

THEORETICAL FOUNDATIONS OF ACCOUNTING AND ANALYSIS IN SMALL ENTERPRISES

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Abstract: This article explores the theoretical foundations of accounting and analysis in small enterprises. It highlights the significance of accounting and analysis in economic management, as well as their functions and methodologies. Additionally, the paper discusses the peculiarities and challenges of accounting practices in small business entities.

Keywords: small enterprises, accounting, analysis, theoretical foundations, economic management.

Introduction

In a market economy, accounting and analysis play a crucial role in ensuring the economic growth and sustainable operation of small business entities. As an essential part of the economy, small enterprises actively contribute to increasing employment, expanding the volume of services and products, and promoting regional development. Therefore, proper financial management, data-driven analysis, and effective decision-making have become integral components of modern management systems.

In small businesses, accounting continuously records economic transactions, generates financial results, and prepares reports in accordance with legislative requirements. Analysis of this data allows assessing the financial condition of the enterprise over a certain period, identifying reserves and opportunities, predicting errors, and addressing weaknesses.

Today, with the advancement of digitalization and widespread adoption of information technologies, significant changes have occurred in accounting formats and analytical methods. Simplified reporting forms and automated software tools, especially for small enterprises, facilitate their operations but also demand new knowledge and approaches.

This article discusses the theoretical foundations of accounting and analysis in small enterprises, their interrelations, functions, methodological approaches, and practical challenges. Additionally, it offers suggestions and recommendations for developing an effective accounting system tailored to small business entities.

Literature review

Extensive research has been conducted by many scholars and practitioners in the field of accounting and analysis. Their insights and viewpoints play a significant role in financial control of small enterprises, improving economic efficiency, and enhancing management.

Issues related to the development of small business have been studied by numerous economists in Uzbekistan and other countries. For instance, A. Khudoyberdiyev and Z. Tursunov provided detailed information about the characteristics of accounting in small enterprises, simplified methods, and legislative frameworks (Khudoyberdiyev, 2019; Tursunov, 2021). Their research focuses on improving the effectiveness of financial reporting and management decision-making in small business entities.

Moreover, international researchers such as J. Smith and R. Brown have deeply analyzed the theoretical foundations of accounting systems for small businesses and proposed ways to adapt modern accounting and auditing standards to small enterprises (Smith & Brown, 2018).

In studies on financial analysis in the context of Uzbekistan, S. Karimov and D. Qodirov examined methods to increase profitability and reduce risks in small enterprises (Karimov, 2020). Their work offers practical solutions aimed at enhancing the efficiency of analytical methods.

Furthermore, recent advances in digital technologies and automated accounting software have simplified record-keeping and made analysis more precise in small businesses. The scientific work of M. Islomov in this area is especially noteworthy (Islomov, 2022).

This literature review helps to better understand the theoretical foundations and practical aspects of accounting and analysis in small enterprises and provides a solid scientific basis for our article.

Methods

This article employs theoretical analysis, comparison, and generalization methods as research tools. First, existing literature and legislative documents related to accounting and financial analysis in small enterprises were studied. Additionally, the accounting systems and analytical methods applied in practice within small businesses were examined. The research aimed to identify the role and effectiveness of accounting data in managing economic processes. These methods facilitated a better understanding of the theoretical foundations of accounting and analysis in small enterprises and enabled the development of practical recommendations.

Analysis and results

Accounting is a system of comprehensive, continuous, and document-based reflection of the economic activity of an enterprise in any form of ownership. In accounting, for any economic operation, an appropriately prepared document must be drawn up, containing all necessary indicators, signed and approved by responsible persons. Accounting is continuous. Because it is maintained daily and records all economic events and processes comprehensively.

The purpose of accounting is to provide users of company data with timely, complete, and accurate financial and other accounting information.

In particular, the tasks of accounting include the following:

- formation of complete and accurate information about the status and movement of assets, property rights and obligations in accounting accounts;
- generalization of accounting data for the purpose of effective management;
- preparation of financial, tax and other reports.

Accounting is maintained to provide information about the activities of business entities to all those who need this information, i.e., users of economic information. In a competitive economy, the range of information users is extremely wide. Different users need different information. Based on the analysis of information, users make the decisions they need.

