



ANALYSIS OF THE EFFICIENCY OF ENTERPRISE ACTIVITY BASED ON FINANCIAL REPORTS

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ABSTRACT

The rapid advancement of economic integration on a global scale necessitates companies to ensure transparency and openness in sharing financial and economic information to attract investments. Consequently, there is a growing demand for companies to prepare financial reports that adhere to internationally recognized standards to generate reliable financial information. This article presents a scientific and theoretical foundation for the importance of preparing financial statements based on international standards in businesses. The study analyzes the indicators of financial reports prepared in accordance with international standards and provides scientific proposals and practical recommendations for the widespread adoption and analysis of international financial reporting standards in enterprises.

KEYWORDS: information, accounting, investment, investor, enterprise, financial reporting, efficiency, international standards.

INTRODUCTION

The progress of a nation's economy is directly linked to the successful attraction of foreign direct investments across various economic sectors, ensuring competitiveness among existing enterprises. Another key priority is the production of import-substituting and export-oriented goods and services, achieved by enhancing their quality through the adoption of modern technologies. Undoubtedly, the realization of these objectives relies on financial indicators derived from accounting data, which are universally acknowledged by international financial institutions as the language of business and serve as a measure of reliability.

In the era of profound economic integration and globalized crises, it is imperative to exhibit investment appeal through internationally recognized approaches and techniques for attracting foreign investments to the domestic economy. In this context, presenting the economic viability, capabilities, and promising prospects of our nation's enterprises through financial reports, adhering to universally accepted standards of financial reporting, becomes a pivotal tool to entice investors. These reports effectively serve as a business card, demonstrating credibility and potential to interested parties.

In a continuous sequence, several decrees and decisions have been issued in Uzbekistan to promote the implementation of modern corporate management methods, enhance audit activities, and transition to international standards of financial reporting.

The Decree of the President of the Republic of Uzbekistan dated April 24, 2015, titled "Measures to Introduce Modern Corporate Management Methods in Joint-Stock Companies," along with the Decree of September 19, 2018, known as "Uzbekistan Resolution No. PD-3946, Measures for Further Development of Audit Activities in the Republic," and the Decision No. PD-4611 of February 24, 2020, which introduces "Additional Measures for the Transition to International Standards of Financial Reporting," collectively determines that the organization and maintenance of accounting, preparation of financial reports, and ensuring their reliability should be based on international standards of financial reporting.

The Decree of the President issued on February 24, 2020, specifically titled "Additional Measures for the Transition to International Standards of Financial Reporting," marked a new stage in the transition process to international standards of financial reporting. Consequently, one of the pressing matters today is to conduct research on the implementation of international standards of financial reporting within the country's accounting system.



LITERATURE REVIEW

It is important to acknowledge that the integration of international financial reporting standards and the incorporation of national standards into our country's accounting system is an unavoidable process. Extensive attention has been given to the transition of accounting to international standards in economic literature.

According to A. Avlokulov, implementing financial reports based on international standards is crucial for effective enterprise management. The primary objective of adopting international standards is to facilitate entry into the global market and attract investments. Furthermore, international standards play a significant role in the qualitative development of the country's economy.

S. Tashnazarov asserts that financial statements prepared based on these standards enhance the investment environment, providing an opportunity for large corporations to invest in the country.

H. Yusrina, M. Mukhtaruddin, L. Fuadax, and Z. Sulong highlight that international financial reporting standards contribute to full disclosure of information and ensure the reliability of reports.

L. Gusarova's research emphasizes that employing international financial reporting standards in the preparation of financial reports enables economic entities to enhance their competitiveness in the competition for financing sources.

A. Popova, V. Arkauti, and L. Ikayeva describe international financial reporting standards (IFRS) as guidelines for disclosing, evaluating, recognizing, and presenting financial indicators and economic transactions in financial reports prepared by economic entities worldwide. These standards encompass generally accepted principles of classification and are utilized by numerous companies globally to create a unified report, crucial for external users in making informed business decisions.

N. Malinovskaya highlights the significance of International Financial Reporting Standards (IFRS) in facilitating the comprehension of financial reports by users worldwide. This universal understanding is vital for fostering integration and harmonizing market economies across nations.

The ongoing process of aligning our country's accounting and reporting practices with international standards aims to generate valuable information for interested parties. Reports prepared in accordance with these global standards contain a wealth of enterprise-related data and promote transparency in financial information.

