



## **OBJECTIVES, TASKS AND PRINCIPLES OF EFFICIENT MANAGEMENT OF ENTERPRISES**

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<b>ABSTRACT</b>	<b>KEYWORDS</b>
<p>Recently, issues related to profit management have become increasingly relevant both theoretically and practically. Profit characterizes the financial results of the organization for a certain period of time and is one of the main indicators that external contractors and owners make decisions about the company. At the same time, it should be remembered that the profit performs the function of an accounting indicator, which is calculated in accordance with the approved accounting standards. One of the fundamental printouts of the account-the application of the method of calculation – leads the managers of the company to the fact that it is necessary to make decisions on determining the main elements of profit (income and expenses), as well as the time of their evaluation.</p>	

### **Introduction**

Recently, issues related to profit management have become increasingly relevant both theoretically and practically. Profit characterizes the financial results of the organization for a certain period of time and is one of the main indicators that external contractors and owners make decisions about the company. At the same time, it should be remembered that the profit performs the function of an accounting indicator, which is calculated in accordance with the approved accounting standards. One of the fundamental printouts of the account-the application of the method of calculation – leads the managers of the company to the fact that it is necessary to make decisions on determining the main elements of profit (income and expenses), as well as the time of their evaluation.

Such actions can give the husband the opportunity to influence the indicators of profit with a certain personal purpose and to commit fraudulent actions. Accounting indicators can seriously undermine the reputation of the company and lead to a decrease in the market value of the company for its owners.

Thus, a number of studies have shown that companies whose official conclusion confirming the existence of profit margins have been published have decreased<sup>1</sup>.

Business events, as well as large financial disputes related to companies that led to the fact that these organizations became bankrupts, have also been observed in recent history. Such disputes can be attributed to cases of fraud detection in the American corporation Enron and WorldCom in the early 2000s. The financial situation in these companies i.e., there have been cases of violation of accounting ethics associated with the abuse of corporate interests by managers by artificially manipulating the maximum performance of profit. Taking into account the above, it is important, on the one hand, to analyze the basic methods and tools for managing profit, on the other hand, to develop tools that limit the possibilities of managing profit.

## MATERIALS AND METHODS

Profit management is the definition that we can see as a set of methods, forms and methods of purposeful exposure to an object in order to achieve strategic and current objectives. Complex of maximizing profit in the minimum conditions of entrepreneurial risk. A detailed study of the existing approaches to understanding the peculiarities of managing the profit of enterprises shows that this aspect of the study is currently quite controversial. In Particular, I.A.Blank said that profit management is the process of forming it, taqsimlash and developing and making management decisions on all major aspects of its use<sup>2</sup>. A similar point of view-the Ukrainian economist V.V.It is supported by God: "profit management is a purposeful, systematic process of preparation, evaluation, selection and implementation of alternative management decisions on the issues of its formation, taqsimlash and use in a particular trading enterprise"<sup>3</sup>. By forming the essence of profit management in this way, the authors draw attention to the process of formation of profit, taqsimlash and its use, that is, the development and adoption of management decisions in the achievement of the maximum final result of the enterprise in the short term.

V.I.Blonskaya and P.P.In the system of profit management proposed by Adamovich – the tactical and strategic aspects of profit are taken into account. In their view, it is necessary to understand the construction of a management system, which is considered as a set of interrelated elements in the process of managing the profit of the Enterprise, each of which plays a separate role, ensuring the achievement of joint action, taking into account the tactical and strategic aspects of management, aimed at increasing the final results of the

Of course, the main goal of managing the profit of the company is to maximize and optimize the absolute value of net profit, as well as ensure the stability of its formation over time. Also, in the face of negative trends in the development of the national economy, the use of forecasting and accounting elements for tactical, strategic approaches to management is a positive development.

Here, the importance of profit performance determines its role in the management system of an enterprise. In this case, the organization of the sales process, the material and technical development of the enterprise, the expansion and diversification of marketing activities, Personnel Management, Logistics, the formation and reorganization of the enterprise, as such, is manifested by a change in

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<sup>1</sup> Feroz E. H., Park K., Pastena V. S. The Financial and Market Effects of the SEC's Accounting and Auditing Enforcement Releases // Journal of Accounting Research. 1991. Vol. 29. Supplement. P. 107–142

<sup>2</sup> Бланк И. А. Управление прибылью. К.: Изд-во «Ника-Центр», 2007.-с.48.( 768 с.)

