



Theoretical Foundations For Analyzing Of The Financial Condition Of An Enterprise

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Abstract: The article presents the theoretical foundations of the financial situation of enterprises and describes the views of various scientists. Also, the economic essence of the financial condition, techniques and approaches to conducting an analysis of the financial condition of an enterprise and algorithm for conducting analysis of the financial condition of the enterprise.

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

Introduction: Topic financial condition analysis is relevant at any time, since enterprises in the process of conducting their activities are constantly faced with the impact of various factors that can affect the financial condition of the enterprise in one way or another. And a high-quality analysis of the financial condition of the enterprise on a regular basis allows the enterprise to stay afloat and avoid financial insolvency or bankruptcy. The analysis of the financial condition of the enterprise takes place in the current economic situation, caused by the increased influence of various risk factors, which can weaken the financial position of the enterprise.

Thus, analysis of the financial condition of an enterprise is the most important area of the enterprise's activity, as it allows timely adoption of certain management decisions aimed at strengthening it.

ANALYSIS OF LITERATURE

"Financial condition– this is one of the most important characteristics of the activities of economic entities, which reflects the availability of financial resources, the appropriateness and efficiency of their placement and use, solvency and financial stability" [1].

“Financial condition- the state of the enterprise is one of the main economic categories. This qualitative characteristic determines the following aspects of the company’s functioning: competitiveness; prospects for partnership; degree of confidence in achieving the set goals. The financial condition as a whole is a category of an ambiguous nature. The system of indicators that form the content of the concept of “financial condition” reports on the availability of financial resources at the enterprise, sources of their receipt, the ability to repay debts on loans and credits in a timely manner”. [2]

Under the financial condition of an enterprise is

understood as the characteristics of the composition and placement of funds, the structure of their sources, the rate of capital turnover, the ability of the enterprise to repay its obligations on time, as well as other factors. [3]

The financial condition of an enterprise is an economic category that reflects the process of the state of capital in its circulation and the ability of the enterprise to develop in a certain period of time. [4]

Analysis and results

Four key areas are highlighted in understanding the essence of the financial condition, which are presented in Figure 1.

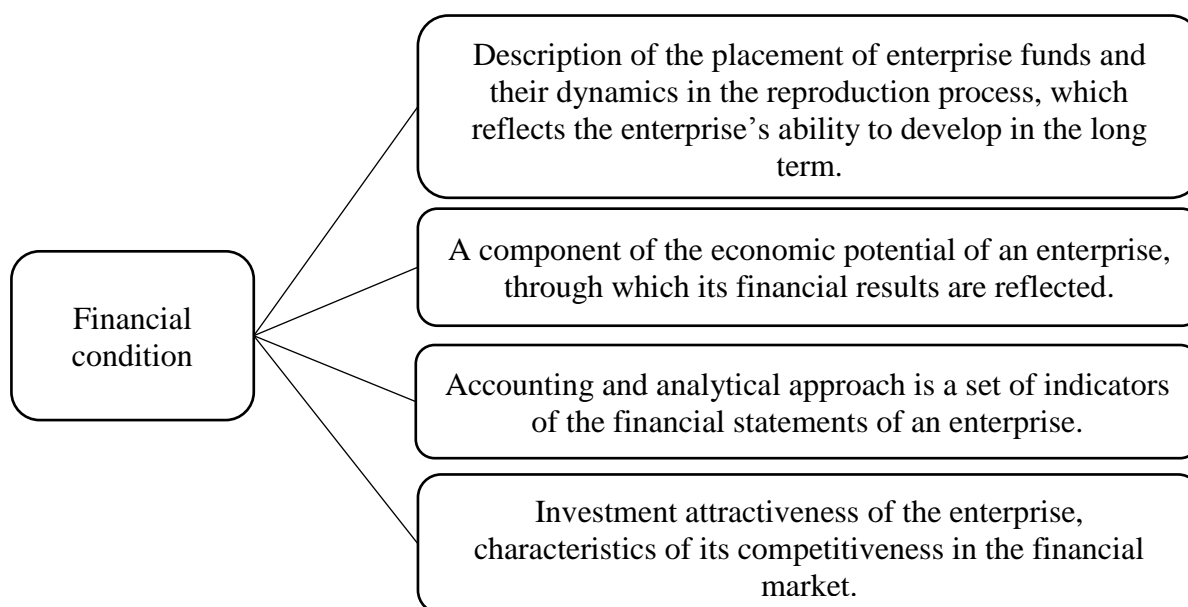


Figure 1. The economic essence of the financial condition

Thus, the financial condition acts one of the key components in the activities of an enterprise, which requires high-quality analysis in order to develop various solutions to improve the efficiency of the enterprise, to increase the investment attractiveness of the enterprise, and to reduce the likelihood of bankruptcy of the enterprise.

