

## ANALYSIS OF THE FINANCIAL SITUATION AND IMPORTANT ASPECTS OF ITS IMPROVEMENT

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**Annotation.** This article reveals the important aspects of the analysis of the financial situation, that is, the horizontal, vertical and trend analysis of the company's assets and capital and liabilities, which are important sources of their financing, the assessment of liquidity and solvency, the study of financial stability, business activity, economic insolvency, the effectiveness of activities and the economic diagnosis of its expectations.

**Key words:** financial condition, financial condition analysis, asset, capital, liability, liquidity, solvency, financial stability, financial result, profit, loss, profitability, business activity, economic insolvency.

**Introduction.** Financial analysis is a complex process of periodic, comparative and factorial study of the state of assets (resources), sources of their financing, the level of asset liquidity, solvency, sufficiency and insufficiency of own funds to finance current assets, business activity, economic insolvency and the consequences they cause, based on the information base of financial statements, as an important element of assessing the activities of enterprises. Below, we will dwell on the methodological aspects of the analysis, development opportunities, problems and solutions based on the financial reporting data of Almalyk Mining and Metallurgical Combine Joint Stock Company ("Almalyk KMK" JSC).

"Almalyk KMK" JSC, as an important entity in the mining industry, is also an enterprise of strategic importance in the economic and social development of the country. More than 33 thousand employees work in this company. The annual production and trade turnover (as of the end of 2024) is 38 trillion soums, gross income from activities is 15 trillion soums, net profit is 7.7 trillion soums, and the payroll fund is 3.5 trillion soums. "Almalyk KMK" JSC generated tax revenues of about 11 trillion soums to the state budget last year (2024).

**Research methodology.** This study used simple traditional methods of analyzing the financial condition of business entities, economic mathematical methods, and special methods of economic analysis (horizons, vertical, trend, coefficient, comparative, factor analysis).

**Literature review.** The concept of financial condition, which characterizes the important classification aspects of the economic and financial activities of an economic entity, is the most important category that characterizes the attractiveness of the entity, attracting the attention of a wide range of interested parties.

Based on the observation of the published literature on financial position analysis, it can be concluded that a single procedure and methodological approach for its implementation have not yet been fully resolved [1, 3]

It is difficult to observe general uniformity in the range of indicators studied in financial condition analysis, in the approaches to their determination, in the determination of normative quantities, as well as in its form and technique [5, 7].

In the studies of scientists of the classical analysis school, priority is given to specific, scientific, and creative aspects of financial condition analysis, which include the formation of important conclusions about the current, operational, and prospective behavior of internal and external entities in making important management decisions by assessing the important elements of the financial statement (balance sheet) and their structural changes, the economic and financial potential, its solvency and liquidity based on business and management goals, the state of own and borrowed funds in financing assets, economic vulnerability and their expectations, investment activity, business and market activity [6, 8].

In the views of scientists of the modern school of analysis, in contrast to the scientific solutions of representatives of the classical school of analysis, the analysis of the financial situation places great importance on non-traditional methods of studying business processes, their effectiveness and results in relation to various risks, on showing important directions of economic and financial development of business entities in model and econometric connections, on implementing identified opportunities, on providing alternative solutions to increase the efficiency and effectiveness of activities and business, and on determining important measures [9, 10].

One of the most pressing problems in traditional economic analysis and financial statement analysis is the lack of scientific research on the current issues of studying economic instability, bankruptcy, insolvency, attractiveness, risk tolerance, and behavior of business entities in the financial market.

## Analysis and results

Almalyk Mining and Quarrying Company JSC is one of the largest mining enterprises in the Central Asian region. The authorized capital of the company is 2,407 trillion soums. The state's share in the authorized capital of the company is 98.54%, and the share of individuals and legal entities is 1.46%.

"Almalyk KMK" JSC includes three gold-copper mines, an underground mine of polymetallic ores, three underground mines of gold ores, five ore beneficiators, two sulfuric acid producers for metallurgy, a producer of rare metals and hard alloys, repair and mechanical plants, scientific and production associations, a lime plant, an industrial railway transport department, an automobile department, five car depots, three technological management departments, a mine mechanization department, a consumer goods production department, and more than twenty auxiliary workshops and laboratories.

The ores mined by this joint-stock company, which specializes in the extraction and processing of rare, non-ferrous, and precious metals, contain almost all of the elements in Mendeleev's periodic table.

The gold and silver produced at the plant have the London Bullion Exchange quality mark and the ISO-9001 international standardization certificate.