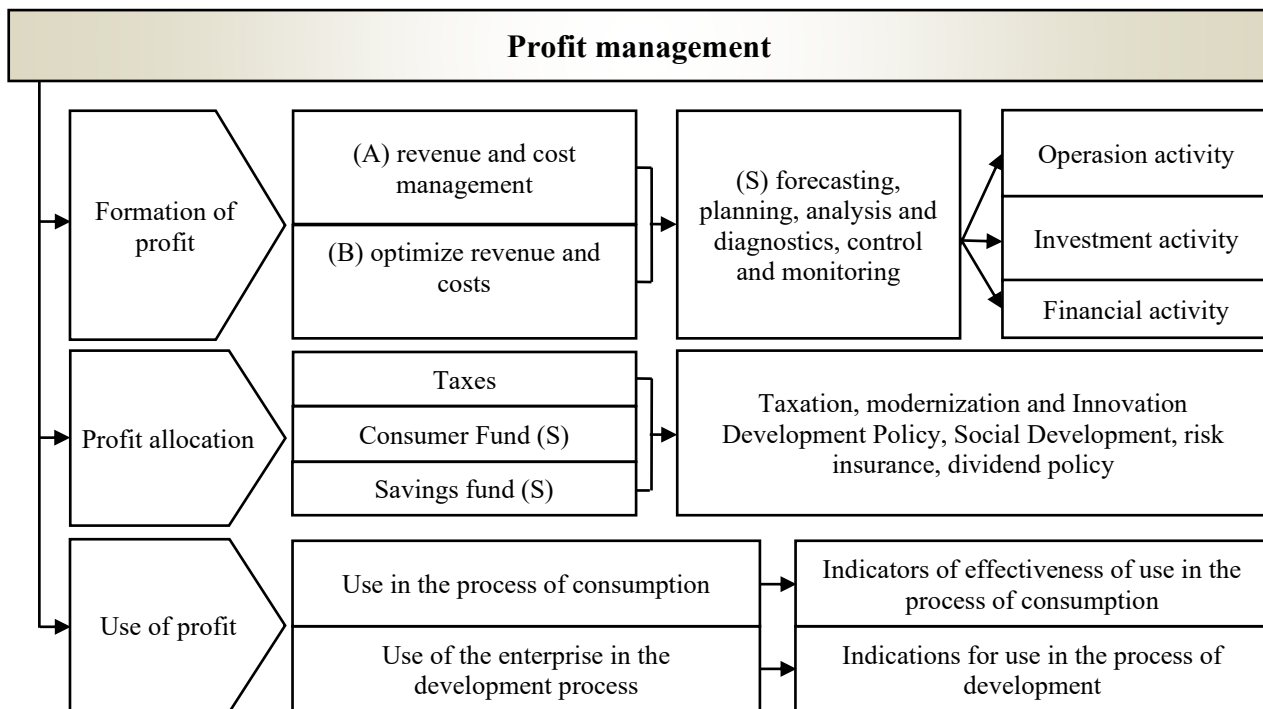
<sup>3</sup> Керанчук Т. Л. Концепція вартісно-орієнтованого управління підприємством та можливості її адаптації в Україні // Фінанси України. 2011. № 7. С. 104–114.

volume as a result of any decisions in the field of solving the problems of financial management in the enterprise.

Under these circumstances, as a multifunctional synthetic indicator, it is possible to observe that the profit management process is becoming the most important process that requires constant improvement and adaptation to a changing environment.

Before we shed light on the objectives and objectives of profit management, we turn to the printsipl structure of the management objective. It is known that the strategic goal of management is to raise the value of the business, maximize the value of the capital of the owners. One of the financial conditions for achieving this goal is to ensure the balance of cash flows in optimal compliance with financial and economic activities. And the tactical task of financial management is to ensure financial balance in the current continuous and repetitive manufacturing process. Accordingly, the essence of profit management can be systematized as follows: profit management is the process of making decisions on the increase in profitlikni (profitability) and the formation of profit under the conditions of reciprocity of the optimal level of expected risk probability, taqsimlash and its use.

