



## Analysis Of The Financial Condition Of Enterprises: Assessment Of Equity Efficiency

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### ABSTRACT

The article examines the economic content and essence of the financial condition of an enterprise and addresses the issues related to assessing its structure. In this regard, the efficiency of equity capital, including its return level, as well as the factors influencing changes in turnover ratios, are analyzed. The results of the study make it possible to ensure the financial stability of enterprises through the effective use of equity capital.

**Keywords:** Balance sheet, financial condition, sources of equity, long-term and short-term liabilities, authorized capital, reserve capital, additional paid-in capital, retained earnings, return on equity, equity turnover.

### INTRODUCTION

The adoption of the new edition of the Constitution of the Republic of Uzbekistan through a nationwide referendum held on April 30, 2023, became an important factor in strengthening the constitutional foundations for shaping the New Uzbekistan. This, in turn, required improving the main directions of the country's development under the renewed constitutional and legal framework and brought large-scale reforms to a new, higher-quality stage.

Based on accumulated experience and the results of public discussion, the Uzbekistan–2030 strategy was approved. According to this strategy, special attention is devoted to strengthening applied research in the most dynamically developing sectors of the economy, introducing the cluster system of “enterprise–university–research organization,” allocating 4 trillion soums from the state budget for practical research, and organizing the production of 850 types of innovative products in driver areas of the economy. In addition, it is

planned to create more than 2.5 thousand new scientific developments as a result of applied research, develop the transport and logistics system, increase labor productivity in agriculture, energy, biotechnology, geology, metal processing, and mechanical engineering, as well as establish eight scientific–production clusters. [1]

Under the conditions of continued economic development, increasing the efficiency of business entities becomes particularly important. In today's environment, enterprises must manage the movement of financial resources competently and ensure their rational use. The application of ineffective management methods may lead to serious economic risks and even collapse.

Therefore, analyzing the financial condition of an enterprise plays a key role: it contributes to improving financial indicators, strengthening accounting and financial discipline, ensuring an optimal ratio of equity to borrowed funds, identifying internal reserves, increasing the efficiency of financial resource utilization, and

overall improving the financial standing of the enterprise. Such analysis allows for the development of necessary recommendations to enhance the financial stability of economic entities. To improve enterprise management systems in our country, a number of regulatory acts have been adopted. In particular, Resolution No. 207 of the Cabinet of Ministers of the Republic of Uzbekistan, "On the Introduction of Criteria for Assessing the Efficiency of Joint-Stock Companies and Other Business Entities with State Participation," [2] establishes a system for comprehensive assessment of enterprises' financial condition based on basic and additional indicators, enabling the forecasting of their further development. In addition, Resolution No. 1013 of the Cabinet of Ministers, "On Measures for the Fundamental Improvement of the System of Financial Recovery of Enterprises with State Participation," [3] underscores the relevance of analyzing the efficiency of capital use.

Jo-Anne Suchard and Georg A. Schenkel [4] published an article in the Australian Journal of Management titled "Innovation in New Public Firms: The Impact of Government Grants, Venture Capital, and Equity Capital," which adequately investigates this issue. The article examines the influence of government grants, venture capital, and equity funds on innovation in new public firms—input resources, innovation outputs (patents) and their quality (patent citations), as well as the mechanism of interaction among government grants, venture capital, equity capital, and innovation. It demonstrates that grants act as a stimulus for financing direct investments rather than indirect ones. Additionally, the authors note that the homogeneity of venture and private investors has a significant impact on innovation at the firm level in portfolio companies and provide practical recommendations.

Economists Sivi Ariantini and Sapto Djomonolar published an article [5] titled "Profitability and Firm Value: Evidence from Indonesia's Manufacturing Industry," the aim of which is to determine profitability indicators and the factors influencing them, as well as their effect on firm value based on DuPont analysis. Determinant profitability—i.e., net income, total asset turnover, and financial leverage multiplier—positively affects return on equity, while the sales ratio has a significantly negative impact. The study showed that in terms of increasing firm value, the profitability of direct investments makes a

significant positive contribution to the industry. This requires management to effectively manage the company's operations, reduce operational and other costs, increase return on equity and profit margins, and efficiently use assets and liabilities. These issues are thoroughly examined in the article.