Moreover, scrutinizing reports prepared based on international financial reporting standards enhances the assessment of an enterprise's operational efficiency and increases its attractiveness to potential investors. Consequently, there is an immediate need for practical research endeavors aimed at evaluating enterprise performance through the analysis of reports adhering to international standards.

RESEARCH METHODOLOGY

In this study, a comprehensive approach was employed, incorporating systematic analysis, synthesis, comparison, comparative analysis, and similar research methods. The accounting system and the specific aspects of implementing international standards were thoroughly considered, along with compliance with regulatory legal documents and the guidelines outlined in international financial reporting standards.

ANALYSIS AND RESULTS

To attract foreign direct investments on a large scale, enhance the efficiency of enterprises, and make them more appealing to potential investors, the President of the Republic of Uzbekistan signed Presidential Decree-No. 4720 on April 24, 2015. This decree aimed to introduce modern corporate management methods and strengthen the involvement of shareholders in the strategic management of enterprises. Additionally, on July 28, 2015, the "Regulation on the criteria for evaluating the efficiency of the activities of joint-stock companies and other economic entities with a share of the state" was approved based on the decision of the Cabinet of Ministers No. 207, to ensure the implementation of the aforementioned decree.

To facilitate the implementation of the decree, the management bodies of joint-stock companies and enterprises with a state share have been tasked with reviewing the issue. This review aims to establish criteria for evaluating their activities. These evaluation criteria are quantified through Key Performance Indicators (KPIs), which serve as a measure of the effectiveness of the executive body of the enterprises. The list of KPIs may encompass various indicators, including economic, energy, production, innovation efficiency, and other performance metrics. The approval of the list of KPIs lies within the authority of the supervisory board or founders, which serves as the authorized management body of the enterprise.

The performance evaluation of the executive body of the enterprise involves the application of Key Performance Indicators (KPIs) as specified in Annexes 2a and 2b of the mentioned regulation. The calculation of these KPIs is mandatory, particularly those specified in Appendix 2a. The process of calculating KPIs adheres to the guidelines provided in Annexes 3a and 3b of the Regulation. The cumulative value obtained from the main KPIs represents the overall measure of the executive body's efficiency. In cases where additional KPIs are utilized,

the sum of efficiency indicators is determined by calculating the arithmetic mean of the main KPI and the additional KPIs.

By analyzing the financial reporting indicators of Uztemiryolyoluchi JSC, which is a state-owned company, based on the data from 2021, we identify the significant efficiency indicators. The executive body of the enterprise must include information concerning changes relevant to the interests of the owners and investors in the reports provided about their activities. The effectiveness of the executive body is closely tied to the efficient operation of the enterprise and the corresponding efficiency indicators. Please refer to Table 1 for further details.

Table 1. The list of main KPIs on the criteria for evaluating the efficiency of the enterprise

№	Indicators	Share	Forecast (target) value	Real value	Percent age of completion	KPI
	A	V	S	D	E	$F = E \times B / 100$
1	Implementation of the forecast of net sales revenue (in thousand soums)	5	209 444 058	253 874 000	121,21	6,06
2	Making a net profit (loss) forecast (in thousands of soums)	15	17 172 717	12 310 408	71,69	10,75
3	Return on Assets (%)	5	2	0,94	58,33	2,92
4	Reduction of production cost (in % of assigned task)	10	89,41	89,11	99,66	9,97
5	The level of utilization of production capacity	10	1,28	1,28	100,21	10,02
6	Coverage ratio (solvency)	5	1,39	1,65	118,82	5,94
7	Coefficient of financial independence	5	0,47	0,90	190,69	9,53
8	Calculation of dividends (in thousand soums)	10	0	0	0	0
9	Performance indicator of export parameters (in % of specified task)	10	11 236 737	9 860 000	87,75	8,77
10	Localization Performance (%)	10	0	0	0	0
11	Implementation of investment programs (%)	5	0	0	0	0
12	Coefficient of independence from foreign currency	5	0,09	0,10	113,59	5,68
13	Return on investment of shareholders (TSR — Total Shareholders Return)	5	0	0	0	0

Based on the regulation on the criteria for evaluating the efficiency of joint-stock companies and other economic entities with a state share, the efficiency of the executive body is recognized as follows:

- Unsatisfactory if the sum of efficiency indicators is less than 40 percent;
- If the amount of the total indicator of efficiency is from 40 percent to 60 percent (including this level) - low level;
- If the amount of the total indicator of efficiency is from 60 percent to 80 percent (including this level) - insufficient;
- If the amount of the cumulative indicator of efficiency is from 80 percent to 90 percent (including this level) - at an average level;
- If the amount of the total indicator of efficiency is from 90 percent to 100 percent (including this level) - it is sufficient;
- If the amount of the total indicator of efficiency exceeds 100 percent - it is at a high level.