“Assessment of the financial condition of an enterprise is part of financial analysis and can be carried out with varying degrees of detail, depending on the available information, the objectives of the analysis, etc. It is characterized by a certain group of indicators reflected in the balance sheet as of a certain date. The main target setting and content of financial analysis is to assess the financial condition and identify the possibility of ways to improve the efficiency of the economic entity with the help of rational financial policy.

Analysis of the financial condition shows that in what directions this work should be carried out, which

makes it possible to identify the most important aspects and the weakest points in the financial condition of the organization. Based on this, the results of the analysis provide an answer to the question of what are the most important ways to improve the financial condition of the organization in a specific given period of its activity. But the main goal of the analysis is to promptly identify and eliminate shortcomings in financial activities, as well as find reserves for improving the financial condition of the organization and its solvency. [5]

In this regard, the methodological aspects of conducting an analysis of the financial condition of an enterprise will be discussed below.

To conduct the analysis and assessing the financial condition of an enterprise, there are many different methods and approaches that are described by researchers.

In general, approaches to conducting analysis and assessing the financial condition of an enterprise are partially used in parallel.

The following methods are distinguished and approaches to conducting an analysis of the financial condition of an enterprise:

- horizontal and vertical (structural) analysis,
- trend analysis,

- analysis of relative indicators (ratio analysis),
- comparative(spatial) analysis,
- factorial analysis.

Detailed description of these methods and approaches is presented in Figure 2.

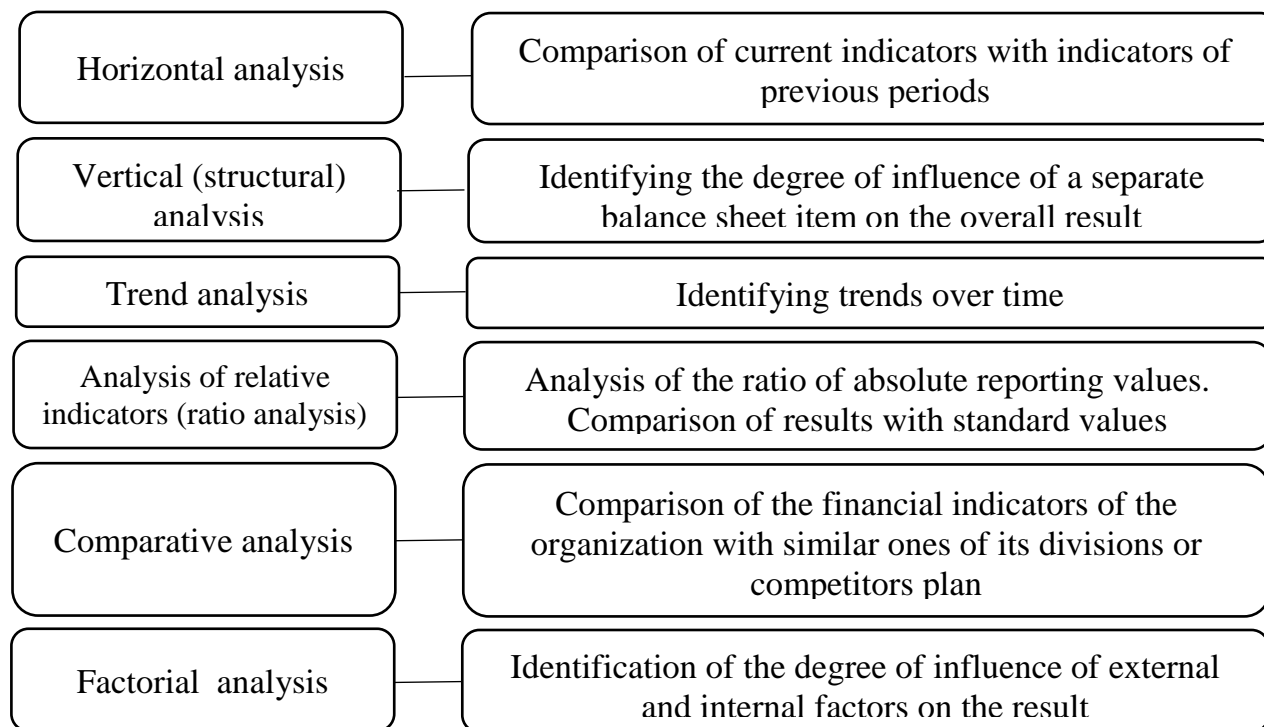


Figure 2. Techniques and approaches to conducting an analysis of the financial condition of an enterprise.

This algorithm, in our opinion, it allows us to analyze the financial condition of the enterprise quite consistently. However, this algorithm does not present profitability indicators, and does not assess the probability of bankruptcy of the enterprise.

to which the financial condition analysis will be conducted within the framework of this study. This algorithm systematizes the key approaches to conducting the analysis of the financial condition of the enterprise.