The picture below shows the main areas of profit management, which in turn is the initial stage of the management of the process of formation of profit. The process of the formation of profit includes the functional elements of cost management, which are its source (A) the management of income and the reduction in the formation of profit (V) the process of the formation of profit (Figure 1).



1-picture. Structure of profit management <sup>4</sup>

But it is worth noting that the cost has a one-sided description of the reducing importance in the formation of profit. Because, costs constitute the material basis of the formation of income. Obtaining

<sup>4</sup> Formed by the author.

maximum income under the conditions of minimum expenditure, which is considered a factor of intensive development, is a financial result of a policy of optimization of income and expenses at the same time. Based on a number of functional elements of the management of the process of formation of profit (S), it is possible to systematize the operation, investment and financial activity in the segment of activity. Such systematization creates opportunities for making decisions on effective management of the process of formation of profit by individual types of activities. At the same time with the formation of income, which is the source of profit of all kinds of activities, it is also important in total costs. In particular, income and expenses on the main activity (cost, period costs) constitute the material basis of the formation of the main operating profit. The income and expenses of financial activity as a result of effective management of financial assets constitute the material basis of the formation of profit on this activity. Ensuring the qualitative maximization of profit, first of all, it is necessary to look for reserves for each type of activity.

## RESULTS AND ITS DISCUSSION

Professor I.A.Blanc noted that in the management of profit, its maximization on the account of operational activity will ensure a promising development. Because, in the process of Real production, material blessings are created, financial activity is primarily the formation of financial sources of ensuring continuity of the main activity. It is recognized that the large amount of mass financial speculation as a result of the avoidance of operational activity is considered the main factor of the crisis. Even in our opinion, financial speculation, which expresses the accumulation of available financial resources in current assets at a high level in the treated funds, primarily affects the turnover of current assets negatively. It remains to be noted that a low indicator of the share of commodity material reserves involved in the operational activity in the composition of current assets affects the increase in financial and operational needs for normal operation and a decrease in the efficiency of basic production activities. This is influenced by a number of factors:

**First**, the effectiveness of production activities in enterprises. The return on invested capital should be below the average profitability level in the capital market, increasing the risk of entrepreneurship. Therefore, as the main criterion for the effectiveness of profit management, the level of profitability (determined by the indicator of profitability) of capital, which is advance in production, should compensate not only for the value expressed by the decrease in the purchasing power of capital in a dynamic manner, but also compensate for their inflation losses.

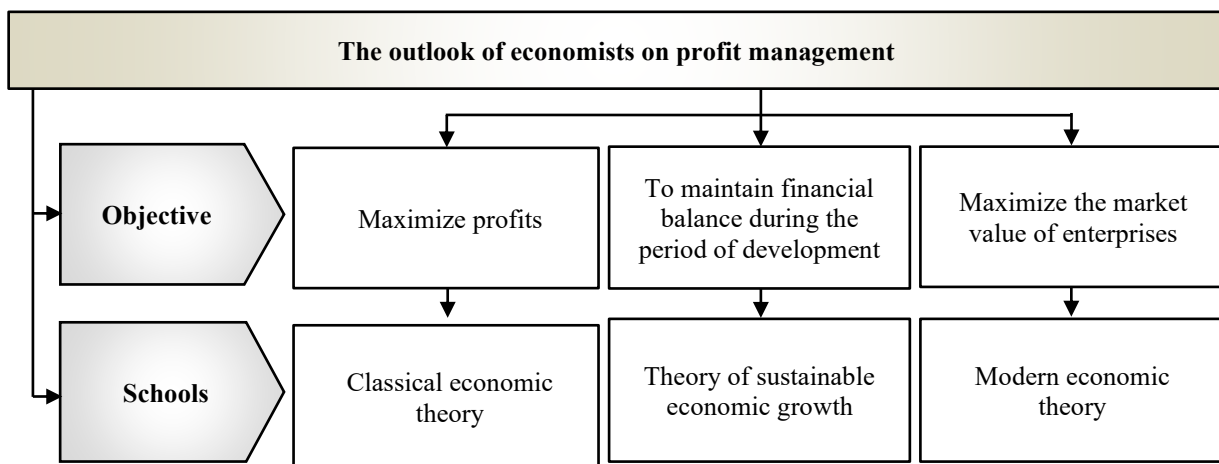
Management of the distribution of profits should simultaneously: ensure optimal distribution between the components of income (consumption and accumulation) under taxation and personal jurisdiction in the community of public, corporate and individual interests. In particular, the distribution of profits should provide the volume of internal financial resources necessary for business development in the strategic context. Because, one of the main indicators of increasing investment attractiveness for Strategic Development is the financial potential of the business, the bunda occupies a central place in economic profitability and its norm above the average value of capital in the capital market of the country. In any case, the capitalization of profit in the production process is the main factor of maximizing the market value of enterprises. But is profit maximization considered the main factor of competitiveness of enterprises in modern conditions? - let's consider a question that deserves.