Information users are divided into two groups: internal and external users.

Internal users include:

- company administration – a group of persons fully responsible for managing the company's activities and achieving its goals. The company has many goals, but success and survival in a highly competitive environment requires management to focus all efforts on two main goals: stability and liquidity that ensure financial stability. The administration uses information at all stages of management decision-making: planning, operational management, and control;
- existing and future owners and shareholders, who are primarily interested in increasing their dividends from their invested capital. Accounting information allows them to evaluate the effectiveness of management's use of invested funds;
- company employees who are interested in information about the stability and profitability of the company's activities.

External users include:

- current and future suppliers of products, goods, and services who are interested in information that allows them to determine whether appropriate fees will be paid on time. If the company's financial position is stable, this allows it to attract future suppliers;
- lenders and creditors who are interested in information that allows them to determine whether loans and debts, as well as corresponding interest, will be paid on time;
- investors, accounting data allows them to assess whether it is worth investing their financial resources in the company, whether the company can pay interest or dividends on time on funds invested by investors;
- tax authorities that check the correctness of tax calculations, the effectiveness of tax policy and its regulation.

In world practice, business is divided into large and small business types according to scale, and they are considered necessary elements of a competitive economy. Here, small business emerges not only as an auxiliary field to large production or business but as a separate, independent, adaptable, efficient, and rapidly developing form of economy.

Taking all this into account, to support small business entities in our country, based on Article 5 of the Law "On Accounting" adopted on August 30, 1996, the National Accounting Standard No. 20 "On Simplified Accounting and Reporting for Small Business Entities" was developed on January 24, 2000.

According to this standard, small business entities in the Republic of Uzbekistan are distinguished by the following criteria:

1. Micro-firms with an average annual number of employees not exceeding 20 people in production sectors, 10 people in the service sector and other non-production sectors, and 5 people in wholesale, retail trade, and catering;
2. Small enterprises with an average annual number of employees in the following sectors:
 - a) light and food industry, metal processing and tool-making, wood processing, furniture industry, and construction materials industry - not exceeding 100 people;
 - b) mechanical engineering, metallurgy, fuel and energy and chemical industry, agricultural production and processing, construction, and other industrial production sectors - not exceeding 50 people;
 - c) science, scientific services, transport, communications, service sector (except insurance companies), trade and catering, and other non-production sectors - not exceeding 25 people.

According to the Decree of the President of the Republic of Uzbekistan dated June 20, 2005 "On Additional Measures to Stimulate the Development of Micro-firms and Small Enterprises," small business (entrepreneurship) entities are as follows:

Small business entities – production entities that are limited in terms of enterprise scale, production volume, number of employees, amount of financial resources, and others. In our republic, individual entrepreneurs, micro-firms, and small enterprises are included in the category of small business entities.

Individual entrepreneurship – initiative economic activity carried out by individual citizens within the framework of current legislation for the purpose of obtaining personal income (profit), under their own risk and property liability.

Micro-firm – a type of small business entity, according to current legislation in our country, enterprises with up to 20 employees in industrial production sectors, up to 10 employees in the service sector, and up to 5 employees in trade and catering are considered micro-firms.

Small enterprise – a type of small business entity, according to current legislation in our country, enterprises with up to 100 employees in certain sectors of industrial production (for example, light and food industry, metal processing and tool-making industry, etc.), up to 50 employees in others (for example, mechanical engineering, metallurgy, fuel and energy industry, etc.), up to 25 employees in the service sector are considered small enterprises, and small enterprises with no more than 25 employees in non-production sectors.

The development, increasing complexity, and improvement of market relations are increasing the number of objects analyzed and studied in enterprises and making them more complex. In particular, everything from market location, consumer groups, infrastructure services to supply, production, sales and other calculations in the enterprise, as well as financial market relations, all stages of value creation and achievement, and so on, are becoming objects of analysis. Therefore, in the context of the development of market relations, attention to knowing and studying the financial condition of any enterprise is increasing.

