

## **FOUNDATIONS OF ORGANIZING ECONOMIC ANALYSIS WHEN MANAGING MOTOR VEHICLE ENTERPRISES**

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**Abstract.** This article is devoted to the consideration of the peculiarities of the issues of organizing economic analysis when managing motor vehicle companies, in particular, organization of the economic analysis for management decision-making. In addition, it examines the indicators used for making management decisions, including depreciation and recovery ratios of fixed assets, daily turnover of receivables and payables, as well as profitability indicators used at motor vehicle enterprises. On the bases of the theoretical and methodological bases of the researched problem the author has developed relevant conclusions.

**Key words.** Economic analysis, motor vehicle transport, fixed assets depreciation ratio, fixed assets recovery ratio, daily turnover of accounts receivable, daily turnover of accounts payable, profitability.

**Introduction.** The role of industries at different stages of the society development changes due to the necessity for these industries or even requires some improvement. Therefore, this fact causes occurrence of the peculiarities of each industry or industry. In addition, if management decisions are not made with the account of these specific features, its results may not be efficient, but, on the contrary, may cause some negative consequences.

When considering one of the most well-known areas which is transportation of passengers, it should be noted, that domestic and international transport also have their own peculiarities. For example, the number of our migrants in the Russian Federation, which is nowadays published in various sources, averages over 2 million people. Most of these migrants leave the country in March-April and return in October-November. It is obvious that the majority of them leaves the republic at the same time by road, rail, and air, and then returns the republic in the same way. This requires transportation companies to make long-term strategic plans and sound management decisions.

Moreover, there is an example of another internal situation. The fact that most of the higher education institutions in the country are located in the capital also complicates the work of transportation companies in some “seasons”. This is often due to an increase in one-way traffic from the provinces to Tashkent in the last days of August, transporting a large number of students and their relatives, and by the end of December, the same passengers leave Tashkent and come back to their home towns for winter holidays. In addition, the departure of students to their homes during the summer holidays, which provides a large flow of passengers in road and rail transport in Tashkent during the school year, on the one hand requires a one-way transport service, and on the other hand the demand for public transport in Tashkent and city centers. This fact justifies the peculiarity of the transportation industry as well.

It should be noted that arranging transportation process under such conditions can lead to dissatisfaction of other workers, and the population, as well as the loss of existing customers of the company in some extent. At the same time, the costs incurred by the transportation company increase, leading to a decrease in revenue.

This means that in the process of organizing economic analysis in transportation companies it is necessary to take into account its “seasonal” nature. Because in such conditions, in order to increase the number of temporary motor vehicles, a transportation company must, first of all, have a sufficient fleet of equipment, be provided with human resources, as well as have sufficiently studied the services market. The second negative aspect of the process is that the above figures show that there is a constant depreciation calculation for the equipment involved in near-seasonal transportation and the cost of their maintenance. Third, it requires enough qualified personnel at a time.

Therefore, in our opinion, it is advisable to take into account the essential features of the transportation companies in the economic analysis of their activities. Otherwise, the income from the services provided by the transport will result in the inefficient use of its profits for a certain period and the crisis of the company. This makes a negative impact on the sustainable development of the transportation company.

The majority of the transportation services in the country are rendered by motor vehicles. Several reasons for the development of transportation services through this transportation system have been studied by scientists.

The peculiarities of the organization of economic analysis in motor vehicle companies and the necessity to organize this analysis, as well as the objects of analysis have always been in the focus of researchers, scientists and experts.

**Literature review.** A number of national and foreign scientists have conducted their own research on this issue and expressed their views on the problem researched. In particular, Tabachnikova (2019) emphasizes that the main focus in ensuring the sustainability of transportation companies should be on financial and management policies. The first is, in fiscal policy, capital management of fixed assets, working capital management (e.g., receivables management), financial risk management (financial costing, diversification), budgeting, and business planning (employee incentives) are aimed at focusing on management based on economic analysis methods.

The author emphasizes the necessity to focus on the sustainability of motor vehicle companies, which implies accurate arrangement of organizational and technical issues, including proper organization of the use of rolling stock, software, fuel and other material resources. All these measures are aimed at ensuring financial sustainability of the company.

