

METHODOLOGY OF MAKING AN ACCOUNTING BALANCE AND EXPANDING ITS ANALYTICAL OPPORTUNITIES.

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Abstract. This article examines the methodological foundations of preparing the balance sheet, directions for its improvement, and issues of expanding analytical capabilities. The balance sheet is considered the primary source of information when assessing the financial condition of an enterprise, and its proper formation is crucial when making financial decisions. The article describes modern approaches to determining the composition of assets and liabilities, analyzing the balance sheet structure and liquidity level, as well as the possibilities of increasing the information value of balance sheet data through digital technologies and automated accounting systems. The research results serve to effectively use the balance sheet data, assess the financial stability of the enterprise, and optimize management decisions.

Keywords: balance sheet, financial reporting, assets, liabilities, liquidity, financial stability, balance sheet preparation method, analytical indicators, digital accounting system, financial analysis, management decisions.

Introduction. In a market economy, the reliable assessment of enterprises' financial performance, ensuring their stability, and effectively formulating managerial decisions largely depend on the quality and relevance of accounting information. Among financial statements, the balance sheet occupies a central position as the primary document reflecting an enterprise's financial position at a specific point in time. A well-prepared balance sheet not only ensures the proper classification of assets and liabilities but also enables important conclusions regarding liquidity, solvency, financial stability, and capital structure of the enterprise.

However, in practice, the analytical value of balance sheet information is often limited due to insufficient disclosure of certain items, incomplete transparency of reporting components, and the low level of utilization of digital technologies in accounting processes. These factors reduce the informational quality and analytical usefulness of financial statements. Therefore, improving the methodology of balance sheet preparation, updating it based on international best practices, and enhancing the transparency and analytical accuracy of financial data have become urgent issues in modern accounting and financial reporting systems.

This article examines the theoretical and methodological aspects of balance sheet preparation and develops scientific and practical recommendations aimed at expanding its analytical capabilities in line with modern financial analysis requirements.

Literature Review. The National Accounting Standard of the Republic of Uzbekistan “On the Presentation of Financial Statements and Approval of Accounting Policies” (No. 1 BHMS) emphasizes that the balance sheet should reflect the financial position of an organization for a

reporting period in order to provide users with an understanding of its resources and financial structure. It further states that the balance sheet is one of the key components of financial reporting, presenting information on the property and financial condition of an organization. According to this standard, the mandatory elements of the balance sheet include fixed assets, intangible assets, financial assets, inventories, accounts receivable, cash and cash equivalents, accounts payable, provisions, interest-bearing liabilities, as well as equity and reserves (1-BHMS, 2024).

According to Hasanov (2024), the balance sheet is the primary financial statement that directly reflects the financial condition of an enterprise. Based on its analysis, it becomes possible to take prompt measures to improve financial stability and make strategic management decisions aimed at strengthening the financial position of the enterprise.

Kovalyov (2016) notes that the main information of financial reporting is concentrated in the balance sheet, which serves as the informational core of public reporting. Therefore, users of financial statements must have a clear understanding of its structure, interrelationships between items, and structural changes. The author emphasizes that the balance sheet equation ensures the logical connection between assets, equity, and liabilities, forming the methodological basis for constructing an analytical balance sheet.

Chashkova (2022) argues that the balance sheet is the central element of the accounting system around which other financial statements are formed. Based on balance sheet data, it is possible to calculate both absolute indicators reflecting the property position of a company and relative indicators characterizing its financial performance.

Surikova (2014) highlights the importance of financial ratios in analyzing balance sheet data. According to the author, financial ratios transform balance sheet information into relative indicators, enabling inter-firm comparisons, consideration of industry specifics, and mitigation of inflationary distortions. In this way, ratios help identify structural changes in business performance and determine solutions to existing financial problems.

Research Methods. During the preparation of this article, a range of scientific and methodological research approaches were applied. In particular, a theoretical analysis method was used to study academic literature on the structure and analytical capabilities of the balance sheet. A comparative analysis method was employed to evaluate balance sheet indicators across different enterprises and to assess existing methodological approaches.