Research has shown that theoretical issues of analyzing financial conditions represent one side of the matter, while the other side is its practical significance for various sectors. This defines the relevance of the topic of this scientific article.

The renewal and modernization of our country, ensuring high and stable rates of economic growth, efficiency, and macroeconomic balance have been recognized as major priority tasks.

In the context of economic liberalization, it is necessary to manage economic entities rationally in their economically independent and financially sustainable activities, adapt accounting practices to the requirements of a market economy, and organize production or service delivery by effectively using available material, financial, and labor resources. As a result, with high profits, the timely fulfillment of the state's obligations to the budget becomes one of the urgent tasks of today.

## **LITERATURE REVIEW**

To date, a large number of textbooks, monographs, dissertations, and articles have been written on the subject of financial condition. However, each new publication has taken into account the specific characteristics of the country whose enterprises' financial state was being studied. These works include contributions from both domestic and foreign scholars who have enriched the development of this field.

In particular, the domestic scholar, Doctor of Economics and Professor E.A. Akramov, in his textbook "Analysis of the Financial Condition of Enterprises," examines nearly all aspects directly or indirectly related to the overall financial state of an enterprise, including business and market activity, analysis of financial results, turnover of current assets, and more. The textbook, taking into account the requirements of market relations, consistently presents the theoretical-methodological and practical problems and stages of analyzing the financial condition of enterprises. It discusses the main principles and sources of financial analysis, foreign experience, general assessment of an enterprise's financial condition,

analysis of financial stability and balance sheet liquidity, the relationship between financial condition, turnover of current assets, and cost of production, as well as the analysis of business and market activity, economic insolvency, and financial performance of enterprises. [E.A. Akramov, 2004]. According to M.N. Semikolenova, the concept of financial condition is defined by a group of indicators that demonstrate the availability, efficiency of allocation, and use of financial resources, as well as an organization's ability to finance its own activities at a given point in time. The state of a company's financial resources enables it to manage cash flows and, through their effective use, ensure the continuity of the production process, as well as sales, expansion, and product renewal. [Semikolenova M.N., 2020]. The main objective of analyzing financial condition is its timely assessment through obtaining a sufficient number of the most informative indicators that provide an accurate and reliable representation of the enterprise's financial state. Moreover, interest usually lies not only in the current financial position of the enterprise but also in its future prospects—expected financial indicators and the potential for increased efficiency.

## METHODOLOGY

In preparing this article, traditional and economic-mathematical methods of economic analysis were used, allowing the determination of the influence of various factors on the resulting indicator. In particular, the tabular data obtained from the analysis can be applied in examining any industrial enterprise, and based on them, conclusions can be drawn regarding the assessment of the efficiency of equity capital.

## RESULTS

In the context of economic liberalization, each enterprise is ensured independence, while its level of responsibility also increases. Under such conditions, every enterprise must have its own resources, its own method of managing property, and ownership rights over its assets. This constitutes the main source of all existing assets that form the financial potential of an enterprise. The financial capacity of any economic entity may be sufficient, and it consists of two sources: equity and borrowed funds. Any enterprise, firm, or organization must

maintain a certain level of financial condition in order to secure the resources necessary for its operations. If an enterprise lacks financial capacity, it will be unable to form its material and technical base and working capital. As a result, functioning becomes difficult.

According to the analytical scientific article: "When assessing the financial condition of an enterprise, it is necessary to analyze the structure of balance sheet liabilities, meaning that the contribution of equity capital and external debt to the assets of the enterprise must be defined. The presence of an optimal ratio of these resources determines the future prospects of the enterprise." When analyzing the dynamics and structure of financial resource sources—particularly the structure of resources—both internal and external users rely on accounting data.

Equity capital of an enterprise consists of charter capital, additional and reserve investments, retained earnings, targeted income and funds, provisions for upcoming expenses and payments, and income of future periods. Equity represents the assets of the enterprise after deducting liabilities—that is, it represents funds belonging solely to the business entity itself. [6]

Equity capital is an indicator forming the basis of a company's own funds and is one of the key indicators characterizing a company's financial condition. Depending on its level, the economic dependence or independence of an enterprise is assessed based on the composition of the total funds. [7]

Analysis of the efficiency of enterprise equity capital begins primarily with determining the structural components and changes in equity based on Section 1 of the liabilities side of the balance sheet. To analyze this, let us refer to Table 1.

