

Received: 14th September 2023
Accepted: 14th October 2023
Published: 17th November 2023

Abstract:

The article discusses ways for examining an enterprise's financial state as a factor that represents the most significant aspects of the enterprise, such as its capacity for doing business, the degree of economic interests of the enterprise, and its competitiveness. A rapid response to changes in the organization's influencing factors enables you to adapt the economic component in line with market demands.

Keywords: company's financial situation, organizational performance analysis, financial analysis methodologies and instruments, financial analysis, and factor analysis

One of the most significant stages of analyzing the company's results is the financial situation study. The advancement of technology and the ongoing evolution of corporate management processes have a direct and significant influence on the organization's financial component. As a result, the analysis of the company's operations and economic reporting, as a study of the major coefficients assessing the existing condition, enables us to forecast the stages of modernizing business processes.

Enterprise performance analysis is critical in enterprise management. The analysis's objective is to establish, on the one hand, the success of the company's activities during the reporting period in respect to the goals specified, and, on the other hand, the prospective directions of the company's activities at the present.

As a result, a targeted study is required to identify the enterprise's opportunities and reserves in order to guarantee the best use of existing resources.

Enterprise performance analysis is not just a management function, but also a style of thinking that necessitates the use of a certain database. Furthermore, the analysis's quality is determined by the enterprise's general degree of financial accounting and reporting quality, as well as the reliability of the statistics contained within it.

The portfolio analysis and the basic strategy adopted by the company for its idea represent the enterprise's real situation in respect to the environment in which it works.

The goal of an in-depth financial analysis is to offer a reasonably complete account of the organization's financial performance and financial position for the previous reporting period, as well as the possibility of change in the immediate and long term. It is performed on the basis of all types of financial reporting and accounting and specifies, widens, and supplements certain areas (procedures) of preliminary financial analysis [1].

Traditionally, the following analytical methodologies are distinguished:

- interpreting accounting (or management) statements;
- horizontal analysis;
- vertical analysis;
- trend analysis;
- comparative (spatial) analysis;
- factor analysis;
- the method of financial coefficients.

Horizontal (time) examination.

It entails gathering financial data for multiple years and comparing it to previous years to establish the growth rate. This will assist the analyst in determining if the firm is expanding or declining, as well as identifying relevant patterns.

When developing financial models, at least three years of historical financial data and five years of predicted data are typically used. This gives almost 8 years of data for significant trend analysis that can be compared to other firms in the same industry.

Vertical (structural) examination.

This sort of financial analysis involves analyzing the various components of a report by income to express them as a percentage. To maximize the effectiveness of this activity, the findings should be compared to those of other firms in the same industry to determine how well the company is performing.

This approach is also known as the total size of the income statement since it allows the analyst to compare organizations of various sizes by predicting their margins rather than their dollars.

Horizontal and vertical analyses are complementary and can be utilized concurrently when creating analytical tables.

It should be highlighted that this model should meet such conditions, whose fulfillment would make it simple to include financial analysis into the framework of the enterprise's corporate information system.

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Considering the process of modeling an enterprise's financial state in terms of the implementation of the following stages:

1. Study the influence of various circumstances on the company's financial status.
2. Development of matrices illustrating the impact of accounting financial reporting indicators on the enterprise's solvency and financial stability, the impact of accounting financial reporting indicators on the enterprise's business activity, and the impact of accounting financial reporting indicators on the enterprise's financial results and efficiency.
3. Using economic and mathematical approaches, calculate the building of the equation of dependency between individual accounting financial statement indicators.
4. The methodology for implementing information models for the examination of the enterprise's financial status [2].

A variety of analytical indicators are used to identify an enterprise's financial state, including liquidity, solvency, economic situation, profitability, and others.

One of the most essential factors for analyzing an enterprise's financial state is solvency, which is also one of the most important criteria for assessing an enterprise's financial status. It represents a circumstance in which an organization has enough finances to settle its open transactions with creditors in a short period of time, but potential creditors want to know to what degree these measures have been evaluated.

An enterprise is dependent on borrowed cash or the amount of equity it can rely on. These factors are extremely crucial for determining an enterprise's creditworthiness. If the amount of debt is significant, the corporation may be forced to declare bankruptcy.

Thus, the following are the primary indicators of insolvency:

- a sufficient quantity of cash in the current bank account and the cash register;
- prompt settlement of creditors' debts.

It should be highlighted that the amounts indicated should not be taken literally. In certain cases, the share of stock in the total amount is less than 50%, yet the firm maintains great financial stability. This is especially true for businesses with high asset turnover, consistent demand for items offered, well-managed interactions with buyers and sellers, and minimal fixed expenses (for example, trading and brokerage firms).

The financial situation of a company is frequently determined by the best ratio of stock to loan capital. The establishment of an adequate finance plan assists businesses in increasing the efficiency of their operations.

Performance analysis is at the forefront of decision-making and action; it assists in justifying its foundation and ensuring efficacy. The search for the most cost-effective resources, the prospect of lowering manufacturing costs, and boosting profit and profitability are all accomplished via analysis. The enterprise's economics is being reinforced, and as a result, production efficiency is increasing [3].

As a result, business performance analysis is an essential component of the operational management system. The function of analysis in operational management is expanding year after year, which may be explained by the fact that there is a need for constant improvement of operational efficiency due to rising costs, raw material shortages, and greater internal and foreign rivalry.

The goal of financial analysis is to discover relevant facts and linkages relating to managerial effectiveness, business efficiency, financial strengths and weaknesses, and the company's creditworthiness. Accounting data is studied using analysis tools to assess the continuity of operational policy, the investment value of the firm, credit ratings, and the efficacy of operations.

Financial analysis tools are not just beneficial to financial managers; they are also useful to senior management, creditors, investors, and labor. Top management can assess the success or failure of the company's activities, determine the relative effectiveness of various departments, processes, and products, evaluate individual performance, and evaluate the internal control system by analyzing and interpreting financial statements [4].

In conclusion, the financial position of the firm is the most significant attribute of its economic operation. It shows the enterprise's competitiveness and business potential, as well as the extent to which the enterprise's and its partners' economic interests are protected in financial and other relationships. The examination of the financial situation enables us to seek ways to efficiently manage financial resources and secure their integration into the actual market economy, necessitating the formulation of a financial plan for the enterprise's development.

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