

# Analysing income, costs and profit of an enterprise

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**Abstract:** The modern "income - expense - profit" analysis system is essential for making reliable management decisions not only by small businesses, but also by managers of large enterprises. This system examines various factors influencing the dependence of costs, production processes and financial results. This circumstance is reflected in the need for enterprise managers to regularly make decisions regarding the selling price, variable and fixed costs, acquisition and rational use of resources.

**Keywords:** Revenue, costs, profit, enterprise, valuation, market, strategy, reporting, client, analysis.

**Introduction:** For businesses, income, cost and profit analysis plays an important role in assessing financial status. We will consider the interaction of these three financial indicators and how to assess the effectiveness of a business.

Income is the total amount of money that the enterprise receives from its products or services. This is one of the most important indicators in measuring the success of an enterprise. An increase in income usually indicates an increase in the market share of the enterprise or the demand for its products.

Enterprises cover various costs to continue their activities. These costs include the production of goods, employee salaries, advertising and marketing, transportation, and other operating expenses. Effective cost management increases the profit of the enterprise.

The amount left over from the allocation of expenses from the income of the enterprise is called profit. If income is higher than expenses, the enterprise will benefit. On the contrary, if the costs are higher than the income, damage occurs. Profit growth indicates the economic success of the enterprise.

In order to increase the income of enterprises in Uzbekistan from 2025, President Shavkat Mirziyoyev signed the law on the main directions of tax policy for 2025-2027 on December 24, 2024. According to him, the current basic tax rates for 2025 were retained, and by a presidential decision it was established that VAT and income tax rates will not be increased until 2028.

[1].

## Literature Review

The most important indicator in the activities of business entities is self-sufficiency. This means that all expenses of the organization must be covered by its income. In this case, the amount of income must have exceeded the amount of expenses that allow you to make a profit.

The authors who considered the problem of analyzing income and expenses as an economic basis in the stability of the enterprise's activities are as follows: Butkova O. V., Klochkova E. N., Kostyunin V. I., Levina E. A., Ivanova V. T., Kudryavtseva T. Yu., Monezhov V. V., Jilkina A. N., Dmitrieva I. M., Barilenko V. I., Kazakova N. A.

Klochkova E. N. the economic entity emphasizes that profit occupies an important place in the self-management system, since profit is the most important economic category that the descriptor considers. [2].

Korneychuk B. V. says economic profit is the difference between gross income and different economic costs in the conduct of production activities.

According to Dmitrieva I. M. methodology, the analysis of financial results should be carried out depending on whether the analysis of external or internal users is being carried out. [3].

In accordance with V. I. Barilenko's methodology, income and expense analysis involves structural analysis on their sources. [4].

## METHODOLOGY

In the preparation of the article, abstract and analytical observation, comparative and factor analysis, indicative, sampling observation, comparison, economic-statistical and other methods were used.

## RESULT

According to the fiscal strategy for 2025-2027, it is defined in the strategy “Uzbekistan–2030” [5]. Based

on the tasks of doubling the size of the economy by 2030 and entering the ranks of “high-income countries”, Chapter II of the draft budget defines “raising per capita income to US \$ 4,000” as one of the main goals.(Table 1).

## Grouping of states by income (GDP per capita) according to the methodology of the World Bank

Table 1.

| Classification       | 01.07.2020   | 01.07.2021   | 01.07.2022   | 01.07.2023   | 02.07.2024   |
|----------------------|--------------|--------------|--------------|--------------|--------------|
| Low income           | <= 1035      | <= 1045      | <= 1085      | <= 1135      | <= 1145      |
| Income below average | 1036 - 4045  | 1046 - 4095  | 1086 - 4255  | 1136 - 4465  | 1146 – 4515  |
| Income above average | 4046 - 12535 | 4096 - 12695 | 4256 - 13205 | 4466 - 13845 | 4516 - 14005 |
| High income          | >12535       | >12695       | >13205       | >13845       | >14005       |

Source: World Bank data.

The practice of grouping States by per capita income has been established by the World Bank each year, which is now included in a group where the income of states with a gross national product per capita of \$ 4,516 - \$ 14,005 is above average. Based on the above, it is recommended to formulate target indicators before 2030, taking into account the above grouping boundaries, as well as annual changes.