From the research conducted by Tabachnikova and the conclusion made, it is obvious that arranging of economic analysis in transportation companies should cover both financial and organizational issues.

In the opinion of Eichler and Strinkovskaya (2013), in order to raise the efficiency of management of motor vehicle companies engaged in freight transport, it is necessary to use expert survey and economic-mathematical methods of economic analysis. Meanwhile, they believe that it is possible to make efficient management decisions by diagnosing the activities of the company.

Another research made by Strinkovskaya (2016) discusses the organization of economic analysis, including economic diagnostics, in motor vehicle companies engaged in cargo transportation. The author argues that the organization of economic diagnostics ensures efficient management decisions.

Konovalova, Nadiryan, Nenastin (2015) think that financial and economic analysis in motor vehicle companies should cover all sections of the company, and analysis is closely related to the planning, accounting and control functions of management. They provide their

conclusions on how to optimize transport processes and enhance the efficiency of production, financial and human resources.

**Discussion and theoretical analysis.** From the considerations specified above, it is clear that the organization of economic analysis in motor vehicle companies is also important. In our opinion, the organization of economic analysis in motor vehicle companies should be based primarily on the fact that they are provided with vehicles. Therefore, it is necessary to first analyze the indicators related to fixed assets in motor vehicle companies.

The system of indicators related to fixed assets is among the essential indicators of efficiency at motor vehicle companies and this fact requires comprehensive consideration of this system of indicators associated with fixed assets. Additional indicators of efficiency are the depreciation and recovery ratios of fixed assets.

According to the 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 the depreciation ratio is calculated as it follows:

$$R_{\text{depreciation}} = D/I_v,$$

here:

D – depreciation of fixed assets - 011 line of Form 1 of the “Accounting balance”;

I<sub>v</sub> – initial value of fixed assets - 010 line of Form 1 of the “Accounting balance”.

Herewith 0,5 is taken as a standard, if at the end of the analyzed period the depreciation rate of fixed assets exceeds the value of 0,5, it is characterized by a significant depreciation of fixed assets of the company. This indicator characterizes the share of depreciation of fixed assets in the reporting period and is defined as the ratio of the amount of depreciation of fixed assets to the initial value.

Moreover, it is important to determine and regularly evaluate this ratio in motor vehicle companies. This is due to the fact that fixed assets of motor vehicle companies are the main income-generating assets. To make this feature more understandable, it can be compared with other service areas. For example, insurance companies are also considered to be service-rendering companies. However, a high level of depreciation of fixed assets in insurance companies does not pose a significant risk, it is enough to focus on fixed assets.

However, the high rate of this figure in motor vehicle companies is considered to be very dangerous.

In our opinion, in determining the depreciation ratio of fixed assets in motor vehicle companies, it is necessary to deviate from the generally-accepted norm. In addition, in determining the depreciation ratio of fixed assets in motor vehicle companies, it is proposed to divide this ratio into 2 groups:

The first group includes the depreciation ratio of fixed assets in the rolling stock of motor vehicle companies;

The second group includes the depreciation ratio of other fixed assets.

This is due to the fact that timely response to the level of depreciation of rolling stock in motor vehicle companies and special consideration in management decisions leads to a reduction in the quality of services, constant renewal of fixed assets and thus, as a result, ensures financial stability of the company.

In our opinion, the second determinant indicator related to fixed assets in motor vehicle companies is the recovery ratio of fixed assets. This indicator, which has a relatively inverse coefficient of depreciation of fixed assets, should also be determined as an important indicator in motor vehicle companies. The recovery ratio of the fixed assets is determined as it follows:

$$R_{\text{recovery}} = FA_{\text{new}} / FA_{\text{old}},$$

here:

FA<sub>new</sub> - new fixed assets and intangible assets launched at initial (recovery) value (line 101, column 3 "Report on the availability and flow of fixed assets and other intangible assets" of Form 2 of Finance Statistical report);

FA<sub>old</sub> – value of fixed assets at the end of the period at the initial (recovery) value (line 101, column 6 "Report on the availability and flow of fixed assets and other intangible assets" of Form 2 of Finance Statistical report).