In addition, financial ratio analysis was applied to determine key indicators of financial stability, liquidity, and efficiency based on balance sheet data. Structural and dynamic analysis methods were used to examine the composition of assets and liabilities, as well as to analyze their changes over time. Furthermore, an empirical research method was utilized, involving the practical examination of real financial statements of enterprises to support theoretical findings with practical evidence.

Analysis and Results. In a market economy, the study and practical application of economic management methods play a crucial role in ensuring effective organizational performance. Optimal management is based on the responsiveness of decision-makers to formalized management methods that rely on diverse information sources. The information support of the management process includes accounting and statistical reports, operational data, as well as various non-accounting information. Among these sources, financial reporting-particularly accounting statements-remains one of the most in-demand due to its high analytical potential and applicability in both strategic and operational decision-making processes.

An objective assessment of an organization's financial position is one of the most important tasks in modern market relations, as financial stability is a key determinant of sustainable business development. The final results of any economic entity depend on the availability and efficient use of financial resources. A wide range of stakeholders, including shareholders, suppliers, potential

investors, credit institutions, and tax authorities, are interested in the financial condition of an enterprise. Effective economic management largely depends on the ability to conduct an objective analysis of production and financial activities, which serves as a guarantee of stable and efficient development (Surikova, 2014).

Financial activity analysis involves the study of cash flow movements, solvency and creditworthiness, cost levels, equity and debt capital dynamics, and the economic results of previous periods in order to evaluate future conditions and expected performance outcomes. The primary information base for calculating, analyzing, and assessing financial indicators is accounting data presented in the form of financial statements, which provide users with accessible and understandable information for decision-making purposes. For a long time, financial reporting has remained the main communication tool and the most widely recognized source of information for evaluating organizational performance, identifying development prospects, and assessing potential risks.

The preparation of financial statements aimed at satisfying the interests of different user groups reflects their market-oriented nature. On the one hand, the ability to attract additional sources of financing depends on the content, transparency, and reliability of financial reporting; on the other hand, it ensures the accuracy of assessing an organization's financial stability. Therefore, financial statements serve as a primary source of high-quality and reliable information used for managerial decision-making at various levels of the economy.

Although financial reporting consists of several forms, the balance sheet remains the central statement as it reflects the volume and structure of capital, including its composition, allocation, and sources of formation. Even a basic interpretation of the balance sheet can provide analysts with a comprehensive understanding of an organization's current financial position. As a result, the circle of users of accounting information has significantly expanded, including not only professional accountants but also managers, shareholders, tax inspectors, financial and banking specialists, and suppliers.

The importance of the balance sheet is so significant that it is often treated as an independent reporting unit, serving as a summary of all other financial reporting forms. Other financial statements complement and clarify the information contained in the balance sheet. Thus, the balance sheet acts as the core structure around which all reporting forms are organized, reflecting key indicators of operational, financial, and investment activities.

Analyzing a company's balance sheet serves as a foundation for assessing financial stability, solvency, and managerial decision-making, as well as for selecting partners and evaluating financial prospects. What was once considered a formal reporting document has now become a strategic tool for identifying future development directions in conditions of economic instability.

Balance sheet analysis helps evaluate the efficiency of asset allocation, the adequacy of resources for current and future operations, as well as the structure, volume, and effectiveness of attracted investments (Xashimov, 2024).

The main tasks of balance sheet analysis include assessing the property position of an enterprise, analyzing the liquidity of individual asset groups, studying the structure and composition of sources of asset formation, evaluating the coverage of liabilities by assets, and examining the interrelationship between different groups of assets and liabilities. In addition, balance sheet analysis focuses on assessing the organization's ability to generate cash flows, as well as evaluating its capacity to preserve and increase capital.

The primary objective of balance sheet analysis is to study the economic processes of an organization as reflected in its financial statements. To achieve this objective, it is necessary to perform several key tasks, including:

1. Analyzing the composition, structure, and dynamics of assets, equity, and liabilities;
2. Assessing balance sheet liquidity;
3. Evaluating solvency;
4. Determining the probability of bankruptcy;
5. Calculating financial ratios and determining the level of financial stability of the organization;
6. Applying methodologies to assess the degree of independence in forming inventories and production reserves.