Usually, financial analysis is an important tool in assessing the activities of an enterprise and predicting its future success. Income, cost and profit — these indicators fully reflect the economic situation of the business. Each enterprise should monitor these three elements when evaluating its activities and correctly understand the connection between them. We will dwell in detail on the relationship between income, cost and profit, the factors affecting them and making strategic decisions based on these indicators.

Net income from the sale of products, which is indicated in the form of the enterprise “report on Financial Results” 2, is the total amount of money received from the main activity. It is often formed from the input received by selling products or services. When analyzing income, it is necessary to pay attention to the following aspects:

a) Market and customer analysis

The increase in income often depends on the change in the market, the discovery of new markets and the attraction of new customers. The release of new products, the provision of new services or the increase in demand for existing products will have a positive effect on the income of the enterprise.

b) Diversification of services and products

Diversification is a way to create new sources of income, ensuring that the enterprise adapts to the changing conditions of the market. For example, creating a new product line or entering a new service sector can increase the total revenue volume of the enterprise.

c) Expansion of sales channels

Internet sales, marketing and advertising through social networks, sales through mobile applications — all these are tools that help to increase the income of the enterprise. Applying new sales channels adapted to market requirements is one effective way to increase revenue.

Costs are created at the expense of all the costs that arise in the process of production, supply and sale of products or services of the enterprise. Proper cost management and effective management play an important role in increasing the profitability of the enterprise. Costs are divided into two main types:

### a) Variable costs

Variable costs are related to the volume of production or the amount of sales. For example, the costs of raw materials, labor costs and the funds spent on marketing go into variable costs. Efficient cost management of this type helps to optimize the production process.

### b) Fixed costs

Fixed costs vary regardless of the activity of the enterprise. For example, rent payments, salary payments to office employees, depreciation costs are included in fixed costs. To reduce these costs, the enterprise is often forced to optimize resources and reevaluate costs.

### c) Cost optimization:

The enterprise can use the following methods to manage effective costs:

- Resource optimization: Automation of production processes and the introduction of efficient technologies reduce costs.
- Supply chain reduction: Increasing internal production or searching for other resources instead of using external suppliers and resources can cut costs.
- The use of efficient labor resources: It is possible to reduce costs by optimizing the working hours of workers and motivating them to higher efficiency.

Profit constitutes the difference between income and expenses. If income is higher than expenses, the enterprise will receive profit, otherwise it may suffer losses. Profit measures are one of the main indicators of the financial condition of the enterprise. When evaluating benefits, the following aspects should be considered:

### a) Brutto benefit

Brutto profit represents the amount left after the direct production and sales costs of the enterprise are issued. Brutto profit indicates the efficiency of the enterprise in the production of products or services. The growth of this indicator leads to an improvement in the production process of the enterprise.

### b) Operating profit

Operating profit is the profit from the main activity of the enterprise. This indicator is calculated without tax and interest deductions and indicates the effectiveness of the enterprise in basic operations.

### c) Net profit

Net profit is the final profit, taking into account all the income and expenses of the enterprise, including interest, taxes and other expenses. Net profit is the final indicator of the financial condition of the enterprise and fully reflects how the enterprise conducted its activities.

For example, the failure to include project costs in the budget of income and expenses in order to expand the activities of the enterprise will lead to an increase in the profit of the enterprise in the current period. There are also cases when the amount of profit can increase dramatically by selling the enterprise its main tool, which is expensive. In order for the management of the enterprise to focus on the reasons for a sharp increase in profit, it is necessary to conduct an in-depth analysis of the results of the budget of income and expenses. The following table-2 provides an example of the budget of income and expenses of a construction enterprise.

