

Indicators of The Analysis of The Financial Condition of The Enterprise

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Abstract: The article examines the theoretical aspects of analyzing the financial condition of an enterprise, namely the concept, essence and indicators of analyzing the financial condition of an enterprise. Various research methods have been used, and a lot of literature has been studied in the field of the research topic. The theoretical significance of the research lies in the systematization of approaches to the disclosure of the economic content of the concept of "financial condition", as well as in the theoretical analysis of methods for analyzing the financial condition of an enterprise.

Keywords: Financial statements, financial condition, liquidity, solvency, profitability, financial stability, business activity, bankruptcy.

Introduction: In the process of implementing financial and economic activities, the enterprise pursues the goal of extracting maximum profit, as well as improving its financial indicators. However, the final financial result and the efficiency of the enterprise are influenced by numerous factors, therefore, conducting an analysis of the financial condition of the enterprise is relevant today.

Thanks to the conducted analysis of the financial condition of the enterprise, it is possible to determine important criteria, such as the level of liquidity and solvency, profitability and financial stability and other criteria.

Analysis of literature

Financial condition of the enterprise is the link between accounting and management decision-making. Today, there are many definitions of the term under study. The financial condition of an enterprise is a category that reflects the state of capital in the process of its circulation and the ability of the enterprise to self-development at a fixed point in time, i.e. the availability, placement and effective use of financial resources.

N.V. Kireeva says that: "Analysis of the financial condition of an enterprise is a process by which the past and present financial position of an enterprise, the

results of its activities and possible development prospects of the organization are assessed" [1, p. 138].

L.M. Kupriyanova gives the following definition: "Financial condition is a complex concept that is characterized by a system of indicators reflecting the availability, placement and use of financial resources of an enterprise; it is a characteristic of its financial competitiveness (i.e. solvency and creditworthiness), fulfillment of obligations to the state and other economic entities" [2, p. 95].

By in the opinion of G.V. Savitskaya: "Financial analysis is a system of specialized knowledge associated with the study of economic processes and phenomena in their interrelationships, developing under the influence of objective and subjective factors, it is one of the most important tools for obtaining

information needed for making management decisions" [3, p. 193].

Yu.G. Chernysheva states that: "Financial analysis this is an objectively necessary element of enterprise management, with the help of which the essence of business processes is determined, the financial situation is assessed, production reserves are identified and decisions are made for planning and management" [4, p. 317].

V.G. Slagoda states: "Financial analysis - this is a

scientific way of understanding the essence of economic phenomena and processes, based on dividing them into their constituent parts and studying them in all the diversity of connections and dependencies" [5, p. 116].

RESULTS

The main objectives of the analysis of the financial condition of the enterprise are presented in Figure 1.