As seen from the data in Table 1, the equity capital of JSC "Mahsussenergogaz" in 2024 decreased by 40,731,566.00 thousand soums compared to 2019. Charter capital increased to 7,847,000.00 thousand soums: from 744,441.00 thousand soums in 2019 to 8,591,441.00 thousand soums in 2024. Based on its position, the economic dependence or independence of the enterprise is assessed according to the structure of total funds. This situation can be considered positive.

The additional capital contributed to the enterprise during the analysis years amounted to 2,610.00 thousand soums and did not change. In 2024, reserve capital decreased by 8,373,718.00 thousand soums compared to the base year.

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Retained earnings amounted to: 15,664,219.00 thousand soums in 2019; 14,360,305.00 thousand soums in 2020; 3,606.00 thousand soums in 2021; and 24,876,397.00 thousand soums in 2022. In 2023, the company's uncovered loss amounted to

-22,824,216.00 thousand soums, and in 2024 to -24,540,592.00 thousand soums. Thus, financial performance indicators have declined.

Table 1

### Dynamic Analysis of the Composition of Equity Capital of JSC "Mahsussenergogaz" for 2019–2024

Indicators	2019 (ths. soums)	2020 (ths. soums)	2021 (ths. soums)	2022 (ths. soums)	2023 (ths. soums)	2024 (ths. soums)	Change in 2024 Compared to 2019 (+/-)
Total Equity Capital	104,757,204.00	99,909,823.00	24,275,963.00	119,965,378.00	72,348,385.00	64,025,638.00	-40,731,566.00
Charter Capital	744,441.00	744,441.00	19,157,277.00	8,724,441.00	8,724,441.00	8,591,441.00	+7,847,000.00
Additional Capital	2,610.00	2,610.00	-	2,610.00	2,610.00	2,610.00	-
Reserve Capital	88,345,934.00	84,802,467.00	5,115,080.00	86,361,930.00	86,445,550.00	79,972,216.00	-8,373,718.00
Retained Earnings (Uncovered Loss)	15,664,219.00	14,360,305.00	3,606.00	24,876,397.00	-22,824,216.00	-24,540,592.00	-8,876,373.00
Repurchased Own Shares	-	-	-	-	-	37.00	+37.00

During the analysis period, the cost of the company's repurchased own shares amounted to 37,000 soums. Thus, the results of the analysis show that the equity capital of JSC "Mahsussenergogaz" changed as a result of the influence of both external and internal factors. Now let us consider the horizontal and vertical

analysis of equity capital for the reporting years 2022–2024 of JSC "Mahsussenergogaz" in Table 2. According to the data in Table 2, the sources of equity of JSC "Mahsussenergogaz" decreased by 47,616,993.00 thousand soums in 2023. In the reporting year, reserve capital occupied the main share in its structure: its share at the beginning of

the year was 71.99 percent, and by the end of the year it amounted to 56.40 percent. In 2022, the share of charter capital in the sources of equity was 7.27 percent, and by 2023 it increased to 12.06 percent. The proportion of additional capital during the reporting period was insignificant, amounting to 0.002 and 0.004 percent.

In 2022, the share of retained earnings in the structure of equity capital of the company was 20.74 percent. In 2023, the company incurred uncovered losses amounting to 22,824,216.00 thousand soums, which accounted for 31.53 percent of the sources of equity.

Table 2

### Horizontal and Vertical Analysis of Equity of JSC “Mahsussenergogaz”

Indicators	2021	2022	2023	Change in 2023 compared to 2022 (+/-)	Growth rate in 2023 compared to 2022, %
	Amount, thousand UZS	Share, %	Amount, thousand UZS	Share, %	Amount, thousand UZS
Structure of equity:	24,275,963.00	100	119,965,378.00	100	72,348,385.00
Charter capital	19,157,277.00	78.91	8,724,441.00	7.27	8,724,441.00
Additional capital	-	-	2,610.00	0.002	2,610.00
Reserve capital	5,115,080.00	21.07	86,361,930.00	71.99	86,445,550.00
Retained earnings (uncovered loss)	3,606.00	0.0001	24,876,397.00	20.74	(-) 22,824,216.00

Profit occupies a special place in the structure of sources of money growth. An increase in the volume of profit leads primarily to replenishment of the fund and creation of other reserve funds. So, as can be seen from the results of the analysis, the main part of the total resources of society in the reporting years 2022 and 2023, this corresponds to the share of reserve capital. In 2021, the main component of the equity structure was the share of charter capital, which amounted to 78.91 percent. In the years under review, there was a significant change in the share of charter capital within the equity structure: it accounted for 78.91% in 2021, 7.27% in 2022, and 12.06% in 2023.