At the end of 2024, Almalyk KMK JSC produced 38.1 trillion soums of primary products and 7.3 billion soums of consumer goods, and production indicators were met by 116.1% compared to the previous year. In particular, copper production was completed by 100%, zinc metal by 71.2%, sulfuric acid by 100.0%, gold by 100.5%, and silver production by 100.0%. At the end of the year, products worth \$610.9 million (111.1%) were exported.

In 2024, investments in the amount of \$1,943.9 million were made at Almalyk KMK JSC to increase production capacity and process raw materials, including direct foreign loans - \$1,751.2 million.

Below, we will diagnose the financial condition of Almalyk KMK JSC based on a generalized database of financial statements compiled in accordance with national accounting standards.

We can see the economic potential (assets) and financial potential (capital and liabilities) of Almalyk KMK JSC in the abbreviated form of the balance sheet as of January 1, 2025, as well as its structural elements from the table below. (Table 1)

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Table 1

**Analysis of the financial situation and its changes in Almalyk KMK JSC (in trillion soums)**

Assets	January 1, 2024	January 1, 2025	Capital and liabilities	January 1, 2024	January 1, 2025
1	2	3	4	5	6
Long-term assets	40.7	55.0	Source of own funds	24.3	29.3
Current assets	14.3	18.1	Obligations	30.7	43.8
Balance	55.0	73.1	Balance	55.0	73.1

The total assets of Almalyk KMK JSC as of January 1, 2024 amounted to 55 trillion soums, and as of January 1, 2025, it amounted to 73.1 trillion soums. The main part of the assets was long-term assets, and their share in the total assets structure was 74 percent in the previous period, and 75 percent in the current period. The change in assets increased by +18.1 trillion soums, or 33 percent.

financing sources amounted to 24.3 trillion soums as of January 1, 2024, and 29.3 trillion soums as of January 1, 2025. The share of own funds in total financing sources decreased from 44.1 percent to 40.1 percent, respectively.

It is difficult to positively assess the absolute value of assets, their efficiency and effectiveness in Almalyk KMK JSC without studying them. Therefore, below we will get acquainted with the efficiency and final results of its activities. (Table 2)

Table 2

**Analysis of financial results at Almalyk Mining and Metallurgy Company (in trillion soums)**

Indicators	2023	2024	Difference +,-
1	2	3	4
Net sales revenue	31.0	37.6	+6.6
Gross profit	18.3	23.7	+5.4
Profit before tax	10.9	13.3	+2.4
Net profit	6.7	7.7	+1.0

Net sales revenue at Almalyk KMK JSC increased by 6.6 trillion soums or +21.2 percent ( $37.6/31 \times 100$ ) compared to the previous year. Gross profit from sales in the current period increased from 18.3 trillion soums to 23.7 trillion soums, profit before tax increased from 10.9 trillion soums to 13.3 trillion soums, and net profit increased from 6.7 trillion soums to 7.7 trillion soums.

So, what is the operating efficiency of “Almalyk KMK” JSC? Does the volume of assets of 73 trillion soums correspond to the current state of operational efficiency and effectiveness? To determine this, we will determine the relative expressions of the assessment of effectiveness: asset turnover (ROA-S); return on assets (ROA-N) coefficients. (Table 3)

**Table 3**

**Analysis of key performance indicators at Almalyk KMK JSC**

Indicators	2023	2024	The difference	Growth, %
1	2	3	4	5
Net income (trillion soums)	31.0	37.6	+6.6	+21.2
Asset value (trillion soums)	55.0	73.1	18.1	+32.9
Net profit (trillion soums)	6.7	7.7	+1.0	14.9
Return on assets (ROA-S), soums	0.56	0.51	- 0.05	-8.9
ROA-return on assets coefficient (ROA- N ),	0.12	0.10	-0.02	-16.7

Along with positive changes in assets and their financing sources, negative trends were observed in indicators related to their effective use and operational effectiveness at Almalyk KMK JSC. In particular, the level of asset profitability (return on assets) decreased by 0.05 points, and the level of profitability of assets decreased by 0.02 points. Their relative growth also decreased from -8.9 percent to -16.7 percent, respectively.

If we assess the status of the assets of Almalyk KMK JSC in terms of liquidity, solvency, financial stability, insolvency, business and market activity indicators, we can reveal other aspects of the financial situation.

