International Journal of Research in Social Sciences
Vol. 10 Issue 05, May 2020
ISSN: 2249-2496 Impact Factor: 7.081
Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate as well as in Cabell's Directories of Publishing Opportunities, U.S.A

ANALYSIS OF PERFORMANCE INDICATORS AT MOTOR TRANSPORTATION COMPANIES

Ergashev Sherzod Tashpulatovich,
researcher of Tashkent State University of Economics

Abstract. This article is devoted to the consideration of the essential indicators of the efficiency of motor vehicle companies and their impact on the company's sustainability, as well as the aspects significant for making management decisions. In addition, the article illustrates the proposals and recommendations aimed at improving the system of economic indicators.

Key words. Efficiency, return on assets, solvency, financial sustainability.

Introduction. In the republic, essential indicators of efficiency are set up in joint-stock companies with a state share. It should be noted that the share of the state in the transport sector is quite big as well. In particular, it is difficult to imagine the aviation and railway sectors without a state share. As for motor vehicle transportation companies, the state has a share in inter-regional passenger transportation and passenger transportation in urban centers.

With the exception of some private transport companies, most passengers in Tashkent are transported by "Toshshahartranshizmat" JSC. Therefore, we will continue our study on the basis of data obtained by two case-studies, namely, companies with the state share and private transportation companies.

We will consider the main and additional important indicators of efficiency in motor vehicle companies which have selected as the object of the research. Since the data obtained constitute the financial reporting data of motor vehicle companies, we will try to identify important the main and additional indicators of efficiency that can be determined on the basis of the data of these reports.

Analysis and discussion. To achieve the aim, we first get acquainted with the procedure for determining the key performance indicators, which are calculated on the basis of financial statements of motor vehicle companies and are essential for both state-owned and private motor vehicle companies and the standards of applicable regulations in this field.

Table 1

Procedure of determining key performance indicators[1]

Indicators	Calculation formula
3. Return on assets (in percent)	***Rasssets = Pbeforetax / Aaver***, here: *Pbeforetax* — amount of profit (loss) before paying profit tax - (5 or 6 column of 240 line of Form 2); *Aaver* - the average arithmetic value of the assets calculated according to the formula.
6. Solvency ratio	***Sr = A2 / (M2 – Lliab),*** here: **A*2*** – Section II of Form 1, line 390; ***M2*** – Section II of the balance liabilities, line 770; ***Lliab*** – long-term liabilities (490 line of Form 2).
7. Financial sustainability ratio	***FS= (Eq+Lliab)/TB,*** here: ***Eq*** - Equity; ***Lliab*** – long-term liabilities; ***TB*** – Total balance.

Return on assets is a key performance indicator and reflects the utilization level of assets of joint-stock companies. According to the results of the research conducted by a scholar M.Kalonov, he expressed his views and proposals on the calculation of the return on current assets and return on fixed assets, but did not comment on the calculation of return on assets.

In the research conducted by M. Kalonov, in determining the return on current assets, it is recommended to divide the operating profit by the average annual value of current assets. Based on the same technique, it is recommended to determine the return on fixed assets by proposing to divide the operating profit by the average annual value of fixed assets.

According to the formula for calculating the return on assets, the return on assets is determined by dividing the profit before the payment of income tax by the average annual value of assets.

According to the standard specified in the legislation, if the profitability ratios in the reporting period have a value below zero, then the enterprise is operating at a loss. If it is in the range of 0,05-0, the performance of the enterprise is considered to be low-

[1] Regulations on criteria of an assessing efficiency of activities of joint-stock companies and other business entities with the state share approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan № 207 as of July 28, 2015.

profitable. In fact, this indicator is used to show the profitability level of financial and economic activities of the enterprise.

The second indicator that is determined as a key performance indicator, is the solvency ratio. It should be noted that various proposals and recommendations are provided for the calculation of this indicator. This indicator is determined by dividing the value of current assets by the amount of liabilities, i.e. separation of long-term liabilities from the second part of the liability side of the balance sheet (line 770), according to the current statutory document. In fact, the obligations part of the balance sheet consists of its own equity and liabilities. In turn, liabilities are respectively divided into long-term and current liabilities.