The share of reserve capital in 2021 is considered low compared to other years, amounting to 21.07 percent. The share of retained earnings in direct investments in 2021 was 0.0001 percent, which is significantly lower. As seen from the table, the amount of retained earnings in the company decreased during the reporting period, and by the end of the period, the company obtained 2,052,181.00 thousand UZS of uncovered

(unrecovered) losses.

During the analysis, it is important to determine the ratio of borrowed funds to equity. This coefficient indicates the amount of borrowed funds that corresponds to each sum of the company's own capital and is calculated as the ratio of total borrowed funds to equity (Form 1, line 770 / line 480). At JSC “Mahsussenergogaz”, at the beginning of the year this ratio was:

$$152,615,295.00 / 119,965,378.00 = 1.27,$$

meaning that for every 1 sum of equity, the enterprise had 1.27 tiyin of borrowed funds.

At the end of the year, the coefficient was:

$$317,697,361.00 / 72,348,385.00 = 4.39,$$

meaning that for every 1 sum of equity, there were 4.39 tiyin of borrowed funds.

Therefore, the company's dependence on borrowed funds increased significantly. Such a situation reduces the level of stability of its financial position. At the beginning of the year, the entity's resources were formed mainly through equity, while by the end of the year, borrowed funds increased. This situation leads to a decline in

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the company's financial independence and a deterioration in its solvency.

Profitability is one of the key indicators for assessing the performance of joint-stock companies, and their financial stability is linked to the proper formation of profit. It is known that the main source of a company's assets is its equity.

Therefore, analyzing the level of return on equity is a major task in the analytical process. Return on equity characterizes the profitability of a company's own funds. This profitability ratio indicates the volume of direct investment per sum of net profit. To analyze this indicator, we compile the following table (Table 3).

**Table 3**

### Analysis of Return on Equity of JSC "Mahsusenergogaz"

No	Indicators	2022	2023	Changes in 2023 compared to 2022	
				In absolute terms, ths. UZS	In percent, %
1	Net profit, ths. UZS	20,154,192.00	23,259,690.00	+3,105,498.00	+15.41
2	Average annual value of equity, ths. UZS	118,112,382.00	96,156,881.5	-21,955,500.5	-18.59
3	Return on equity ( $1 \times 100 / 2$ ), %	17.06	24.19	+7.13	+41.79

According to the data in Table 3, the volume of equity of JSC "Mahsusenergogaz" in 2023 decreased by 21,955,500.5 thousand UZS compared to 2022. Return on equity increased by 7.13%, reaching 24.19% in 2023. This change was influenced by two factors:

1. Changes in net profit.
  2. Changes in the average annual value of equity.
- The impact of these factors is determined using the chain substitution method, as shown in Table 4.

**Table 4**

### Calculation of Factor Analysis for Return on Equity

Serial No.	Change in Serial No.	Factors Included in the Calculation Formula	General Indicator - Return on Equity, %	Difference from Previous Calculation, (+/-) %
		Net Profit (ths. UZS)	Average Annual Equity (ths. UZS)	Return on Equity ( $1 \times 100 / 2$ )
A	B	1	2	3 ( $1 \times 100 / 2$ )
1	-	20,154,192.00	118,112,382.00	17.06
2	1	23,259,690.00	118,112,382.00	19.69
3	2	23,259,690.00	96,156,881.5	24.19

According to Table 4, as a result of the increase in net profit of JSC "Mahsusenergogaz" by 3,105,498.00 thousand UZS over the year compared to the beginning of the year, the return on equity increased by 2.63%. The decrease in the

average annual value of equity by 21,955,500.5 thousand UZS increased its profitability by 4.5 percent. Thus, the combined impact of these two factors is:  $2.63 + 4.5 = +7.13$  percent.