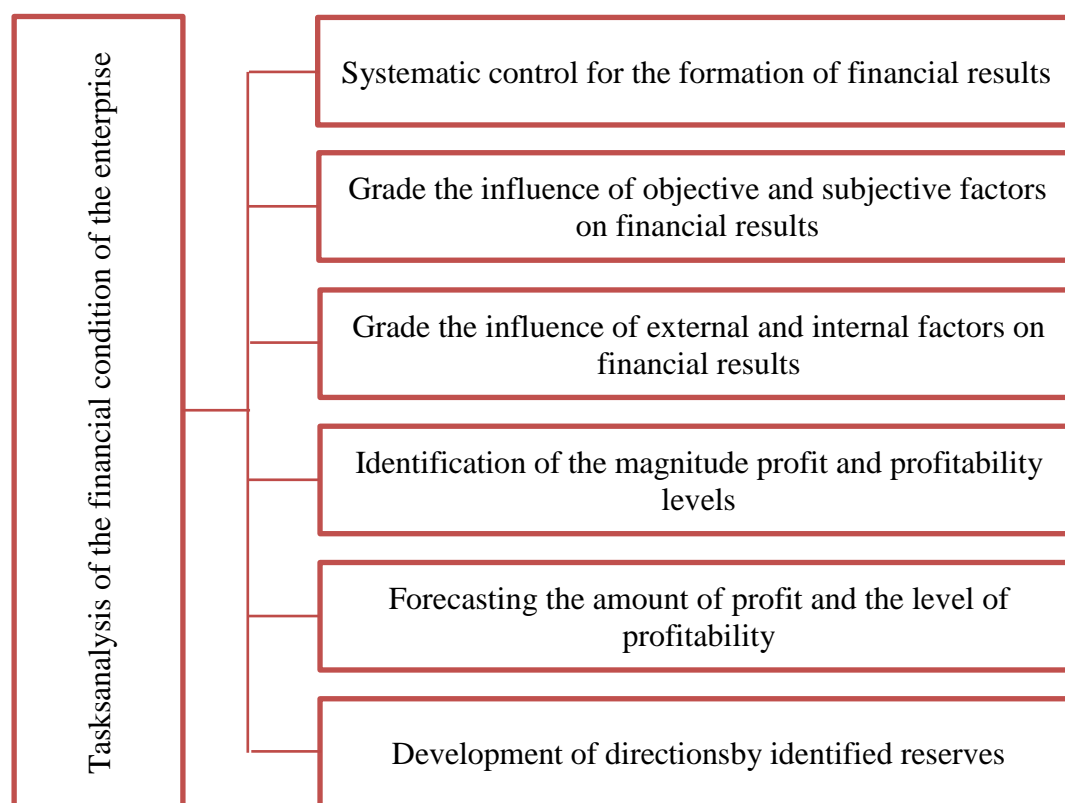


Figure 1. The main tasks of the analysis of the financial condition of the enterprise.

As a result of studying many terms, one can come to the conclusion: "the purpose of conducting an analysis of the financial condition of an enterprise is to identify reserves for improving activities and increasing solvency and financial stability, as well as eliminating violations and deficiencies identified during the analysis."

Analysis of the financial condition of the enterprise

reveals the economic potential and the level of solvency and financial stability, reflects the degree of security of financial relationships with partners and future investors.

The analysis of the financial condition of the enterprise is carried out based on the data of the financial statements for the research period, the sequence of analysis of which is presented in Figure 2.

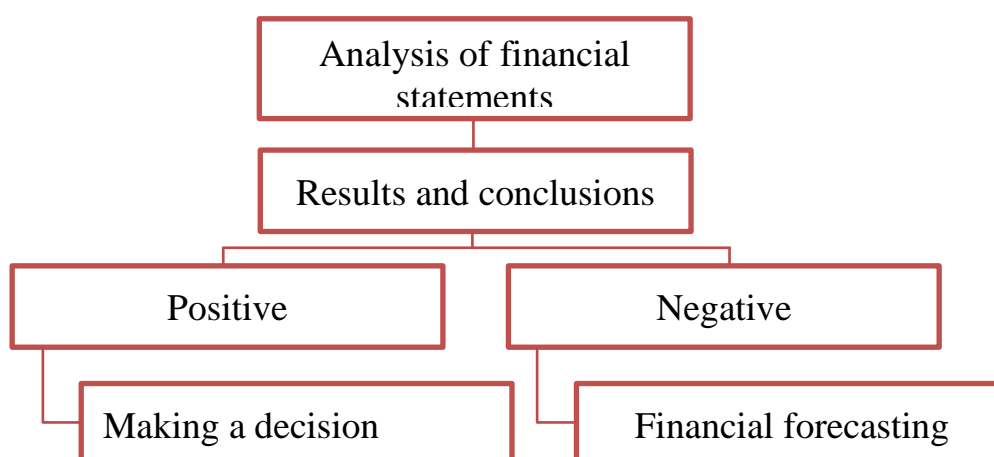


Figure 2. Sequence of analysis of financial statements of the enterprise.

Analysis of the financial condition of the enterprise makes it possible to assess the level of capital adequacy, property status, the need for additional sources of financing, the degree of entrepreneurial risk, the rationality of using and attracting borrowed funds, the use of profits, etc.

Both owners and creditors and investors may be

interested in conducting an analysis of the financial condition of an enterprise. Based on the analysis conducted, management and investment decisions are made.

Analysis of the financial condition of the enterprise includes the calculation of the following indicators, presented in Figure 3.