The goals and objectives of its management are systematized, taking into account the process of managing profit and the requirements imposed on it.

The main purpose of profit management is to communicate with the chief objective of the management of economic activities with the jips and is based on theeksex management system in a single context. With the development of the theory of profit, changes are also observed in the approach of economists to its management. Professor I.A.Blank argues that the genesis of economists' views on profit management is based on 3 main approaches.<sup>5</sup>

Supporters of classical economic theory (A.Smith) confirmed that the main goal of the economic activity of enterprises is to maximize profit, thereby ensuring the maximization of social well-being (overall economic benefit) (Figure 2). Initially, this theory A.It was systematized by Kurno and developed by the manifestations of neokikik theory. It is recognized that this goal can be achieved by ensuring the balance of the indicators of cross-border income and cross-border expenditure.

Naturally, the main objective of the management of economic activities is aimed at maximizing profit, simultaneously harmonizing it with the profit management system. But the problem in this theory view was that profit maximization does not always provide for sustainable economic growth. However, the high level of profit can be fully spent on current consumption and deprived of the source of private financial resources for the next stage of development. A high level of income during economic activity at the same time, a high level of entrepreneurship, which expresses its probable mathematical expectation, is considered to be right-sided with an increase in risk. Therefore, its maximization in profit management does not always serve as a single condition for the sustainable development of the enterprise in the current and strategic context.



2-picture. Scientific views on profit management in the paradigm of economic theory<sup>6</sup>

**Secondly**, the main purpose of economic activity in accordance with the theory of sustainable economic growth is to ensure financial balance in the future development of business entities. In their opinion, the management system, which is aimed at ensuring financial balance, ensures the balanced development of entrepreneurial subjects without various dangers. This means that economic development, in which entrepreneurship is aimed at minimizing risks, limits the possibility of a high increase in the profit norm (profitability) to the account of attracting all reserves. In addition, the

<sup>5</sup> Бланк И.А. Финансовый менеджмент. -Киев: Ника Эльга, 2009. - с.288. (396).

<sup>6</sup> Formed by the author.

mechanism for the implementation of this goal in practice has not been sufficiently linked to the conjuncture of the financial and commodity markets, which affects the parameters of the formation of profit. Accordingly, achieving a financial balance is a complex process in which economic activity is also the main goal of profit management.