At the end of the year, the net profit of JSC "Mahsusenergogaz" amounted to 3,105,498.00

thousand UZS and increased to 396,011.8 thousand UZS. This change was influenced by two factors:

1. Change in the average annual value of equity:  $282,214.5 \times 27.90 / 100 = +78,737.8$  thousand UZS.
2. Change in the level of return on equity:  $42.4 \times 748,405.5 / 100 = +317,323.9$  thousand UZS.

Equality of coefficients:

$78,737.8 + 317,323.9 = +396,061.7$  thousand UZS.

Due to rounding ( $396,011.8 - 396,061.7$ ), there is

a difference of 49,900 UZS.

Applying the method of calculating factors influencing return on equity in practical enterprise activities allows for increasing economic efficiency and ensuring financial stability.

When analyzing the efficiency of equity, it is important to assess its turnover ratios. Equity turnover relates to both the level and the period of its justification. Table 5 below presents the analysis of turnover ratios.

**Table 5**

### Analysis of Equity Turnover Ratios of JSC “Mahsussenergogaz”

Indicators	2022	2023	Difference between 2023 and 2022 (+/-)
1	Average annual value of equity, ths. UZS	118,112,382.00	96,156,881.5
2	Net revenue from product sales, ths. UZS	89,577,498.00	249,943,612.00
3	Capital turnover ratio ( $2 \div 1$ )	0.76	2.60
4	Capital turnover period, days ( $1 \times 360 \div 2$ )	473.68	138.50
5	Equity turnover ratio ( $1 \div 2$ )	1.32	0.38

As seen from Table 5, the equity turnover ratio of JSC “Mahsussenergogaz” at the beginning of the year was 0.76, and at the end of the year it reached 2.60, increasing by 1.84. The equity turnover weight coefficient decreased by 0.94. The capital turnover period at the company at the end of the year was 138.50 days, decreasing by 335.18 days. Now, based on the data in Table 5, we determine the calculation of factors influencing the change in the equity turnover period (Table 6).

According to Table 6, the turnover of equity at JSC “Mahsussenergogaz” accelerated by 335.18 days.

This change was caused by the following factors:

1. An increase in net revenue from product sales by 160,366,114.00 thousand UZS accelerated the equity turnover period by 303.56 days.
2. A decrease in the average annual value of equity by 21,955,500.5 thousand UZS accelerated the turnover period by 31.62 days.

Thus, the effect of all factors equals the total change in the result:

$(-303.56) + (-31.62) = -335.18$  days.

**Table 6**

### Calculation of Factors Affecting the Change in Equity Turnover Period

Serial No.	Change in Serial No.	Factors Included in the Calculation Formula	General Indicator - Equity Turnover Period (days)	Difference from Previous Calculation (+/-)
		Net Revenue from Product Sales (ths. UZS)	Average Annual Equity (ths. UZS)	Days ( $2 \times 360 \div 1$ )
A	B	1	2	3 ( $2 \times 360 \div 1$ )
1	-	89,577,498.00	118,112,382.00	473.68

2	1	249,943,612.00	118,112,382.00	170.12
3	2	249,943,612.00	96,156,881.5	138.50

**Factor balance: -335.18 days**

Based on the application of the correlation method, it can be calculated that changes in the factors affecting the equity turnover period are interrelated. If the correlation coefficient equals 0, this indicates the absence of correlation between the studied indicators. If the correlation coefficient equals 1, the relationship between the indicators is highly tight, i.e., functional. A correlation coefficient from 0.1 to 0.3 indicates a low

correlation, from 0.3 to 0.5 – medium, from 0.5 to 0.7 – significant, from 0.7 to 0.9 – high, and from 0.9 to 1 – very high, which is considered fully functional.

Based on the data in the following table, using the correlation method, we can observe the relationship between net revenue from product sales and the value of equity (Table 7).