The calculated amounts of KPIs, percentages of performance of the total indicator of efficiency are published on the official website of the enterprise in the prescribed manner and are presented to the owner upon their written request.

The forecasted net sales implementation reveals the financial standing of the company, indicating the volume of sales, revenue generated from product sales, services rendered, and work performed. In our table, this indicator is recorded as 6.06. No specific regulations govern this indicator, but a higher value signifies better company performance.



The net profit indicator signifies the outcome of the company's operations and highlights the profitability of the undertaken activities. This indicator is reported as 10.75. No specific regulations govern this indicator, but a higher value reflects better company performance.

The profitability of assets showcases the level of profitability or loss in the financial and economic activities of the enterprise. As per the table, this indicator is recorded as 2.92. If the profitability coefficient for the reporting period falls below zero (negative indicator), the enterprise is considered unprofitable. If the value is below 0.05, except for monopolistic enterprises, the enterprise is considered to be low-profit.

Reducing production costs enables the company to offer competitive prices for its products in the market. As indicated in the table, this indicator is recorded as 9.97. The Cabinet of Ministers of the Republic of Uzbekistan approves the parameters for cost reduction in industrial enterprises annually. In general, a lower value in this indicator corresponds to lower production costs.

The level of production capacity utilization reflects the extent to which the company utilizes its production capacity, indicating the maximum achievable ratio of actual production (excluding rented and unused capacities). According to the table, this indicator is recorded as 10.02. If the level of production capacity utilization for the reporting period is 0.5 or below the industry average, it indicates a low level of production capacity utilization for the enterprise.

The coverage ratio (solvency) shows the solvency of short-term obligations of the enterprise, which are evaluated not only in terms of timely settlements with debtors and favorable sales of finished products, but also with other elements of current (current) assets. The minimum value of this coefficient is 0.2. If the solvency ratio at the end of the reporting period is below 1.25, the enterprise is considered insolvent according to this indicator. A decrease in the coefficient indicates a decrease in the company's solvency. According to the table, this indicator shows a value of 5.94.

The financial independence coefficient assesses the extent to which the resources of a company secure the returns of its short-term debt funds. If, at the end of the reporting period, the ratio of short-term debt to equity is less than 1, it signifies financial risk for the enterprise. A decrease in the coefficient indicates an increase in the financial risk. Based on the table, the current value of this indicator is 9.53.

Dividend calculation determines the portion of a company's net profit allocated for paying dividends to ordinary shareholders. It measures the current income, representing the shareholder's earnings without considering the enterprise's capital cost increase. There are no regulations governing this indicator. Generally, a higher value signifies greater profit for the company's shareholders (founders, owners). As of 2019, the company has not distributed any dividends to its shareholders.

The export parameter fulfillment indicator indicates compliance with the relevant state program or decision made by the authorized management body of the enterprise. The target indicator (forecast) is set by the corresponding state program or authorized management body. As per the table, this indicator has a value of 8.77.

The implementation of the localization indicator demonstrates adherence to the relevant state program or decision made by the authorized management body of the enterprise. The target indicator (forecast) is determined by the corresponding state program or authorized management body. According to the table, this indicator has a value of 0.

The implementation of investment programs reflects compliance with the relevant state program or decision made by the authorized management body of the enterprise. The target indicator (forecast) is determined by the corresponding state program or authorized management body. Based on the table, this indicator has a value of 0.

The coefficient of independence from foreign currency indicates compliance with the relevant state program or decision made by the authorized management body of the enterprise. The target indicator (forecast) is determined by the corresponding state program or authorized management body. According to the table, this indicator has a value of 5.68.

The return on shareholders' investments measures the overall profitability for shareholders. It reflects the profitability resulting from changes in stock market quotations and dividend calculations. There are no regulations governing this indicator. Generally, a higher value is desirable for a business. It's advisable to analyze the indicator in terms of trends and comparisons with other enterprises in the same industry. Based on the table, this indicator has a value of 0.

Therefore, the cumulative key performance indicators (KPIs) amount to 69.54%.