Balance sheet analysis can be conducted using different methods depending on the objectives of the accountant or analyst (Chashkova, 2022).

Table 1.**Methods of Balance Sheet Analysis**

Analysis Method	Vertical Analysis	Horizontal Analysis
Significance	Shows the proportion of each item in the total structure of sources and identifies the largest and smallest shares, as well as structural changes over time.	Shows how indicators have changed compared to the previous period.
Calculation Formula	$\text{Relative change} = (\text{Item value} / \text{Total balance sheet value}) \times 100\%$	$\text{Absolute change} = \text{Current value} - \text{Base value}$
Advantages	Allows analysis of financial results based on relative indicators; enables comparison of enterprises with different scales of activity based on resource usage and volume indicators.	Helps identify trends in enterprise performance based on changes over time; allows comparison of companies with different scales of activity based on dynamics of indicators.

Financial Analysis and Results (English version)

The statement of financial results reflects an enterprise's financial performance only for a specific reporting period. It enables the assessment of economic efficiency, identification of profit or loss sources, and analysis of managerial decision-making processes. In this context, balance sheet assets represent the resources utilized by the enterprise, while liabilities indicate the sources of financing these assets. The formation of profit or loss is directly linked to the efficiency of asset utilization and the structure of liabilities.

Furthermore, analysis of the income statement allows the determination of key indicators such as return on balance sheet resources, company liquidity, financial stability, and the impact of various factors on profit formation. Thus, the balance sheet and the income statement complement each other: the balance sheet shows where and how resources are allocated, while the income statement reflects the financial outcomes generated from their use.

A deeper financial analysis of balance sheet indicators represents a comprehensive approach to evaluating an enterprise's financial condition. It includes the assessment of asset and liability structure, liquidity level, solvency, and overall financial stability. The main objective of this analysis is to provide a detailed understanding of the company's financial position, monitor changes in key indicators, and support decision-making processes. The primary source of information is financial statements prepared by the enterprise, which are used by auditors and regulatory bodies to verify accounting accuracy. At the same time, these reports allow management to monitor financial performance, receive early warnings regarding financial indicators, and respond promptly to tax-related updates and regulatory requirements.

Liquidity analysis refers to the ability of a company to convert its assets into cash quickly without significant loss of value. It is a key indicator used to determine whether an organization can meet its short-term obligations in a timely manner.

The assessment of corporate liquidity is based on several key financial ratios:

- **Current ratio** – shows the extent to which current assets cover short-term liabilities. The normal range is **1.5–2.0**.
- **Quick ratio** – considers only liquid assets, excluding inventories and less liquid components. The optimal value is ≥ 1.0 .
- **Absolute liquidity ratio** – measures whether the company has sufficient cash to immediately cover its liabilities. The standard range is **0.2–0.5**.

These ratios are calculated using specific formulas and serve as essential tools for evaluating the financial stability of an enterprise.

Normative interpretations of deviations are as follows:

- A **current ratio above 1** indicates that the company is able to cover its short-term liabilities using current assets, while a value below 1 signals potential financial risk.
- A **quick ratio between 0.8 and 1 or higher** is considered satisfactory. Lower values indicate reliance on inventory liquidation to meet obligations.
- An **absolute liquidity ratio between 0.2 and 0.5 or higher** is considered optimal. Very low values indicate weak liquidity, while excessively high values may suggest inefficient use of idle cash resources.

Overall, these financial ratios are important indicators for assessing the liquidity and financial stability of an enterprise.

The financial stability indicator reflects the degree to which an enterprise is stable and its ability to fulfill its financial obligations. The optimal value of the financial stability coefficient (FSC) is generally considered to be in the range of **0.5–0.7**. Values below 0.5 indicate excessive reliance on short-term liabilities, which may lead to financial difficulties and even increase the risk of bankruptcy. Conversely, values above 0.7 demonstrate strong financial stability; however, such a situation may also reflect a conservative financial policy that can limit the company's growth potential.

