

THE IMPORTANCE OF FINANCIAL CONTROL IN JOINT-STOCK COMPANIES

Urazbaeva Ilmira Konysbaevna

Teacher of the Department of Finance and Business Analysis

Tashkent State University of Economics

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Abstract. *The article proposes a model for controlling profits in joint-stock companies, which includes two blocks: strategic and operational, between which a relationship is established and the departments that implement them. The structure and content of the controlling model and the structural and logical diagram of its implementation are presented. Particular importance is given to the consideration of issues of controlling financial risks and the functioning of the controlling service. The developed controlling model is aimed at optimizing the amount of profit received, increasing the efficiency of the process of managing it, which ultimately should help identify all the risks and chances associated with its receipt.*

Keywords: *profit, strategic controlling, financial risk controlling, operational controlling, controlling service.*

INTRODUCTION

The mechanism for effective profit management of a joint-stock company should be based on its careful controlling. The creation of a profit controlling model is a necessary objective process, since it reflects the growth in the scale of the JSC's activities, the complication of the corporate structure and the need to stimulate the financial performance of divisions. It is controlling that ensures the flexibility and adaptability of profit management, as well as the dynamic nature of this process. All this indicates the relevance of the study.

MATERIALS AND METHODS

Economist P. Horvath determines the goal of controlling to achieve the financial result of an organization: controlling should provide the management of organizations with information and set it up for coordination and adaptation to internal and external conditions [5].

According to I.A. Blank, controlling is an internal control system that ensures the concentration of control actions on the highest priority areas of the formation and use of the organization's profit, timely detection of deviations of actual results from those envisaged and the adoption of operational management decisions to fulfill established tasks. The economist emphasizes that internal control over profit is a process of checking and ensuring the implementation of all management decisions in the field of its formation, distribution and use [1].

RESULTS AND DISCUSSION

The following are considered the distinctive features of controlling:

transforms the content of ordinary control, turning it from control over the implementation of activities into systematic control over results. It is necessary to structure the control indicators so that it is possible both to evaluate the final result and to detect the causal relationships of the deviation that has arisen (factor analysis of profit indicators, profitability, based on the sequential decomposition of the value of the resulting indicator);

focused on the implementation of certain goals (operational, strategic) put forward by the development of a specific joint-stock company (JSC);

aimed at the future, at choosing the most attractive areas of development and early detection of risks in the development process, which is ensured by drawing up long-term and operational plans (optimal, developed taking into account all alternative options);

implies coordination of the activities of all departments in achieving strategic and operational goals;

focused on management accounting.

Solving strategic problems arising from the analysis of factors for the growth of the market value of a joint stock company, which form the basis of strategic planning, determines the creation of an information base for collecting macroeconomic indicators, assessing the dynamics of assets and liabilities of a joint stock company, as well as forecasting their levels for the coming periods, organization and optimization information flows. Solving operational problems involves: collection of relevant information (about the profitability factors of the joint-stock company, the liquidity of its balance sheet, types, levels, cost factors, dynamics of income and expenses, assets and liabilities, cost of products, etc.);

development of forms, deadlines and procedures for presenting information to JSC managers and specific employees.

Analysis in strategic controlling is aimed at studying the external environment, deviations of actual indicators from forecast ones for the timely identification of negative trends, and the effectiveness of anti-crisis measures. Operational analysis is a diagnostic study of all areas of activity of a joint-stock company or its individual aspects, including:

assessment of the state and financial results of the JSC at the time of the analysis;

identification of problems facing the JSC;

identification of possible risks that may prevent the JSC from successfully solving problems;

comparison of the state and financial results of the JSC for the selected period with the planned indicators;

comparison of the financial results of the JSC with the corresponding indicators of other JSCs;

generalization of the results of the analysis and preparation of recommendations for making management decisions aimed at improving the activities of the JSC.

To achieve effectiveness, the construction and operation of a profit controlling system must be carried out in accordance with certain principles that serve as guidelines, the starting point for its implementation in the joint-stock company. They can be used by management in assessing and developing their own profit control system. The organization of the controlling process should be based on the following principles.

1. *Consistency with the overall strategy and specific circumstances.* The focus of the controlling system on the implementation of the profit management strategy developed in the organization predetermines the targeted limitation of controlled operations.

2. *Objectivity.* Controlling should extend to the entire business and information base.

3. *Significance* - materiality for each type of economic activity and JSC as a whole.

4. *Apperception* - the ability to explain the process and results of controlling.

5. *Flexibility* - quick accounting of the changing volume of data without the additional involvement of qualified specialists.

6. *Timeliness* - complete and timely provision of information about the technologies and procedures by which controlling is carried out.

7. *Validity* - the possible means of controlling used must be implemented taking into account the modern operating conditions of the joint-stock company, compliance with established requirements and standards.

8. *Impartiality* - employees perform work without bias, interference, and avoiding conflicts of interest.