## *An example of the budget of income and expenses of a construction enterprise in a thousand rubles*

**Table-2**

| Budget articles             | 1 month | 2 month | 3 month | 4 month | 5 month | 6 month | 7 month | 8 month | 9 month | 10 month | 11 month | 12 month | year   |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|--------|
| Budget articles             | 0       | 23256   | 24730   | 31434   | 29376   | 30104   | 30486   | 30862   | 31896   | 35452    | 39622    | 45124    | 373354 |
| Prime cost of products sold | 18192   | 17792   | 18472   | 23006   | 22104   | 21766   | 22568   | 20682   | 20720   | 23342    | 24864    | 27738    | 261246 |
| Sales costs                 | 2078    | 2542    | 2556    | 4386    | 3764    | 3262    | 2768    | 2396    | 2070    | 2198     | 2342     | 2660     | 33022  |
| Administrative management   | 3014    | 2752    | 3310    | 3498    | 3460    | 3882    | 3672    | 3510    | 2994    | 2654     | 2610     | 3344     | 38700  |

|                                                                           |       |       |       |       |       |      |      |       |       |       |       |       |       |
|---------------------------------------------------------------------------|-------|-------|-------|-------|-------|------|------|-------|-------|-------|-------|-------|-------|
| ment costs                                                                |       |       |       |       |       |      |      |       |       |       |       |       |       |
| Benefits of basic activities                                              | -2272 | 170   | 392   | 544   | 48    | 1194 | 1478 | 4274  | 6112  | 7258  | 9806  | 11382 | 40386 |
| Percentage to be paid                                                     | 0     | 0     | 0     | 0     | 270   | 198  | 154  | 84    | 0     | 0     | 0     | 0     | 706   |
| Profit until tax is paid                                                  | -2272 | 170   | 392   | 544   | -222  | 996  | 1324 | 4190  | 6112  | 7258  | 9806  | 11382 | 39680 |
| Profit taxes                                                              | 0     | 0     | 0     | 0     | 0     | 0    | 0    | 0     | 2782  | 0     | 0     | 6826  | 9608  |
| Dividends                                                                 | 0     | 0     | 0     | 0     | 0     | 0    | 0    | 0     | 0     | 0     | 0     | 0     | 0     |
| Net profit of the reporting period                                        | -2272 | 170   | 392   | 544   | -222  | 996  | 1324 | 4190  | 3330  | 7258  | 9806  | 4556  | 30072 |
| Net profit sales profitability from the beginning of the reporting period | -2272 | -2102 | -1710 | -1166 | -1388 | -392 | 932  | 5122  | 8452  | 15710 | 25516 | 30072 | 30072 |
| Profitability of sales                                                    | 10,8% | 0,7%  | 1,6%  | 1,7%  | -0,8% | 3,3% | 4,3% | 13,6% | 10,4% | 20,5% | 24,7% | 10,1% | 8,1%  |

*Source: compiled by the author based on the research carried out.*

This example of income and expenses, presented in table-2, has an overview. That is, there is no detailed example here on the types of products or types of activities. For example, the indicators of net proceeds from the sale of products, the cost of products sold and the cost of sales can be cited by the type of product. In this case, it is necessary to divide the costs of production and sales into direct and indirect costs.

A correct understanding of the relationship between income, cost and profit will help to correctly assess the financial condition of the enterprise. The relationship between these three indicators can be thought of as follows:

- Increased income increases the profit of the enterprise, but it can also increase costs, if the enterprise expands production or services. Therefore, it is important to also manage expenses in increasing

income.

- Reducing costs increases profits, but reducing costs can also reduce the quality or level of service of the enterprise, so a careful approach is required.
- Increased profit indicates the economic success of the enterprise and helps to ensure the stability of the business. Profit increases are often achieved by increasing productivity, optimally exploiting resources, and discovering new markets.

The correct analysis of the financial condition of the enterprise is important in predicting its future development. Through the analysis of income, cost and profit, the enterprise will be able to make the following strategic decisions:

By optimizing the cost of products or services, it is possible to increase the income of the enterprise and improve its competitiveness in the market.

It is possible to reduce costs and increase profits by developing new technologies or automating existing processes.

The enterprise must analyze its financial situation, identify potential risks and take measures against them.

### **CONCLUSIONS**

In conclusion, income, cost and profit are the main indicators when measuring the economic condition of an enterprise. Proper analysis and management of them will lead to the success of the enterprise. Optimization of costs, increasing income and maximizing profit contributes to the stable development of the enterprise. Each enterprise must carefully monitor these indicators in order to effectively manage its activities and ensure financial stability.

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