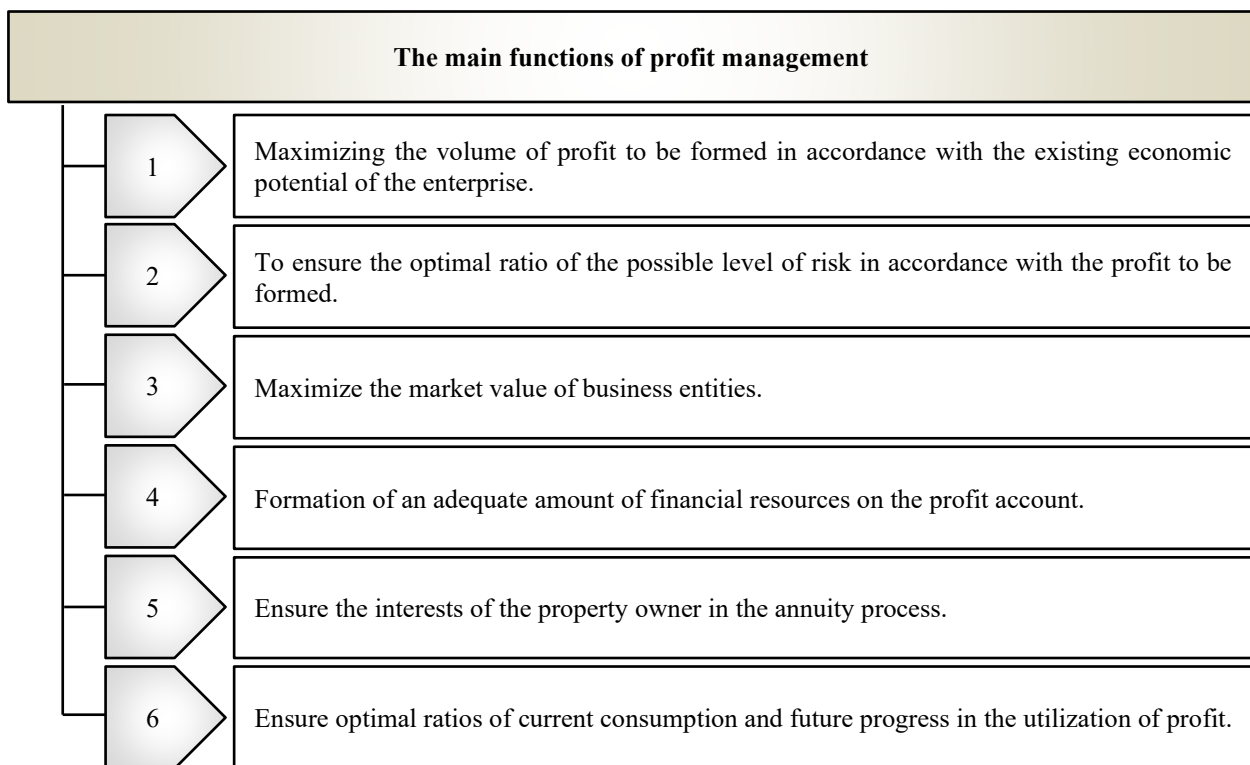
**Thirdly**, in modern economic theory, the main purpose of profit management is the maximization of the market value of enterprises, which ensures the increase in the value (wealth) of the capital of the owners. This goal is also considered by modern economists as the main goal of financial management, which in turn is promoted as the main goal of both profit management. For this purpose, the time factor is represented, profitable and risks, and the development of economic activity is embodied in the system of profit management in the interests of property owners, State and working Personals.

Professor T.M.Kovaleva believes that the main goal of profit management is to ensure the maximization of the value (wealth) of the owners' Capitals in the current state and in the future.<sup>7</sup> It recognizes that this goal simultaneously ensures the interests of the owners in harmony with the interests of the state and economic entities. But it is worth noting that the maximization of the value (wealth) of the owners' capital in the management of profits does not provide for the possibility of maximizing the market value of enterprises. Because, maximizing the value (wealth) of the capital of the owners can also be ensured the evasion of the active dividend policy on account of the profit received as a result of financial and economic activities. But maximizing the market value of enterprises is, on the one hand, tied to the policy of active dividends, on the other hand, to the processes of recapitalization of profits, which are considered the basis for future progress. Especially in the modern theory of corporate governance, the main objective of managing the profit before the financial service system in the context of conflicting situations, known as "principal agent problem" between existing owners and managers, is not only to maximize the value (wealth) of the owners' Capitals, but also to maximize the market value of the company. Therefore, the main purpose of profit management is to maximize the market value of business entities in the current and future periods. Effective realization of this goal requires the formation of a number of tasks algorithm and ensuring its optimal implementation.

It is realized by optimizing the effective use of available resources that are used for repeated production in enterprises. Since profit is the net financial result of financial and economic activities, the management system aimed at optimizing it qualitatively and quantitatively requires first of all the formation of a management system that ensures the optimal use of available resources. The profit management system, which is aimed at the realization of this task, requires a holistic management system in which the optimal composition of the capitals of enterprises is combined with a system of managing financial results, which includes the formation of an effective system of investing potential capital in assets.