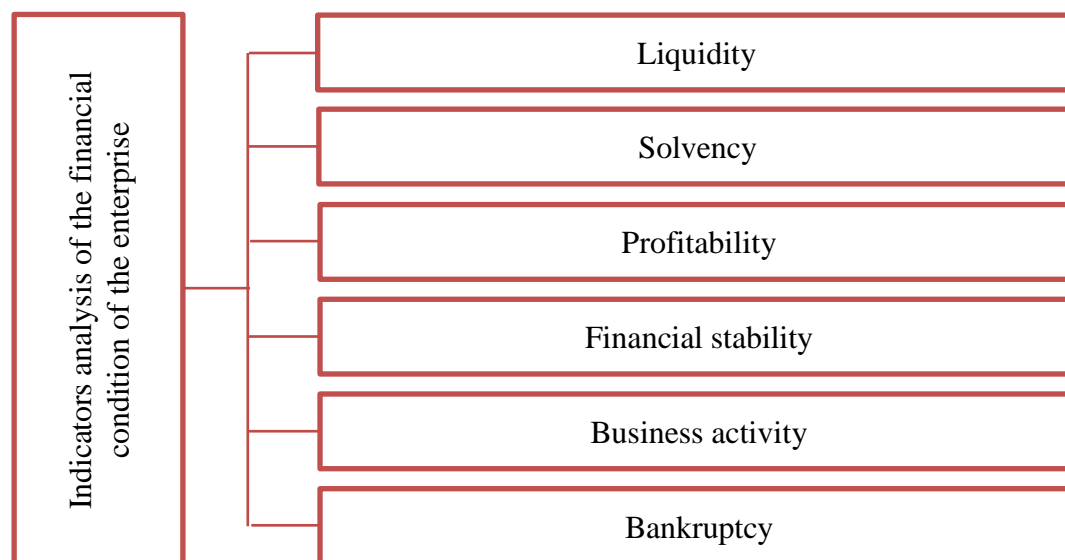


Figure 3. Indicators of the analysis of the financial condition of the enterprise.

Liquidity ratios reflect sales efficiency and transformation into monetary material assets of the enterprise, the main indicators of which include the coefficients of quick, current and absolute liquidity.

Solvency indicators reflect the ability of an enterprise to fulfill its existing obligations in a timely manner. The main indicators of which include the coefficient of recovery and loss of solvency, and the maneuverability of operating capital.

Financial stability indicators reflect the level of solvency of the enterprise and the financial condition as a whole, the main indicators of which include the coefficients of financial stability, financial independence and dependence, concentration of equity and borrowed capital.

Business indicators activities reflect the effectiveness of the enterprise's promotion in the sales market, labor and financial activities, the main indicators of which include the coefficients of asset turnover, accounts receivable and accounts payable, and equity capital.

To identify the financial condition of the enterprise. During the analysis process, an additional assessment of the probability of bankruptcy is carried out.

The most popular method of assessing bankruptcy is the model developed by Altman, the two-factor model is presented below (formulas 1-3):

$$Z = 1.073F1 + 0.0579F2 - 0.3877(1)$$

Where, Z is the probability of bankruptcy according to the Altman method;

F1– current liquidity;

F2– capitalization ratio.

$$F1 = \frac{CA}{STL}$$

where CA – current assets;

STL- short-term liabilities.

$$F2 = \frac{LTL}{EC}$$

Where, LTL is long-term liabilities;

EC – equity capital.

Evaluation criteria probability of bankruptcy: $Z > 0$ probability of bankruptcy less than 50%;

$Z = 0$ situation is critical;

$Z < 0$ the probability of bankruptcy is more than 50%.

The purpose of conducting an analysis of the financial condition of an enterprise is to identify reserves for improving its activities and increasing solvency and financial stability, as well as eliminating the violations and deficiencies identified during the analysis.

The analysis of the financial condition of the enterprise is carried out based on the accounting (financial)

reporting data for the research period.

Both owners and creditors and investors may be interested in conducting an analysis of the financial condition of an enterprise; management and investment decisions are made on the basis of the analysis conducted.

CONCLUSION

Analysis of the financial condition of the enterprise includes the calculation of the following key indicators: liquidity, solvency, profitability, financial stability, business activity. To identify the financial condition of the enterprise, an additional assessment of the probability of bankruptcy is carried out during the analysis. The most popular method for assessing bankruptcy is the two-factor model developed by Altman.

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