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## **FINANCIAL REFORM OF BUSINESS SUBJECTS**

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### **Abstract:**

Ways of financial reform of economic entities were considered. Also, the model of interactions in the market economy is shown. The process of capitalization in the financial reform of economic entities, firms and corporations is studied. A program of financial reform of economic entities has been developed.

**Keywords:** business entity, competitive environment, seller, net profit, authorized capital.

### **INTRODUCTION**

In the conditions of modernization of the economy, it is important to correctly determine the profit indicator. Funds intended for special purposes, a reserve fund are created from this income, capital investments are financed and social activities are carried out. In the conditions of the market economy based on different ownership, the end of the enterprise's activity is the financial results. According to the national accounting standard of the Republic of Uzbekistan, financial results are the final economic results of the activity of the economic entity expressed in the form of profit or loss. The result of such activity is determined by calculating all profits and losses for the reporting period. In the conditions of modernization of the economy, the basis of the country's development, the indicator of the efficiency of the enterprise's activity - profit is considered. A positive final financial result is the source of the enterprise's viability. Today, in the development of the country's economy, accounting plays an important role in the implementation of the activities of the economic sector. In the presentation of information on the economic aspects of business activity to internal and external users in the form of a database, it is necessary to take into account the auspicious factor.

### **RESEARCH METHODOLOGY**

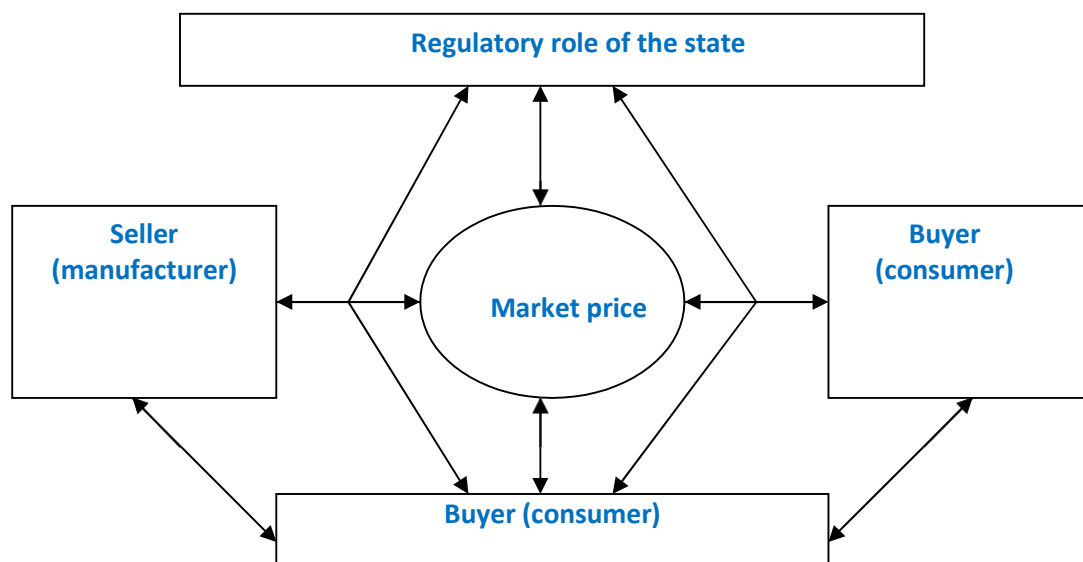
The study employed methods such as generalization, grouping, analysis and synthesis, comparative analysis, statistical analysis, comparison, induction, and deduction.