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<sup>7</sup> Т.М.Ковалева. Финансы и кредит:электрон. учеб. курс/под ред. Т.М. Ковалевой. -2010. (<https://economics.studio/finansy-kredit/152-funksii-upravleniya>).



**3-picture. Structure of the main functions of profit management<sup>8</sup>**

As can be seen from Figure 3, the effective execution of the task of ensuring the optimal ratio of the possible level of risk in accordance with the formed profit is to ensure a moderate level of financial stability of the enterprise at the optimal level of risk, which in parallel with the growth of profit represents its probable mathematical expectation. Risk Management-represents the process of minimizing various losses as a result of management decisions directedtirishga reducing the likelihood of forming an unexpected negative result.

This means that the optimization of the risks in the management of profit creates opportunities to increase its probable mathematical expectation. But not the possibilities of direct masimalization of profits. In the modern economic literature, the "risk-revenue dilemma" is studied by most economists, although there is no clarity in the single approach to its content. In relation to the coverage of the risk, definitions are given in the polysemantic description. We can see that risk management is also described as the art of taking profit in uncertain economic conditions and multiplying it.<sup>9</sup> So, even in this definition, risks are associated with the probable expectation of the planned profit.

Maximization of the market value of business entities is a multi-factor phenomenon, among the factors affecting it, effective management of profits is also one of the factors that significantly affect it. Because, the impact of profit management on the company's market value maximization is also a factor of intensification of operational and financial activities in terms of quality and quantity. This task, on

<sup>8</sup> Formed by the author.

<sup>9</sup> Балдин К.В. Риск-менеджмент. Учебное пособие.-М.:Эксмо, 368 с. <https://institutiones.com/download/books/1271-risk-menedzhment.html>

the one hand, is able to pay the owners of the enterprise the necessary amount of income on the invested capital, and this indicator should not be lower than the average level of profitability in the capital market, zero in this situation should cover the high risk of entrepreneurship, which is associated with the peculiarities of the enterprise, as well as

In the coming period, it is necessary to ensure the formation of a sufficient amount of financial resources on the profit account in accordance with the objectives of development of the enterprise. Consequently, since the profit is the main internal source of the formation of the financial resources of the enterprise, its size determines the possible opportunities for the creation of production development funds, reserves and other special funds that will ensure the future development of the enterprise. At the same time, profit should also occupy a leading position in self-financing of the development of the enterprise.

To ensure a constant increase in the market value of the enterprise. This task is designed to increase the well-being of the owners in the long term. The growth rate of market value is mainly determined by the capitalization rate of profit received by the company during the reporting period. Proceeding from the terms and functions of economic activity, each enterprise itself determines the system of criteria for the optimal distribution of profit to capitalized and consumed parts.