Therefore, in our view, in determining solvency, it makes no sense to deduct long-term liabilities from total liabilities because the result is equal to current liabilities. Therefore it is sufficient to determine solvency by dividing current assets (line 390) into current liabilities (line 600).

The indicator shows the ability of the company to cover short-term liabilities based on the successful sale of finished goods and timely settlements with debtors, as well as on the assessment of other elements of current assets. Determination of this indicator enables to assess the current performance of the company.

The minimum solvency ratio is determined at the amount of 0,2. If the solvency ratio at the end of the reporting period is less than 1,25, then this company is considered to be insolvent. A decrease in this ratio means a reduction in the company's solvency.

The third major indicator determined based on financial reporting data is financial sustainability ratio. This ratio is determined by adding long-term liabilities to the amount of the equity and dividing the result by the total amount of the balance sheet.

There is a recommended standard for financial sustainability of the companies and this standard is in the range of 0,8-0,9. If this indicator is below 0,75, the situation is considered to be dangerous.

In addition, the financial condition of the company is stable if it is able to cover at least half of the financial resources required for business activities, as well as demonstrates efficient use of financial resources and strictly observes financial, credit and accounting discipline, this company is considered to be solvent.

In general, the standard set for this ratio suggests that, as far as possible, the assets of the company should be generated at the expense of the equity or at the

expense of long-term liabilities. As we can see from the standard, the situation is if this indicator is below 0,75.

In our opinion, it is required to compare this indicator with the structure of the company's assets. For example, if the financial sustainability indicator constitutes 0,5 or less, and the portion of current assets is big in the asset structure, this risk will not affect the financial sustainability of the company. In addition, it is advisable to determine the ratios of financial sustainability with the account of the peculiarities of the industry, because in some industries long-term assets are the primary factor of production, while in some sectors current assets serve as the primary factor of production.

Financial position is determined by analyzing the level of solvency and liquidity and assessing financial sustainability. Financial sustainability of the company is analyzed both by the ratio method and by the analysis of net assets ratio.

On the basis of the financial statements of "Bus fleet 18" JSC obtained as the object of the research, we analyze the return on assets of the enterprise, the solvency ratio and financial sustainability ratio (Table 2).

Table 2

Some key performance indicators of "Bus fleet 18" JSC

Years and indicators	**Return on assets (in percent)**	**Solvency ratio**	**Financial sustainability ratio**
Recommended standard	***0 –operating at a loss; 0,05-0 – low profitability***	***0,2 – minimum amount***	***0,8-0,9 – standard set; dangerous if it is lower than 0,75***
2013	-0,052	1,35	0,80
2014	-0,148	0,88	0,70
2015	-0,125	0,87	0,66
2016	-0,006	0,97	0,68
2017	-0,002	0,047	0,50

As it is obvious from the table, although the solvency and financial sustainability ratios in the bus fleet in 2013 were in compliance with the established standard, the return on assets was very low. In 2014, the return on assets increased slightly, but the solvency

and financial sustainability ratios decreased. In 2015, the return on assets of the company decreased, and the solvency ratio remained the same as in the previous year. The financial sustainability ratio continued to decline.

In 2016-2017, however, the return on assets fell sharply, and accordingly, the solvency ratio in 2016 was slightly higher than in the previous year, but in 2017 it considerably decreased. At the same time, the financial stability ratios continued to decline in 2016-2017.

In general, if we give an overall assessment of the company's efficiency through the above 3 indicators, the company is operating inefficiently and the return on assets is not stable, solvency is unreliable, and financial sustainability is in a weakened state.

However, in our opinion, it is advisable to identify a number of factors that can be used for giving private evaluation of the company's activities, and in this way for making management decisions.

Analyzing the data contained in the financial statements of the company, we can see that the decline in return on assets was primarily influenced by a small increase in total assets over the years. Definitely, in this process, it must also be admitted that the profit was also incurred in the analyzed years before the income tax was accordingly paid. The analysis of the Income statement data shows that the company was always operating at a loss over 5 years of the analyzed period.