### **ANALYSIS AND RESULTS**

Finance of business entities is an independent branch of the financial system. It can also be called Finance of enterprises and organizations with different forms of ownership. It is in this sector of the financial system that the main part of the income is formed, and they are ultimately redistributed in accordance with the rules established by the state, forming the income of all levels of budgets and non-budgetary funds. At the same time, a large part of the budget (Financial) funds can be directed directly from the budget to the financing of current and investment activities of enterprises in the form of financing,

budget loans and state guarantees. As mentioned above, this area of the financial system consists of such parts as Finance of commercial enterprises and organizations, Finance of financial intermediaries and Finance of non-profit organizations. Financial relations of business entities belonging to this group have specific characteristics depending on the forms of organizing business activities, forming incomes and expenses, owning property, and fulfilling their obligations. At the same time, Finance of commercial enterprises and organizations is gaining importance, and it is here that the main part of financial resources is formed. The general financial situation of the country is determined by the financial situation of these enterprises.

It is impossible to develop a market economy without qualitative changes in the activities of economic entities. The content of the process of their reform comes from the laws of the development of market relations, in which a special place should be given to the primary link. The general model of interactions in the market economy is presented in the following diagram (Figure 1):



**Figure 1. Model of interactions in the market economy**

Under the conditions of the market economy, economic entities act as buyers and sellers and interact (communicate) through prices determined in a competitive environment based on changing demand and supply in the market of goods and services. Since the sum of the assessments determines (determines) the size of the income, there is a correct connection between the financial situation of (firm, corporation, etc.) and their activity in the market, comprehensive consideration of the change (dynamics) of the market factors of development in their activity. Taking these factors into account requires fundamentally changing the entire philosophy of business entities, firms and corporations. Developing and implementing a system of measures to adapt economic

entities to market conditions, turning economic entities into independent (full-fledged) subjects of the market economy is the main content of their financial reform.

Despite the fact that it has been more than 15 years since the transition to the market economy, a certain part of our country's XYuS is still not adapting to dynamically developing market relations. According to the assessment of some experts, only  $\frac{1}{4}$  of the economic subjects of the industry can be included in the ranks of the full-fledged subjects of the market economy.

In connection with the new conditions, the main tasks of the financial reform of economic entities are as follows: ensuring the competitiveness of products and services by directing activities to market requirements and developing innovative processes based on investments in the latest technologies; Increasing the efficiency of capital formation and management of economic entities; Finding and attracting reserves to financially ensure the development of economic entities and increase their financial stability; Increasing the investment attractiveness of economic entities by increasing their income based on effective use of all factors of production and reduction of costs per product unit; restructuring of assets and forecasting the market situation, diversifying the activities of economic entities based on the solvency demand and supply of goods and services.

In the financial reform of economic entities, firms and corporations, the process of capitalization, that is, increasing the value of the company due to the best use of existing potential (assets) and, on this basis, increasing the main source of capitalization - net profit directed to capital growth, occupies a special place. The net profit capitalization ratio is determined by the ratio of the net profit part directed to the increase of assets (capital) to the total amount of net profit of economic entities. It can be represented in the form of a formula as follows:

$$K_k = (CF_{kk} : CF_{ux}),$$

by Here:  $K_k$  – net profit is capital gain;

$CF_{kk}$  – part of the net profit directed to increasing assets (capital);

$CF_{ux}$  – Total amount of net profit of economic entities.

The capitalization process is important because it envisages not only increasing the volume of assets, but also their more effective use based on the implementation of the investment-innovation strategy. It can be determined as follows:

$$= (K^o : A_o), \quad K_a$$

Here:  $K_a$  – asset capitalization ratio;

$K^o$  – equity growth during the analysis period;

$A_o$  – assets at the end of the analysis period.

The process of capitalization should be based on the intellectualization of the form of capital, which reflects the materialization of scientific achievements in production and advanced innovative production tools and technologies.

It is desirable to develop a reasonable program of financial reform by economic entities in order to enter the system of effective market interactions, which puts forward new

quality requirements for their activities. A special place should be allocated to achieving high final financial indicators as a result of the entire economic-production activity. At the same time, such a program includes a system of measures to improve the efficiency of business entities based on the use of market factors and conditions of economic growth, as well as the implementation of modern trends of innovative development.