Table 2. List of additional KPIs on the criteria for evaluating the efficiency of the enterprise

No	Indicators	Share	Forecast (target) value	Real value	Percentage of completion	KPI
	A	V	S	D	E	F=ExB/100
1	EBIT — Earnings Before Interest, Taxes	7	14 392 327	14 392 327	100	6,92
2	EBITDA — Earnings Before Interest, Taxes, Depreciation&Amortization	7	14 392 327	14 392 327	100	6,92
3	CIR — Cost Income Ratio	6	0,08	0,07	86,04	5,12
4	ROCE — Return on Capital Employed	7	2,29	2,29	100,00	6,92
5	ROE — Return On Equity	7	2,12	2,12	100,00	6,92
6	Absolute liquidity ratio	7	0,13	0,13	101,64	7,15
7	Daily accounts payable turnover	4	26,12	15,78	60,40	2,52
8	Daily accounts receivable turnover	3	24,96	12,33	49,40	1,69
9	Depreciation rate of fixed assets	7	0,76	0,76	100,00	6,92
10	Labor productivity	7	230 794,55	230 794,55	100,00	6,92
11	Fixed asset renewal coefficient	3	0,41	0,16	39,23	1,06
12	Fund return	6	17,85	16,53	92,57	5,93
13	The share of innovative products in the total volume of sold products	0	0	0	0	0,00
14	The share of innovation costs in the total costs of the enterprise	0	0	0	0	0,00
15	Personnel training costs, per employee	0	0	0	0	0,00
16	Employee turnover rate	7	0,91	0,92	101,02	7,06
17	Efficiency index of production facilities (in % of installed volume)	0	0	0	0	0,00
18	Energy efficiency (the share of energy costs in production costs)	22	0,0015	0,0049	315,34	68,79

The calculation of the aforementioned supplementary KPI and the suggested minimum benchmarks were conducted following the provided guidelines.

This metric reflects the company's debt burden, assessing its capacity to settle outstanding debts with creditors using net cash flow before interest and taxes. There are no regulatory standards for this indicator. Generally, a higher value signifies better performance by the company. It is advisable to evaluate this metric in terms of its dynamics and in comparison to other companies in the industry. As per the table, this indicator demonstrates a value of 6.92.

A revised measure of the company's debt burden is presented, highlighting the company's ability to repay debts to creditors by utilizing net cash flow before deducting interest, taxes, and depreciation. No specific regulations govern this indicator. In general, a higher value indicates stronger company performance. It is important to analyze this metric in relation to its dynamics and in comparison to other enterprises in the field. Based on the table, this indicator records a value of 6.92.

The cost-to-income ratio indicates the proportion of operating expenses, including selling, general, and administrative expenses, to revenue. There are no regulations governing this indicator. Generally, a higher value reflects better performance by the company. It is important to analyze this indicator in terms of its dynamics and in comparison with other businesses in the industry. According to the table, the cost-to-income ratio is 5.12.

Return on invested capital measures the return generated by equity capital and long-term savings (such as long-term loans and debts) utilized in the company's business activities. There are no regulations governing this indicator. In general, a higher value indicates better performance by the company. It is advisable to consider this indicator in terms of its dynamics and in comparison with other enterprises in the field. According to the table, the return on invested capital is 6.92.

Return on equity signifies the profitability of the business for its owners, calculated after deducting interest on loans. Unlike indicators such as ROA or ROIC, net profit is not adjusted for the loan interest amount. There are no regulations governing this indicator. Generally, a higher value indicates better performance by the company. It is appropriate to consider this indicator in terms of its dynamics and in comparison with other enterprises in the field. According to the table, the return on equity is 6.92.



The absolute liquidity coefficient is a stringent criterion for assessing a company's liquidity. It represents the portion of short-term debt obligations that can be immediately repaid if needed. The recommended lower limit for this indicator is 0.2, meaning the condition $Kol > 0.2$ is fulfilled. However, this indicator may vary across networks. According to the table, the absolute liquidity coefficient is 7.15.

The daily accounts payable turnover reveals how quickly the company settles its debts with suppliers and contractors. This coefficient measures the number of days required for the company to repay the average amount of its payable debts. The value of this indicator depends on the company's network and scope. A higher value allows the company to maintain outstanding accounts payable, serving as a conditional source of financing for its ongoing operations. According to the table, the daily accounts payable turnover is 2.52.

The daily accounts receivable turnover illustrates the speed at which the company collects payment for goods sold (works, services) from its customers. There are no regulations governing this indicator. The value depends on the company's network characteristics and technology. Generally, a lower value indicates faster repayment of customer debts, which is favorable for the company. According to the table, the daily accounts receivable turnover is 1.69.