Below in Figure 3 the algorithm is presented, according

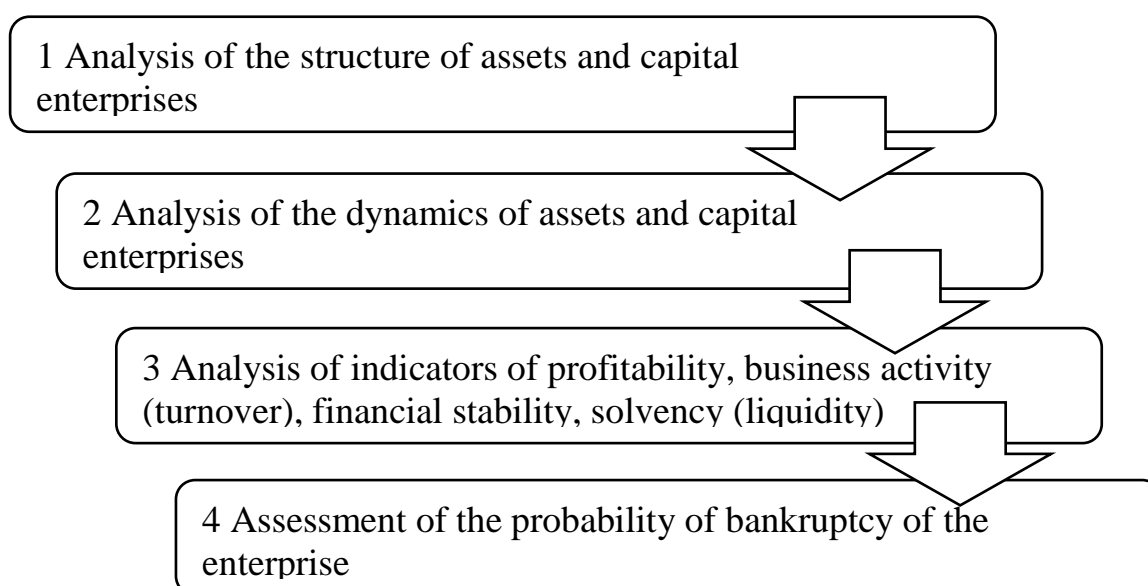


Figure 3. Algorithm for conducting analysis of the financial condition of the enterprise.

First- analysis of the structure of assets and capital. It consists of determining the share of individual items of assets or capital in the structure

balance sheet currencies (ratio of item value to the balance sheet currency) or in the section structure (the ratio of the item value to the section value), as well as in determining the share of balance sheet sections in the balance sheet currency structure (the ratio of the section value to the balance sheet currency). The share is usually expressed as a percentage.

Second- analysis of the dynamics of assets and capital. It consists of determining the growth rates or growth rates of the value of individual items or sections over several periods (years). The growth rate or growth rate can be either chain (when the dynamics are determined in relation to the previous value) or base (when the dynamics are determined in relation to the base value). The growth rate is calculated as the ratio of the current value to the previous (or base), expressed as a percentage. That is, if the value is less than 100%, then there has been a decrease, if the value is more than 100%, then there has been growth. The growth rate is calculated as the ratio of the difference between the current value and the previous (base) value to the previous (base) value, expressed as a percentage. That is, if the value is negative, then there has been a decrease, if the value is positive, then there has been growth. If you subtract 100% from the growth rate, you get the growth rate.

Third- analysis of profitability indicators, business activity (turnover), financial stability, solvency (liquidity). In this case, absolute and relative indicators are calculated based on the data of the financial statements of the enterprise.

CONCLUSION

The economic essence of the concept of financial condition of the enterprise is revealed in the works of various researchers. Thus, the financial condition of an enterprise can be understood as the enterprise's ability to develop, as part of the economic potential of the enterprise, as indicators of financial statements, as the investment attractiveness of the enterprise. The financial condition is one of the key components in the activities of the enterprise, which requires high-quality analysis in order to develop various solutions to improve the efficiency of the enterprise, to increase the investment attractiveness of the enterprise, and reduce the likelihood of bankruptcy of the enterprise.

There are many different methods and approaches to analyze and assess the financial condition of an enterprise, including horizontal analysis (dynamics), vertical (structural) analysis, trend analysis, analysis of relative indicators (ratio analysis), comparative (spatial) analysis, factor analysis. The algorithm by which the financial condition will be analyzed within the framework of this study: analysis of the structure of assets and capital of the enterprise, analysis of the dynamics of assets and capital of the enterprise, analysis of profitability indicators, business activity (turnover), financial stability, solvency (liquidity), assessment of the probability of bankruptcy of the enterprise.

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