There is no standard for this indicator. However, it illustrates how much the fixed assets have been updated at the end of the year. A high value of this indicator leads to a decrease in the depreciation rate of fixed assets.

In our opinion, it is necessary to develop the technique for determining the indicators related to fixed assets on the basis of a single methodology. Focusing on two indicators specified above, it is ascertained that the depreciation rate of fixed assets is determined on the basis of balance sheet data. And as for the recovery ratio of fixed assets, it is determined on the basis of statistical reporting data. This complicates the procedure to compare and draw conclusions between the two indicators when making management decisions, and the diversity of information sources does not ensure that the data are interrelated.

Second, in determining the recovery ratio of fixed assets, in addition, there is a formula for calculating the value of intangible assets.

Therefore, in our opinion, on the basis of a single methodology it is necessary for motor vehicle companies to develop the technique for analyzing the indicators related to fixed assets. According to this technique:

- the depreciation ratio of fixed assets and the procedure for its calculation, with the account of the peculiarities of motor vehicle companies;
- minimum, average and maximum standards of depreciation ratio of fixed assets in motor vehicle companies;
- procedure for determining the recovery ratio of fixed assets;
- accounting and information support of depreciation and recovery ratios.

Furthermore, analysis of receivables and payables is significant in the organization of economic analysis in motor vehicle companies. Given that most motor vehicle companies operate on short-term contracts rather than long-term ones, the main focus should be on determining the daily turnover of receivables and payables and making appropriate decisions thereupon.

The daily turnover of receivables is also defined as an additional important indicator of the efficiency.

$$DT \text{ receivables} = C \text{ repperiod} / (I \text{ repperiod} / AV \text{ receiv}),$$

here:

I repperiod - net income from sales of products (works, services) during the reporting period ҳисобот, in UZS, 010 line of Section 5 of the Income statement;

C reppperiod – number of calendar days in the reporting period;

AV receiv - the average arithmetic value of receivables (by line 210 – half of the consolidated amount at the beginning and at the end of the reporting period, “Receivables, total” section II of the assets of the balance sheet, Form 1 of the “Balance Sheet”).

There is no clearly-defined standard for the daily turnover of receivables, which depends on the industry and technology of enterprises. In general, the amount is low, which means it is good for the business if customers repay their debt faster. Thus it is obvious that motor vehicle companies do not have major problems in this regard. This is because most motor vehicle companies work with short-term contracts, usually with advance payment.

Some situations related to the calculation of receivables result in misleading resolutions and measures in making management decisions. In particular, in determining the daily turnover of receivables, it is stated that the net income from sales is identified by dividing the average arithmetic value of receivables. However, as far as we know, in the balance sheet, the composition of the receivables in line 210 is ambiguous to some extent.

In addition, according to the accounting balance, 210 line of the receivables includes the following: debts of buyers and customers (deduction of 4900 from 4000), debts of separate subdivisions (4110), debts of subsidiaries and affiliates (4120), incentives given to employees (4200), incentives given to deliverers of products and contractors (4300), payments of taxes and charges to the budget (4400), payments by targeted public funds and insurance amounts (4500), debts of founders on shares in the charter capital (4600), debts of employees on other transactions (4700), other receivables (4800). From our point of view, all of these are not receivables aimed at getting profit. That is, some receivables may be involved in the settlements more than once. However, this receivable has no relation to the sales revenue.

Some research papers provide certain considerations on this point. In particular, Mavlanov (2019), in his scientific work devoted to the analysis of the creditworthiness of economic entities in terms of commercial banks, emphasizes that a number of asset types in current assets cannot be funds for loan repayment. In this regard when calculating creditworthiness, he recommends excluding from the composition of overdue receivables (line 211) such items as payments to employees (line 250), payments of taxes and charges to the budget (line 270), payments to the targeted public funds (line 280), debts of founders on shares in the charter capital (line 290).

In general, such a proposal can be supported when viewed by a commercial bank. Although the indicators recommended by N. Mavlanov for excluding, are in fact considered as receivables for the company, however, commercial banks can not focus on these receivables in order to recover their debts. Therefore, the author's proposals are significant if they are accepted and put into practice by banks.