The main purpose of analysis is to identify achievements and shortcomings in financial activities and to strengthen the settlement procedure while making better use of funds. Thus, this shows the relationship between product production and sales, cost savings, monetary and financial relations, and other activities. The sources required for financial analysis include the company's balance sheet, attachments to it, and other reporting data.

When studying the financial condition of business entities, the following tasks are set for the analysis:

- to provide a correct, accurate, and objective assessment of the financial condition of business entities;
- to evaluate the structural composition and dynamic changes of the company's property and its constituent sources;
- to determine the levels of financial stability of the company and evaluate the factors affecting its change;
- to assess the company's solvency and creditworthiness;
- to determine the level of suitability of the company's accounting balance and evaluate it;
- to study the turnover of working capital and show ways to further increase its turnover;
- to show existing opportunities to improve the financial condition of the company.

When enterprises begin to carry out production and commercial work, actual data is obtained and compared with planned indicators. This evaluates the reality of the plan, identifies positive

or negative situations that have arisen, and studies the extent to which opportunities were predetermined or not considered. Changes in the market and their positive or negative impact on the company's activities are quickly analyzed. Based on this, appropriate measures are determined. Thus, in market relations, all processes are analyzed with specific facts using analytical methods, generalized through synthesis, appropriate decisions are made, and the company's activities are influenced.

During the analysis of enterprise activities, many sources have to be used. We can divide the sources used in the analysis into the following stages:

1. Sources of planned data;
2. Sources of accounting and reporting data;
3. Sources of additional information.

The composition of planned data sources includes business plan indicators, established limits, established norms and standards, and contract indicators.

Accounting and reporting data sources include accounting and financial reporting data, statistical accounting and reporting data, and operational accounting and reporting data. The main data source for analysis is accounting and financial reporting data, which includes all processes of the company's economic activity. This reflects the movement of funds, their sources, and their economic relationships.

The accounting balance shows funds according to their location and sources of formation.

Statistical accounting and reporting data are considered the main source for analysis. This report shows the sum of events and processes, reflected in a way that characterizes them quantitatively and identifies specific economic laws.

Operational accounting and reporting data allow for obtaining necessary information somewhat faster compared to accounting and financial reporting data and statistical reporting data.

For deeper economic analysis, it is necessary to use additional information that is not related to accounting data. Such information includes acts drawn up by bank, finance, tax inspectors, information provided by inspectors, auditor conclusions, radio and television information, media sources, and results of conversations with workers and employees.

Economic analysis in market conditions not only studies the actual situation and aims to change it positively but also prepares necessary information for persons interested in the company's activities. This provides a complete picture of the company's financial condition and economic potential. As a result, the opportunity to attract more partners to the company increases.

Conclusion

The development and competitiveness of small business enterprises operating across various sectors of the national economy largely depend on the accurate organization and maintenance of accounting records. Empirical studies show that small enterprises often face difficulties in maintaining proper accounting due to limited financial and human resources, which results in poor quality financial information and impairs managerial decision-making processes (Beck, Demirguc-Kunt & Maksimovic, 2005). Many small businesses cannot afford to employ qualified accountants, leading to inaccuracies and inefficiencies in accounting practices. This situation negatively impacts the effectiveness of internal controls and overall management performance. Therefore, it is essential for small enterprises to engage highly skilled accounting professionals and establish dedicated accounting units to ensure compliance and reliability in financial reporting (OECD, 2018).

Furthermore, the development of a tailored chart of accounts and the introduction of supplementary analytical accounts specifically adapted for small businesses and agricultural enterprises enhance the precision and efficiency of accounting systems (World Bank, 2020). Simplified financial reporting formats aligned with international best practices reduce the administrative burden on small enterprises while providing relevant and timely information for economic analysis and decision-making (IFAC, 2019). The implementation of these measures facilitates transparency, supports tax compliance, and improves access to finance.

In conclusion, the improvement of accounting and financial analysis systems in small enterprises is a critical factor for ensuring effective management, increasing competitiveness, and promoting sustainable economic growth. Enhanced accounting practices contribute not only to better internal governance but also to the broader economic development by enabling small businesses to integrate more effectively into the formal economy and financial markets (Beck & Demircuc-Kunt, 2006).

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