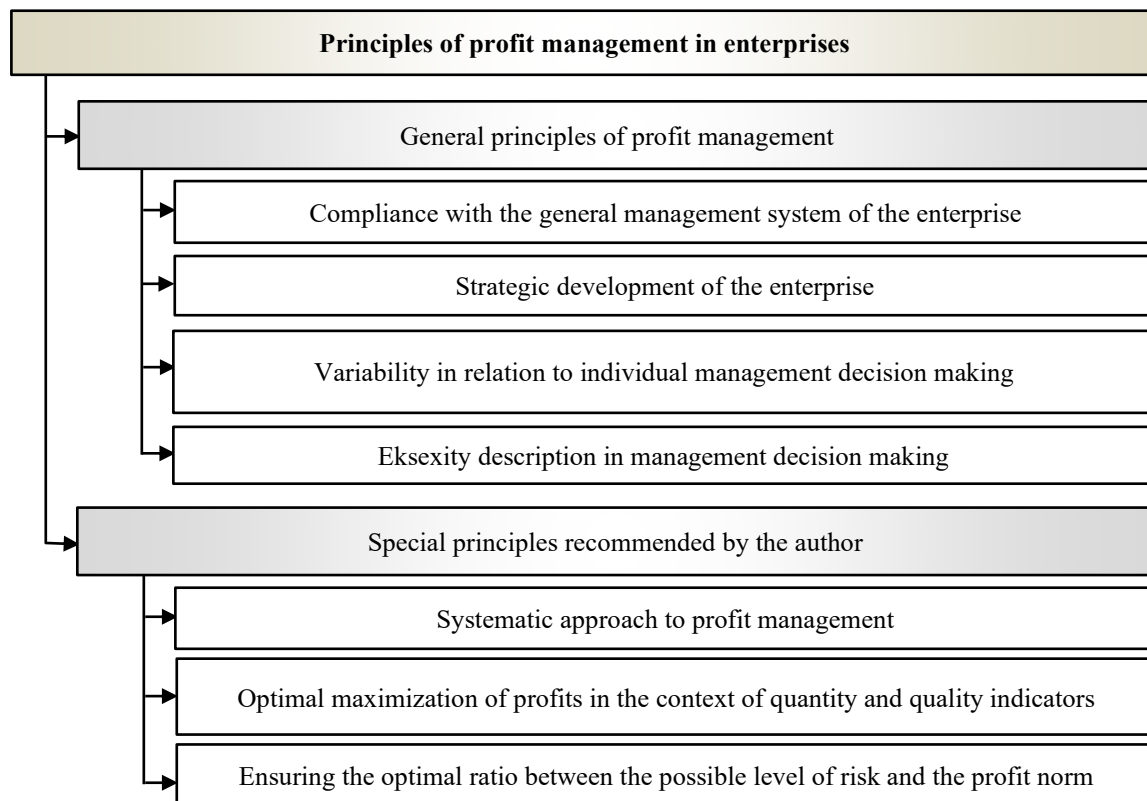
In the financial provision of the activities of economic entities in the current conditions, the most important of the internal sources of satisfaction of the financial interests of the state, property owners and hired employees is the profit that they receive.

All the functions of profit management under consideration, although some of them are multifaceted, are closely interrelated with each other, (for example, increasing the level of profit while minimizing the level of risk; ensuring an adequate level of satisfaction of the interests of the owners of the enterprise and its employees; ensuring a sufficient amount of the profit allocated to multiply assets. consumption and others). Therefore, in the process of managing profits, it is necessary to optimize the interaction of individual tasks.

The process of managing profit in the conditions of a market economy is based on a number of principles, these principles are systematized in accordance with the strategy of maximizing profit as a result of intensive development as one of the main factors of the effectiveness of financial and economic activities. We will try to analyze it through the picture below (Figure 4).

It is necessary that the process of managing profits coincides with a number of principles, depending on the requirements of the market economy. The process of analyzing the principles of managing the profit of the enterprise made it possible to interpret the following.

The first of the principles adopted is to look at profit as a separate management process, and also to notice that such an approach is a process directly related to the whole complex of financial management in an enterprise. This factor must be taken into account in the formation of income, taqsimlash and in the understanding of the process of their use. At the same time, the maximization of profits should not in any case contradict the principles, laws and interests of the market economy.



4-picture. Principles of profit management <sup>10</sup>

## CONCLUSIONS

The fact that the enterprise is oriented towards the strategic objectives of its development includes effective management in the formation of revenue. Therefore, in order to avoid conflicts that exist and may arise between the projects, it is necessary for the strategic objectives of the organization to make decisions aimed at obtaining legal income at all times, regardless of the level of income expected in the implementation of the project.

This is due to the fact that the desire for maximum profit, which contradicts the long-term goal of developing the enterprise, can lead to destabilization of the entire organization and loss of the ability to make profit in the future. The variability of approaches to the development of Individual management decisions involves the formation of management decisions in the field of revenue management, they take into account alternative options for the development of the economic situation. Thus, when any factor affecting the level of income is changed, management decisions must be adapted to the changes in a flexible way and, if possible, reduce the negative impact of the changed environment of the enterprise on the level of profit. As the last of the principles adopted, Komplex in the formation of management decisions implies the relationship between the management decisions adopted in terms of profit management and the ultimate goal of profit management. This is true, because not all operations bring benefits, in addition, some can lead to a lack of financial resources and losses. However, the results of all complex operations should lead to profit. This is the basis for effective management of positive financial results.

<sup>10</sup> Formed by the author.