9. *Constructiveness* - focus on final results, pragmatism, reasonableness and rationality of relationships.

10. *Frequency* allows us to timely record negative trends in the JSC's business and take the necessary neutralization measures. It is determined by its significance for the corresponding line of activity or information system.

11. *Effectiveness* - introduction of the best methods for organizing control work, certification according to the formal criteria of the "circle" of professionals who make professional judgments regarding the quality of the controlling system.

12. *Expediency* - ensuring an optimal level of costs, including minimizing the costs of controlling.

It is advisable to develop and implement a controlling model through algorithms, which allows one to schematically represent the stages of the process - the main stage-by-stage implementation of the proposed procedures. Moreover, each of the identified stages must simultaneously meet the following requirements:

— sequence — the impossibility of moving to the next stage without complete implementation of the previous one, since the reflection of the results of the subsequent ones contains the results of the previous ones;

— logic;

— continuity of stages both individually and within the entire controlling process, implying the unity of goals being achieved, completeness, and integrity of the results achieved;

— the importance of the results obtained during the implementation of the stages, the possibility of their application in subsequent steps.

Let's consider the highlighted stages.

1st stage. Implementation of strategic controlling - the strategic nature of controlling reflects the main priorities in the formation, distribution and use of profits.

2nd stage. The implementation of operational control is aimed at ensuring the optimization of income, costs and financial results both for the JSC as a whole and at the level of financial responsibility centers (FRCs) and products. During the 2nd stage, the following factors are of particular importance:

— integration and coordination of management activities to achieve set goals, coordination of the profit management system;

— forecasting and planning the financial results of the joint-stock company for the near future;

— ensuring the profitability of the joint-stock company at various levels, including the FRC, products.

A special role is played by the coordination of the targets of the JSC's activities and their implementation in its corresponding plans, which is carried out by determining the ratio in the

priorities of the JSC's activities: profitability, liquidity, riskiness. At the same time, targets may concern priorities in the development of individual products, dominance in a certain market segment. In the targets for increasing profitability, priorities and specific tasks are established: achieving a given level of profit, ensuring the stability of the financial result, a certain level of profitability of the assets of the FRC, and product costs. Coordination of JSC profit management involves reflecting the corresponding target setting in various management subsystems:

- in general for the joint-stock company,
- in income and expense management subsystems,
- forecasting, planning, information, simulation, risk management, analysis and assessment.

The goals of operational controlling are recorded in the documents of the joint-stock company, which determine the direction and specifics of its development:

- accounting, information, tax policies;
- income and expense management policies, risks, etc.

In these documents, the goals are formulated and specified in the limits and standards of the joint-stock company, profitability indicators for the joint-stock company as a whole, products, as well as coefficients characterizing the risk level of the joint-stock company.

Organization of management accounting of costs and financial results at the level of the FRC and products involves:

- collection of information based on intra-corporate information flows, including for managing the profitability of joint-stock companies at various levels;
- accounting for costs associated with the use of resources in the context of the FRC, in the accounting subsystem;
- development of forms, deadlines and procedures for providing information for managing the profit of joint-stock companies at all levels.

Organizations need to independently develop concise forms of management information:

- reflecting the content of the information provided over time;
- corresponding to its character and target orientation;
- providing controlling with different levels of detail depending on the type of users.

Controlling the achievement of operational goals is:

- 1) control over compliance with limits;
- 2) control over the level of income, expenses, profit, cost and profitability of products planned by the FRC;
- 3) identifying bottlenecks in the process of managing income, expenses, costs and profitability of the FRC and products;
- 4) control over the implementation of operational financial plans at various levels, their adjustment;
- 5) control over the current position of the joint-stock company in the market of products and services:
 - a) analysis of pricing policy;
 - b) identifying deviations of the actual indicators of the joint-stock company (prices, commissions) from the market average;
 - c) diagnostics of the JSC's position in the market for timely identification of negative trends affecting the level of its profitability;

6) development of recommendations on the financial policy of the joint-stock company to maximize financial results.

3rd stage. The organization of operational controlling at the level of the FRC provides for:

- setting up management accounting of costs and income of the FRC;
- determination of the goals of the FRC that contribute to maximizing financial results;
- planning the budget of business units, transfer prices; choice of transfer pricing method;
- analysis and assessment of financial results by business units;
- development of forms, deadlines, and procedures for providing information on the

financial results of the FRC. 4th stage. Operational control of products is aimed at ensuring control over the level and structure of costs of relevant products and services, assessing their profitability and the reasonableness of the price of the product, which creates the basis for profit management at the micro level. Controlling the cost of products and services is carried out in areas that make it possible to detect negative trends and shortcomings in the activities of the joint-stock company for the purpose of taking measures to eliminate them. This is controlling:

— financial structure of the joint-stock company as the basis for calculating the cost of the product;

— the process of budgeting the distribution of JSC expenses between divisions and the conditional assignment of certain types of income to functional divisions;

— technologies for creating a product, service, a set of sequential operations for risk assessment, processing, accounting, registration of operations that determine the specific content of each product, service;

— the process of determining the cost of a product based on functional cost analysis (FCA), identifying the functions (operations) of each financial center based on the process of functional decomposition, continuing to the level of detail corresponding to the needs of the FCA project.