The depreciation rate of fixed assets indicates the portion of depreciation incurred by fixed assets during a period, calculated as the ratio of the depreciation amount to the initial price. If, at the end of the analyzed period, the depreciation rate of fixed assets exceeds 0.5, it signifies significant depreciation of fixed assets within the enterprise. According to the table, this indicator is valued at 6.92.

Labor productivity measures the efficiency of utilizing labor resources and the level of productivity within the enterprise. It also reflects the financial resources allocated per employee for conducting economic activities and fulfilling obligations during the analyzed period. There are no regulations governing this indicator. It is recommended to compare the values with those of other enterprises in the network. According to the table, this indicator is valued at 6.92.

The fixed asset renewal coefficient demonstrates the ratio of the value of acquired fixed assets during the period to the value of fixed assets at the end of the period. There are no regulations governing this indicator. The coefficient illustrates the proportion of new fixed assets in relation to the total fixed assets at the end of the reporting period. According to the table, this indicator is valued at 1.06.

Return on assets indicates how the income obtained from sales relates to the value of labor tools available within the enterprise. By comparing the return on investment over multiple years or with the same rate for similar businesses in the industry, conclusions can be drawn about efficiency. According to the table, this indicator is valued at 5.93.

The employee turnover rate reflects the decrease in the number of employees within the enterprise. If the rate is less than one, it indicates a high turnover of employees. Generally, a higher indicator implies higher employee turnover. According to the table, this indicator is valued at 7.06.

Energy efficiency, measured by the share of energy costs in production costs, indicates the effectiveness of energy usage by comparing energy costs to overall production costs. There are no regulations governing this indicator. Generally, a lower value signifies greater energy savings by the company. It is important to analyze the indicator dynamically. According to the table, this indicator is valued at 68.79.

Based on the aforementioned table, the sum of additional KPI indicators amounts to 140.82 percent. According to the data from tables 1 and 2, the overall efficiency indicator for the enterprise is 105.23 percent. Therefore, it can be concluded that both the executive body's performance within the enterprise and the overall efficiency are high based on the financial reports compiled in accordance with international standards. This can serve as a significant factor in attracting investments to the enterprise.

CONCLUSIONS AND RECOMMENDATIONS

Effective management of the enterprise requires financial reports prepared in accordance with international standards. The primary objective of adopting international standards is to access the global market and attract investments. Additionally, international standards significantly contribute to the qualitative development of the country's economy. In this process, creating a favorable investment environment, fostering enterprise openness, ensuring management accountability to owners, and implementing modern corporate governance methods are crucial for the growth of joint-stock companies. Consequently, analyzing financial reports based on international standards serves as a vital factor in attracting foreign investments.

Under international standards, financial reports are prepared based on the principle of "Substance over form." This means that all processes are comprehensively and continuously documented in our national accounting system. International principles focus primarily on the economic essence of operations rather than their form or documentation. For instance, fair value-based valuation provides a comprehensive description of the economic content of processes. Therefore, international standards place significant importance on fair evaluation. Consistency and reliability are key quality characteristics of financial reports prepared in accordance with



international standards, ensuring the information influences decision-making and reflects objective and truthful processes.

Based on our research on the analysis of enterprise efficiency using financial report indicators compiled under international standards, we draw the following conclusions and suggestions:

1. Instead of transforming financial statements into international standards, it is essential to achieve full accounting and financial reporting based on International Financial Reporting Standards (IFRS). Transforming financial reports prepared under national standards into international standards raises concerns about grouping and reliability of indicators, as well as the accuracy of values. Such transformations decrease the reliability of information, leading to inconsistencies in the analysis of transformed financial statements.

2. Developing the analysis of financial reports based on international standards within the SMK system is desirable. Business plans should be formulated based on international requirements and principles. In cases where large enterprises maintain accounting records and prepare financial reports based on national standards (MHXS), traditional forms of business plans hinder the analysis of enterprise efficiency and limit actions related to business development.

3. Explanations and comments play a vital role in the analysis of financial statements prepared under international standards. Special attention should be given to the content of explanations and comments accompanying the financial report. During the analysis of financial reports prepared based on MHXS, events impacting the interdependence of indicators are also considered when evaluating enterprise efficiency.

By implementing these conclusions and recommendations, enterprises can improve their financial reporting practices, enhance transparency, and attract foreign investments based on the analysis of financial reports prepared in accordance with international standards.

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