However, in the process of analyzing receivables of motor vehicle companies, it is advisable to take into account the peculiarities of the industry. That is, it is necessary to determine the actual amount of receivables and thereby identify the daily turnover of receivables. To pursue this aim, it is recommended to study the composition of receivables in detail.

Daily turnover of accounts payable is another indicator that should be taken into consideration in motor vehicle companies. This indicator is determined in the following way:

$$DTap = C \text{ repperiod} / (I \text{ repperiod} / AV \text{ pay}),$$

here:

I repperiod - net income from sales of products (works, services) during the reporting period ҳисобот, in UZS, 010 line of Section 5 of the Income statement;

C repperiod – number of calendar days in the reporting period;

AV pay - the average arithmetic value of accounts payable (by line 601 – half of the consolidated amount at the beginning and at the end of the reporting period, “Accounts payable, total” section II of the assets of the balance sheet, Form 1 of the “Balance Sheet”).

It should be noted that no precise standard has been determined in the legislation on this indicator as well. The amount depends on the industry and scope of activities of the company, which enables to obtain a high amount, the balance of unpaid accounts payable, as a source of free financing of current activities of the company. This indicator is definitely important. On the one hand, it is free-of-charge monetary funds, however, non-payment of the accounts payable in due time at the end can cause the increase of the company's debt.

Herewith, there is also a peculiarity in the formula for calculating this indicator, which is required to develop a procedure for calculating it based on the specifics of the motor vehicle company.



In conclusion it should be noted that in determining the daily turnover of receivables and payables in motor vehicle company, a particular attention must be paid to the peculiarities of the industry and the composition of indicators. At the same time, the seasonal character of the industry should not be neglected when making management decisions.

### **Conclusion and proposals:**

1. There are two aspects to the “seasonal nature” of transportation services in transportation companies:

First, in order to raise the number of temporary vehicles and the number of trips, it is recommended to have a sufficient fleet of vehicles, have an experienced personnel, as well as a sufficient knowledge of the services market. Second, the constant calculation of the depreciation of equipment involved in seasonal transportation must be financially sustainable to meet the storage costs. Third, such cases require sufficient personnel at that “seasonal” period of time, as well as the cost of maintaining such personnel staff at other times.

2. It is required to take into account the main peculiarities of the transportation companies in organizing the economic analysis of their activities. Otherwise, the revenue from the services provided by the transportation companies will result in the inefficient use of its profits made during a certain period, as well as the crisis of the company.

3. In our opinion, the organization of economic analysis in motor vehicle companies should be based primarily on the provision of vehicles. Therefore, it is necessary to first analyze the indicators related to fixed assets in motor vehicle companies.

4. Timely response to the level of the rolling stock depreciation in motor vehicle companies and its special consideration in management decisions leads to a reduction in the quality of services, constant renewal of fixed assets and, on this basis, ensuring financial stability of the company.

5. In our opinion, in determining the depreciation ratio of fixed assets in motor vehicle companies, it is necessary to deviate from the generally-accepted norm. In addition, in determining the depreciation ratio of fixed assets in motor vehicle companies, it is proposed to divide this ratio into 2 groups:

The first group includes the depreciation ratio of fixed assets in the rolling stock of motor vehicle companies;

The second group includes the depreciation ratio of other fixed assets.

6. It is required to develop the technique for determining the indicators related to fixed assets on the basis of a single methodology. Determining the depreciation and recovery ratios of fixed assets accounting makes it easier to compare and draw conclusions between the two indicators in management decisions, ensuring the uniformity of accounting and information sources.

7. In our opinion, on the basis of a single methodology it is necessary for motor vehicle companies to develop the technique for analyzing the indicators related to fixed assets. According to this technique:

- the depreciation ratio of fixed assets and the procedure for its calculation, with the account of the peculiarities of motor vehicle companies;
- minimum, average and maximum standards of depreciation ratio of fixed assets in motor vehicle companies;
- procedure for determining the recovery ratio of fixed assets;
- accounting and information support of depreciation and recovery ratios.

The indicators, specified above, including the depreciation and recovery ratios of fixed assets, the ratios of daily turnover of receivables and payables, are private indicators that serve to ensure efficient results in making internal management decisions of the company.

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