In addition, the decline in the solvency of the company happened due to the fact that accounts payable increased from year to year, while the current receivables were not properly charged.

The financial sustainability ratio is characterized by the loss of the company over the years, the decrease in the total amount of the equity due to the increase in uncovered losses, the increase in current liabilities, as well as the decrease in long-term liabilities.

The next company "SARBON NEFTEGAZ" JSC which has been selected at the object for our analysis, is involved in rendering cargo transportation services. In this object, the indicators have been relatively stable, so the efficiency of the company has been sustainable as well (Table 3).

Table 3

Some key performance indicators of "SARBON NEFTEGAZ" JSC

Years and indicators	**Return on assets (in percent)**	**Solvency ratio**	**Financial sustainability ratio**
Recommended standard	***0 –operating at a loss; 0,05-0 – low profitability***	***0,2 – minimum amount***	***0,8-0,9 – standard set; dangerous if it is lower than 0,75***
2013	0,19	3,14	0,85
2014	0,18	1,71	0,76
2015	0,22	2,72	0,87
2016	0,11	3,33	0,86
2017	0,07	2,40	0,74
2018	0,15	3,54	0,83

According to the report of "SARBON NEFTEGAZ" JSC, in 2013 the return on assets, solvency and financial sustainability ratios were in compliance with the standards. In 2014, however, these figures declined slightly. However, there was another growth in 2015. In 2016, the return on assets fell sharply, and the solvency ratio increased by 1,5 times. The financial sustainability ratio complied with the standard. In 2018, the return on assets increased sharply, and the solvency ratio also increased almost by 1,5 times. The financial sustainability ratio was in compliance with the standard.

Summing up, providing overall assessment of the company's efficiency through the 3 indicators analyzed, it is possible to make a conclusion that the activities of the company are efficiently organized.

In our opinion, it is advisable to obtain a debt account of at least 2-year period when analyzing the financial sustainability of the company because a major part of the long-term debt in the current year is formed as a current liability for the next year. This leads to an increase in the amount of current liabilities even when no other transactions are performed which can result in the instability of the company's activities.

Therefore, from our point of view, it is necessary to analyze the financial sustainability of the company in terms of current, 2-year, 3-year and 5-year stability in order to make management decisions and develop a long-term strategy.

Financial sustainability for every specialist implies the fact that an enterprise has been steadily operating over a certain period of time. Therefore, determining the financial sustainability of a motor vehicle company should not be assessed by its performance over just one reporting year.

Conclusion and proposals.

The following conclusions have been developed upon the results of the analysis specified above:

1. In determining solvency, the amount of current assets is identified as a result of dividing by the amount obtained from the deduction of long-term liabilities from total liabilities. In our opinion, determining the solvency by dividing the current assets (balance sheet, line 390) into current liabilities (balance sheet, line 600) provides with adequate results.

2. It is necessary to compare the indicators of financial sustainability with the structure of assets of the company and set the standard with the account of the industry peculiarities, because in some industries long-term assets are the primary factor of production, while in other industries current assets constitute primary factors.

3. It is advisable to find a identify the number of factors that contribute to the occurrence of each indicator used to make management decisions and private assessment of the company.

4. Since financial sustainability constitute the result of the company's operation over several years, it is necessary to reconsider the standard of this indicator, as well as to reduce long-term liabilities and investments in private capital. In our opinion, it is advisable to analyze current financial sustainability of the company and financial sustainability of the company over 3-year period and 5-year period.

The implementation of our proposals will result in making efficient management decisions, enabling to determine the net value of the indicators of return on assets, solvency and financial sustainability of motor vehicle companies.

Reference:

1. Regulations (2015) Regulations on criteria of an assessing efficiency of activities of joint-stock companies and other business entities with the state share approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan № 207 as of July 28, 2015.
2. Kalonov M. (2019). Accounting of revenues and expenditures, as well as analysis methodology (case-study of motor vehicle companies). Tashkent. Akademnashr, 2019. – 352 p. 262-p.
3. Reporting data of "Bus fleet 18" JSC and "SARBON NEFTEGAZ" JSC.