Based on the balance sheet data of Almalyk KMK JSC, we will assess the liquidity indicators of assets. We will compile the following composition in accordance with the consolidated lines of the balance sheet of assets and liabilities. That is, we will divide total assets (A) into current assets (A1), quickly converted assets (A2), slowly converted assets (A3), and difficult-to-convert assets (A4).

Accordingly, based on the combined rows on the liability side (P) and their component parts, we compile the current liabilities consisting of accounts payable (P1), short-term loans and debts (P2), long-term loans and debts (P3), and permanent liabilities consisting of own funds (P4) (Table 4).

Table 4

**Balance sheet liquidity analysis at Almalyk Mining and Metallurgy Company  
(trillion soums)**

Assets	Per period	By the end of the period	Capital and liabilities	Per period	To the end of the period	Excess + deficiency - At the beginning of the period	
1	2	3	4	5	6	7	8
Liquid assets (A4)	40.7	55	Permanent Passives (P4)	24.3	29.3	+16.4	+25.7
Liquid assets (A3)	6.1	7.4	Long-term liabilities (P3)	21.8	28.8	-15.7	-21.4
Quick- converting assets (A2)	7.8	10.5	Short-term liabilities (P2)	4.9	3.6	+2.9	+6.9
Current assets (A1)	0.4	0.2	Accounts Payable (P1)	4.0	11.4	-3.6	-11.2
Total	55.0	73.1	Total	55.0	73.1	-	-

The shortfall of current assets (A1) of Almalyk KMK JSC to cover payables (P1) increased by -3.6 trillion soums last year and by -11.2 trillion soums at the end of the period. The same situation can be seen in the next rows, i.e., in the rows of slow-moving assets and



long-term assets, in relation to the required standards. The sign, real expression and liquidity level of the plant in relation to the required standard are reflected in the table below (Table 5).

Table 5

**Fulfillment of liquidity requirements at Almalyk Mining and Metallurgy Company JSC**

Demand done standard	Real in the combine situation	Explanation
$A1 < P4$	$A4 > P4$	Standard not met
$A3 > P3$	$A3 > P3$	Standard not met
$A2 > P2$	$A2 < P2$	Standard met
$A1 > P1$	$A1 > P1$	Standard not met

If we assess the financial condition of "Almalyk KMK" JSC by the level of liquidity of assets, only 1 condition of the requirements is met, and three conditions are not met. Violation of each line of the required standard according to the current procedure characterizes illiquidity. The lack of coverage of hard-to-cash assets with current liabilities, as well as long-term loans and debts with slow-to-cash assets, and the lack of coverage of creditor obligations with fast-moving assets violate the liquidity of the balance sheet.

The solvency of the enterprise can also be assessed based on the above liquidity database.

Solvency indicators are assessed in relative terms of the corresponding absolute indicators in the liquidity rows and in the aggregated rows.

That is, the total solvency ratio is found by dividing current assets ( $A1 + A2 + A3$ ) by current liabilities ( $P1 + P2$ ). In its subsequent rows, individual units of current assets are taken and intermediate  $(A1 + A2) / (P1 + P2)$  and absolute  $(A1 / P1)$  solvency ratios are determined.

The procedure for determining and calculating these three indicators can be expressed in the following table. (Table 6)

Table 6

**Analysis of the solvency of Almalyk KMK JSC**

Indicators	At the beginning of the reporting period	By the end of the reporting period	The difference
Payment funds total (A1+A2+A3)	14.3	18.1	+3.8
including:			
Assets in constant motion (A1)	6.1	7.4	+1.3
Quick-converting assets (A2)	7.8	10.5	+2.7
Liquid assets (A3)	0.4	0.2	-0.2
Current payment obligations (P1+P2)	8.9	15.0	+6.1
Absolute solvency ratio (A1/P1+P2)	0.04	0.01	-0.03
Intermediate solvency ratio (A1+A2/P1+P2)	0.92	0.71	-0.21
Total solvency ratio (A1+P2+A3/P1+P2)	1.6	1.21	-0.39

By the end of the reporting period, the solvency of Almalyk KMK JSC had sharply decreased, and a negative trend was observed in all three indicators of solvency. The required standard for the indicators of general solvency and absolute solvency (2-3; 0.25-0.30) was not met. It can be concluded that real changes in liquidity and solvency indicate a sharp deterioration in the financial condition of the enterprise. Along with positive changes in work efficiency and effectiveness, it is possible to see, unfortunately, a worsening of the situation in the relative expressions of the financial condition.

One of the most important indicators in assessing the financial condition of an enterprise is the financial stability indicator.