In addition, an enterprise's financial stability can be assessed using several complementary coefficients:

- **Autonomy ratio** – reflects the degree of dependence on creditors and is calculated as the share of equity in total funding sources. The optimal range is **0.6–0.7**.

- **Long-term financial independence ratio** – evaluates the structure of assets and shows the proportion not dependent on short-term liabilities. The ideal value is **0.9**, although **0.75–0.9** is also acceptable.

- **Financial dependency ratio** – indicates the level of reliance on external funding sources. The normative value should not exceed **0.6–0.7**, with **0.5 or lower** being considered optimal.

- **Working capital adequacy ratio** – reflects the extent to which a company is provided with its own working capital. The normative value should not be less than **0.1**.

- **Capitalization ratio** – shows the relationship between debt and equity, indicating the level of financial leverage. A higher value indicates greater dependence on borrowed funds.

- **Financing ratio** – represents the inverse of the capitalization ratio and measures the proportion of equity to debt capital. Higher values are preferred, and a minimum value of **1.0** is recommended.

Business activity assessment refers to a comprehensive analysis of a company's performance, aimed at determining how actively the enterprise operates, identifying existing problems and growth opportunities, and evaluating the efficiency of resource utilization and invested capital.

To assess business activity, two main groups of indicators are used: asset turnover ratios and asset management efficiency indicators.

Asset turnover ratios measure how efficiently a company utilizes its resources and include the following:

- **Fixed asset turnover period** – a decrease in this indicator reflects improved financial efficiency, as it indicates an increase in the volume of goods, products, or services sold within a given period and higher overall profitability.

- **Total asset turnover** – calculated as the ratio of total sales revenue to total assets.

- **Accounts receivable turnover** – shows how quickly the company collects payments from customers for goods or services provided.

- **Accounts payable turnover** – calculated based on the ratio between the company's liabilities and the average annual cost of materials and services, reflecting how efficiently the enterprise manages its obligations.

Conclusion and Recommendations. After calculating all relevant financial ratios, the next step is to interpret the obtained results and draw meaningful conclusions. This analysis helps identify early warning signals of potential financial problems, as well as indicators that may serve as starting points for further financial development of the company.

In this context, several key “red flags” can be identified:

1. Growth in accounts receivable – This may reflect inappropriate credit policies toward customers, a decline in clients' payment capacity, or an increase in sales made on deferred payment terms.

2. Faster growth of inventories compared to revenue – This situation may indicate declining sales, inefficient inventory management, or accumulation of slow-moving and non-liquid stock.

3. Decrease in equity capital – This is a clear sign of financial difficulties and may result from accumulated losses or excessive debt burden, posing a serious risk to financial stability.

4. Low liquidity levels – This indicates insufficient current assets to cover short-term obligations, leading to cash shortages, delayed settlements, and an increase in accounts payable.

It should be noted that optimal values of liquidity and other financial indicators may vary depending on the industry and specific business conditions. Therefore, when deviations from normative values are identified in financial reporting or ratio analysis, it is not sufficient to simply recheck calculations or analyze the balance sheet; it is also necessary to consider the current macroeconomic environment and industry-specific characteristics.

At the same time, several indicators may represent potential “growth points” for the enterprise:

1. Large cash balances with low profitability – Idle cash resources can be redirected toward business expansion, acquisition of new equipment, product development, or improvement of services.

2. High share of equity capital – This provides an opportunity to attract external financing and repay it efficiently, supporting further expansion.

3. Underutilized long-term assets – Assets such as unused warehouses or office buildings can be leased, generating additional income and reducing financial pressure through debt repayment or reinvestment.

Once such growth opportunities are identified, different development scenarios should be evaluated, risks should be assessed, and relevant financial indicators should be continuously monitored and reassessed.

In conclusion, balance sheet analysis should be regarded as an essential tool for assessing business performance. It cannot be underestimated, as it serves as a financial screening mechanism that helps identify weaknesses, prevent crises, and reveal conditions for future development. The earlier an enterprise conducts systematic balance sheet analysis, the faster it can make informed and effective managerial decisions.

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