It should be emphasized that the FSA requires further detailing of the existing cost structure down to the level of the individual employee. The amount of labor costs for employees of one FRC is detailed according to accounting data for each employee; rental costs are distributed to each FRC in proportion to the occupied space, and subsequently for each employee in proportion to the number of employees in each FRC. At the operational level, detailed information about the cost of products and processes is needed, at the strategic level, generalized information about products and services.

As a result, all structural units of the joint-stock company are assigned a certain type: “production”, “service” or “managerial”. Divisions associated with the production and sale of products are usually located at the very bottom of the JSC’s job hierarchy and (unlike service and management divisions) transfer their value directly to cost objects. The cost of the resources used by management and service departments should be redistributed to the cost of production departments in a certain proportion in the following order.

1. The cost of resources of management units is distributed after the cost of service units.
2. First of all, the cost of resources of service units that provide only other service units is distributed.

3. Among the remaining non-production divisions, priority is given to the cost of resources of divisions that serve a larger number of other divisions.

4. Among divisions with an equal number of serviced divisions, priority is given to divisions with a higher cost of resources.

Thus, the cost of operations of each division involved in the creation of a product or service is determined by transferring the cost of production costs according to the structure of the technological process. Information about the cost of products, services, and individual operations can be used to make management decisions: adjusting pricing, assortment, and personnel (in terms of changes in personnel) policies. As a result, high-quality cost management is ensured at all levels of the administrative hierarchy of the JSC.

At the 4th stage, controlling the profitability of products and services and controlling financial risks are also carried out (Fig. 1).

<i>Main components of controlling financial risks</i>	<i>Possible combination of areas of functioning of risk management and controlling systems</i>
1. System of delegation of powers in the field of financial management financial risks (as a rule, there are centralized systems for determining and communicating limits and tariffs, which causes violation of established risk limits, non-fulfillment of the budgeting plan, etc.)	1. Forecasting risks by type, magnitude, taking into account strategic and operational objectives; designation of current and subsequent controlling methods
2. Compliance with legal, accounting and tax requirements documentation, management accounting data regarding financial risk management, which must be developed in full taking into account modern conditions	2. Selecting a form of risk management and controlling, early response and prevention
3. The rationality of setting objectives in the field of financial risk management: their correctness, reality, strategic and operational nature are checked	3. Establishment of a system of subordination in risk management and controlling systems
4. Information security of end-to-end connections in the process financial risk management	4. Development of internal standards, forms of management accounting, analytical reporting for risk management, information disclosure, as well as control tables, cards, matrices for budgeting, limiting, control, including those aimed at the implementation of international standards; indication of reporting deadlines and features of internal document flow
5. Systematic study of financial risk factors	5. Creation of methods, methodological support for risk management, their optimization, determination of profit taking into account risk, control and analysis of the quality of risk management in the context of each type of risk, by stages and methods of risk management
6. The feasibility and completeness of sharing risks according to plans, budgeting, limits, types, sectors, types of economic activities	6. Assessing the effectiveness of risk management and controlling systems
7. Level of provision with reserves (including clearly hidden ones) to cover financial risks and achieve a given profitability	
8. The degree of provision of production activities with resources or funds.	
9. Legitimacy and effectiveness of the monitoring process financial risks	

In the process of profit controlling, the following is determined:

- factors, risks affecting its management;
- degree of protection of the joint-stock company from the risks of making wrong decisions;
- flexibility of the decision-making system regarding profit management;
- the feasibility of making changes to the profit management system, replacing individual subsystems and elements with more efficient ones within the allocated budget;
- effectiveness of the profit management system.

As a result, information about the profit management process is updated and expanded, which is important for the formation of a high-quality information system.

CONCLUSION

So, the introduction of controlling in a joint-stock company involves transforming the activities of its divisions in terms of organizing management accounting, collecting analytical information and using new analytical tools, and greater coordination in the activities of all business units. A necessary condition for the effective functioning of the controlling model is the inclusion in the scope of its activities of checking operations and data that particularly influence the formation, distribution and use of financial results.

The interpretation of conclusions based on the results of controlling, which are of a subjective-objective nature, is based on its essential features, which should be:

- meaningful;
- unambiguous;
- accurate.

They are required to reflect both the strengths and weaknesses of the JSC's profit status. After carefully considering them, taking into account the specifics of the organization's activities, the person conducting the control league needs to develop recommendations for eliminating existing shortcomings, violations and implementing them in practice. This independent process cannot be formalized within the framework of the JSC profit management system. The proposed profit controlling model will help improve the level of profit management of the joint-stock company and the efficiency of its activities.

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