The financial reform program envisages the following: Changing the organizational and property status of economic entities (highly efficient organizational form, changing the structural structure of capital and deploying it for the purposes of increasing efficiency, developing the production of products with high demand, etc.); changing the investment-technological base of production (structural structure of fixed assets and working capital, introduction of technological innovations, renewal of manufactured products, etc.); development of a well-founded business plan, which is the organizational basis for achieving high final results of production and economic activity - net profit left to the discretion of economic entities, increasing the value of the company and reducing costs; Development of a based marketing and evaluation strategy of economic entities; To justify the interaction (connection) of the financial strategy of economic entities with its production-marketing policy.

All of the above require the appropriate restructuring of financial relations, increasing the role of financial flows in the management of economic entities; It requires the formation of a comprehensive and efficient system of financial management by monitoring changes in financial indicators consisting of income, expenses, profit, taxation norms, net profit, the size and sources of total and equity capital. These works, in turn, can be carried out on the basis of the following conditions: to strengthen the interrelationship of financial flows related to the economic and production activities of economic entities and to more fully reflect the relevant actions of production factors - material, labor, information and other resources in them; increasing the role of its financial-analytical services in making management decisions, fully searching for and implementing reserves of growth of financial resources of economic entities; To increase the level of financial management skills that use their knowledge in order to more fully provide the activities of economic entities with financial resources; Obtaining information on the financial and economic activity of business entities in accordance with international standards, transition to international standards of financial reporting to ensure a high level of stability in the activities of business entities, firms and corporations.

In the process of drawing up the financial reform program of economic entities, it is necessary to take into account the achievement of a certain result from each event. Below are the most important actions to be taken and the benefits to be gained by Business entities (Business entities, corporations, etc.):



Table 1 Financial reform program of economic entities

Events	Useful aspects
Analysis of the market situation of economic entities, their financial and economic activity and management efficiency	Searching for the main internal and external problems of the development of economic entities and rational ways to solve them, using reserves to strengthen the financial position
Development of a financial strategy for the development of economic entities	Basing the medium and long-term goals of development, which will allow to achieve the highest efficiency of production and economic activity in the future
Staff training and how to train	Compliance of the qualifications of employees of economic entities with the requirements of the present time and perspective. This thing is the main factor of the stability of financial condition and long-term development of economic entities
Market evaluation of assets of economic entities	Implementation of opportunities to increase the authorized capital of economic entities. This will increase the level of minimum guarantees to meet the possible demands of creditors, and thus ensure a high level of stability with counterparties, an increase in the value of the company.

All divisions of the financial reform plan of economic entities should be subordinated to and mutually coordinated with a single based concept of increasing the efficiency of capital formation and use, achieving a reasonable level of capitalization in the activities of economic entities. This makes it possible to achieve a much higher integrated effect in the reform process.

At the same time, the country's economic system has a complex structure and operates as a mixed economy. In addition to the profit-oriented business sector, there are also other sectors of the economy whose activities are aimed at achieving social welfare. In addition to the public sector, these include the non-profit sector, which in some countries has a large scale and is growing at a relatively high rate. The rapid growth of non-profit sector organizations in the current conditions is related to the development of political processes of democratization of society on the one hand, and the social orientation of the market economy (which is characteristic of our country) on the other hand.

**CONCLUSIONS AND SUGGESTIONS**

Production outputs can initially be divided into two groups: tangible or actual outputs; imprecise outputs. Exact or actual costs consist of specific costs incurred by economic entities - wages, costs of raw materials and materials, rent payments, etc. Uncertain, exchanged outputs, or outputs of lost, missed opportunities are related to the fact that economic entities use capital to produce products, and therefore lose the opportunity to use it in an alternative way. Limited funds force Business entities to use options of available opportunities depending on their level of usefulness. There will always be

elements of forgone benefits, hence elements of uncertain outputs. Any management decision regarding the continuation of production of a particular product or its further expansion is based on the calculation of tangible and intangible costs. The choice between one or another economic decision always characterizes consciously lost or rejected opportunities to achieve other goals.

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