The following indicators are evaluated in the financial stability analysis: financial stability coefficient; financial independence coefficient; financial dependence coefficient; private capital concentration coefficient; equity and debt ratio coefficient.



Table 7

Analysis of financial stability indicators at Almalyk KMK JSC

Financial stability ratio	Identification formula	Regulatory requirement	Per period	To the end of the period	The difference
	Equity + Long-term liabilities/non-current assets				
		0.8-0.9	1.13	1.05	-0.08
Autonomy coefficient	Equity/Total Assets	Greater than 0.5	0.44	0.40	-0.04
Equity to debt ratio	Liabilities/Equity				
		Smaller than 1	1.26	1.49	+0.23
Maneuverability coefficient	Source of own funds- Current assets/Source of own funds				
		0.2-0.5	-0.67	-0.87	-0.20
Coefficient of financing of inventory at the expense of own funds	Source of equity - Current assets/Inventories				
		0.6-0.8	-2.68	-3.47	-0.85

The financial stability coefficient at the combine decreased from 1.13 at the beginning of the period to 1.05 at the end of the period. The relative expression of financing of assets at the expense of own funds was 0.44 at the beginning of the period and 0.40 at the end of the period.

A negative expression of the turnover ratio and the coefficient of financing of commodity material reserves at the expense of own funds was observed.

Conclusion

Among the important factors determining the quality of the financial position, an important factor is the absolute expression of economic and financial potential, their positive changes, structural changes in the composition of resources and capital, and the

fulfillment of regulatory requirements in their relative expressions linked to efficiency and results.

Through the analysis of the financial situation, not only the achieved results and achievements are identified, but also the opportunities for their further improvement, as well as the losses and important measures for their prevention. However, a number of shortcomings are made in the current financial situation analysis and its methodological aspects, which in turn leads to a real situation and its correct interpretation.

In particular, the lack of a modern, unified analytical approach to the financial situation and the prevention of shortcomings in it also prevents a proper assessment of the situation.

the most important problems is the problem of which system of indicators is to be evaluated in the analysis of the financial position. Usually, when assessing the financial position, it is incorrect to focus only on the sources reflected in the balance sheet. Because the financial position is not a simple process that is assessed only by absolute changes in assets, capital and liabilities, their structural units, their relative expressions, as well as by indicators of solvency, liquidity, financial stability. This also implies the study of indicators directly related to the efficiency and effectiveness of activity and business, the work and market activity of economic entities, economic strength and weakness. Therefore, it would be incorrect to formulate the content of the financial position within the framework of the topics studied only on the basis of balance sheet data. That is, the analysis of the financial position is important not only for managers, but also for a wide group of interested parties, and therefore requires the assessment of various risks. In the current case, this issue is left aside.

The approaches to establishing a modern form of conducting financial condition analysis with clearly defined and in-depth criteria for reliability, unfortunately, remain the most pressing issue of analysis. In this regard, the need to bring the national and international segments of financial condition analysis into a single system for a wide range of managers and interested parties requires a restructuring of the methodological basis of analysis.

In order to come to a unified methodological framework, it is necessary to establish a clear classification of its research units, indicator systems, and evaluation indicators. At present, hundreds of approaches and differences can be observed in world practice. True, it is natural that there are differences in some sense. However, these differences should not lead to different interpretations. In particular, the different advantages of economic entities

in the developed Western world and the national economy in determining regulatory requirements for analytical indicators should not affect the correct interpretation of the object.

As proof of our opinion, we should note that the different names of one indicator or metric in the assessment and analysis of financial condition lead the subjects of analysis to the most misleading, incorrect conclusions and management decisions.

The methodological basis is largely associated with the problems of determining legal norms for the sector. The fact that legal norms have been established, the requirements for assessing key performance indicators of joint-stock companies, and the fact that different methodologies and procedures are being used in different enterprises, is also evidence of our opinion, which is not only excessive but also ineffective.

The same problem can also be seen in the science modules recommended in existing literature and taught in the training of economic specialists.

Based on the above results of the financial situation of Almalyk KMK JSC, it can be concluded that this methodological approach does not allow for a correct assessment of the real situation at the combine. After all, an enterprise with high growth rates in production , a very high volume of assets, positive results in a comprehensive study of production efficiency and effectiveness, acceptable investment flow solutions, international quality certificates and huge export potential is included in the group of risky enterprises in terms of economic vulnerability, business and market activity, and the level of protection from risks.

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