**Table 7**

**Calculation of the Relationship Between Factors Affecting the Change in Equity Turnover Period Using the Correlation Method**

Year	Net Revenue from Product Sales (ths. UZS) X	Equity Value (ths. UZS) Y	X <sup>2</sup> (square of X series)	Y <sup>2</sup> (square of Y series)	Factor Multipliers X × Y
2019	11,720	10,476	13,736	10,975	12,279
2020	89,790	99,910	80,622	99,820	89,709
2021	76,778	24,276	58,949	58,932	18,639
2022	89,577	11,996	80,240	14,390	10,746
2023	24,994	72,348	62,470	52,342	18,083
Total	292,859	219,006	296,017	236,459	149,456

The correlation coefficient between net revenue from product sales and equity can be expressed using the following formula:

$$R_{xy} = \sum X \times Y / \sqrt{(\sum X^2 \times \sum Y^2)}$$

Calculation using this formula:

$$149456 / \sqrt{(296017 \times 236459)} = 0,2$$

Thus, the relationship between net revenue from product sales and equity is functional. According to the calculation, the correlation coefficient is 0.2. This means that 20% of the net revenue from product sales depends on the size of equity, while the remaining 80% depends on other factors.

According to the analysis results, the equity of JSC “Mahsussenergogaz” decreased during the reporting period. The reduction in equity occurred primarily due to a decrease in retained earnings. This is because, although equity is initially formed through the charter capital contributed by the founders, it should subsequently increase through allocations from profits earned during the

company’s operations. Therefore, to increase equity, it is first necessary to increase the company’s profit. Profit is not the result of a single economic transaction but the outcome of effective business activity.

Assessment of financial condition is one of the key issues in ensuring the financial stability of enterprises and improving efficiency indicators, and it should always be a central focus for company management, analysts, and auditors.

**CONCLUSIONS**

In this research article, using practical data, the financial condition of JSC “Mahsussenergogaz” was studied, and practical recommendations were provided. During the reporting year, the liability portion of the company’s balance sheet dominated, which can be considered a negative situation. Thus, the company has a need for borrowed funds. During the analysis, the ratio of equity to borrowed

funds was calculated. At the end of the year, JSC "Mahsussenergogaz" attracted 4.39 units of borrowed funds for every unit of its own equity. This situation reduced the stability of its financial position and led to a deterioration in solvency.

Equity forms the basis of a company's own funds and is one of the key indicators characterizing the financial condition of a company. Depending on its structure, the economic dependence or independence of the enterprise is assessed based on the composition of total funds. Accordingly, the turnover ratios related to the equity of JSC "Mahsussenergogaz" were analyzed, and practical recommendations were given for analyzing the factors influencing changes in the turnover period. The relationship between net revenue from product sales and equity was calculated using the correlation method. Additionally, the factor analysis method for assessing return on equity was recommended.

As a result of assessing the financial condition of enterprises, it is possible to establish targeted management of equity and liabilities, accelerate the turnover of cash and liquid assets, and determine practical measures to ensure financial stability. Financial condition analysis is crucial for determining the financial independence, stability, and creditworthiness of an enterprise.

Based on the results of this study, the following practical recommendations can be made:

- To ensure the stability of the company's financial condition, it is necessary to increase the volume of equity and use it efficiently. To increase equity, it is first necessary to increase the company's profit.
- A significant portion of enterprise expenses consists of bank loan interest and transportation costs. Therefore, the company should maximize the share of equity in working capital and, ultimately, fully cover all working capital with its own funds.
- One of the main ways to ensure financial stability is to take measures to prevent an increase in accounts receivable and current liabilities. A large volume of liabilities leads to a deterioration of the enterprise's financial condition. Failure to meet payment obligations may result in economic insolvency.

We believe that applying these recommendations in practical enterprise activities will allow for accurate diagnostics of financial condition, improve equity efficiency, ensure competitiveness, prevent bankruptcy, increase financial potential, and maintain financial stability.

Domestic and foreign publications on financial condition and its analysis are so extensive that one conclusion can be drawn: the effectiveness of the functioning of enterprises and the evaluation of their performance is always carried out by a wide range of stakeholders (managers, property owners, etc.). Financial condition analysis has been one of the key issues under their attention.

Financial analysis is conducted not only by studying the situation and its changes but also by evaluating the efficiency and effectiveness of processes and forecasting future expectations. This is increasingly important in a competitive economy.

The effectiveness of financial condition analysis lies in the quality of the information it provides, which depends on the quality of sources. The primary source of information is the financial report. Financial reporting contains information about assets, equity, and liabilities, income and expenses, presented comprehensively, in a balanced form, sorted by liquidity, based on periodic reporting forms and their accompanying sources.

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