



ANALYSIS OF MARGINALITY INDICATORS BASED ON INTERNATIONAL FINANCIAL REPORTING STANDARDS

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Article history:		Abstract:
Received:	20 th November 2025	This article examines the analysis of margins based on international financial reporting standards. Margins are an important criterion for assessing the success of a company's core business. The author shows that by examining the indicator in dynamics, one can see how the company is trying to develop its business and improve margin indicators by increasing the level of these coefficients. The results of the study allow for an accurate assessment of the company's financial performance based on the identification of internal economic opportunities for increasing margins, enhancing investment attractiveness, and ensuring the stability of the financial position.
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ENTER. Achieving economic growth, macroeconomic and financial stability in the conditions of economic development in our republic is one of the main tasks. This, in turn, requires the development of economic entities, increasing their efficiency. Efficiency is reflected in the financial results of their activities. Financial results are an indicator that reflects all aspects of the enterprise's activity, and its amount is affected by product volume and quality, product type, cost level, and several other factors. Instead, the financial result affects the company's working capital and solvency. The indicator representing the financial results is the level of profit, profitability and marginality. After all, financial results are one of the important factors in ensuring their economic and financial stability. In recent years, our country has adopted regulatory documents and implemented practical measures to introduce international standards for financial reporting and auditing, and to conduct analysis based on international financial reporting standards [1,2,3]. This, in turn, determines the urgency of conducting an analysis of marginality indicators based on international standards of financial reporting in order to increase the investment attractiveness of economic entities. Because predicting internal and external factors affecting the financial stability of enterprises, making effective management decisions on their prospective development, attracting investments, and increasing their financial potential requires organizing an analysis based on international practical experience.

REVIEW OF LITERATURE ON THE SUBJECT. The issues of the analysis of profitability indicators in economic entities have been widely studied in the

scientific works of our republic and foreign economists. In these studies, some problems and organizational aspects of the analysis of profitability and marginality coefficients were studied based on the general methodological principles.

The purpose of the scientific article published by the economists Sivi Aryantini and Sapto Jumonolar on this topic is to determine the marginality indicators and the factors affecting them and their impact on the company's value based on the DuPont analysis. Net profit margin (determinant profitability) has a positive effect on asset turnover and return on equity, while sales ratio has a negative and significant effect. This requires the management to effectively manage the company's operational activities and reduce operating and other costs, return on shareholder capital, and use assets and debts effectively. In this article, these issues are sufficiently researched [5].

Economist N.P. In the article also published by Agafonova, the effect of marginality indicators on the efficiency of the use of working capital of the enterprise was studied. The use of the analysis of marginal coefficients allows to increase operational efficiency and profitability. Marginal analysis is a basic aspect of financial management, it provides the necessary information about the profitability of the company's management. As a result of the analysis of marginal indicators, the enterprise determines which product is more profitable, the effect of price on supply and competitiveness, and the need to reduce operating costs to increase profit. These issues were considered by the author based on practical data [4].



Economist G.V. Savitskaya in her research stated: "The profitability indicators of an enterprise characterize the overall efficiency of work and reflect the final results of management more than profit, since their value indicates the ratio of impact to money or resources used. In the process of analysis, it is necessary to study the level of profitability retrospectively for the current and previous years, to assess the causes and factors of change" [6].

Our country's economists stated: "The purpose of analyzing profitability indicators is to develop practical measures to increase the efficiency of the enterprise by identifying, analyzing the level of profitability and studying the factors affecting it, in order to find internal opportunities" [8]. The main aspects of the analysis of marginal indicators are also indicated in the economic literature: determining the break-even volume of work, determining the safe (non-loss) scope of work of the enterprise. Determining the volume of product production at the desired level of profit [7].

RESEARCH METHODOLOGY. The methods of analysis, synthesis, comparison, and financial coefficients were used in the research work. In particular, the methods of analysis and synthesis were used in the analysis of the influencing factors and in summarizing the results. By means of the comparative method, the change in the level of profitability and marginality was determined, and it was possible to evaluate them systematically. The method of financial coefficients was used to calculate the correlation of indicators.

RESULT AND DISCUSSION. In the conditions of economic development in our country and in the practice of international analysis, the analysis of the level of marginality is one of the main issues in assessing the financial status and performance of enterprises. Because the absolute amount of profit does not comprehensively determine the level of economic efficiency of enterprises. Therefore, it is required to determine the relative indicators - the level of profitability and marginality.

The concept of marginal revenue is central to marginal analysis. It represents the difference between sales revenue and variable costs. In other words, it is the amount of money left over after covering production and selling costs, which the company can use to cover fixed costs and make a profit. Marginality is the profitability of the marginal profit. To achieve marginality, sales revenue must cover its costs and make a certain amount of profit. Marginal analysis under IFRS requires dividing costs into fixed and

variable costs. The main thing is to correctly classify expenses and recognize revenue in accordance with IFRS 15 "Revenue from Contracts with Customers" and IFRS 18 "Revenue". Indicators such as margin (as a percentage) and value margin (as monetary value) are used for analysis. Marginality is an indicator that shows the percentage of profit obtained for one sum of revenue after deducting all variable costs. It is calculated as the ratio of profit margin to net income (income).

Marginality assesses the efficiency of production and sales, while profitability assesses the success of using the organization's resources. Often, the terms "Margin" and "Marginality" are used interchangeably. This is because the margin indicator is calculated in money and shows how much profit remains from revenue after the sale of products, while margin is calculated as a percentage and is the share of profit in the revenue received. Marginality shows the efficiency of the business, the share of profit in revenue, that is, how much profit is for each sum received. Thus, margin helps to assess the profitability of the business.

Estimating margin indicators is also important in attracting investments. Knowing the net margin of a business helps investors evaluate the company's activities and helps to understand whether it generates enough profit from sales to adequately cover operating and additional costs. A good sign for investors is a stable growth in the margin indicator. Knowing the profitability, an investor can assess the feasibility of investing in the company's securities. Profitability, i.e., margin ratios, help him choose stable and profitable enterprises for investment in a competitive market. Having a high level of profitability for several years allows him to ensure the company's ability to repay its debts in a timely and full manner. When analyzing profitability, an investor should follow several rules in order to know the objective state of the company's financial and economic activities. Analyzing dynamics is the main task. An investor should assess the profitability and margin for 3-5 years. An increase in value is a sign of stable business development and a good signal for the investor. Therefore, analyzing margin indicators is an important task when assessing business profitability for the purpose of investment. The study of the dynamics of margin is of great importance for the company, allowing for a more efficient redistribution of resources and setting goals for further business development.

In international practice, the following main margin ratios are analyzed when assessing the profitability of a business based on IFRS reports [12]:



1. Gross profit margin = Gross profit x 100/Net revenue. Gross profit margin shows what percentage of a company's revenue remains after paying all direct costs associated with the production or purchase of a product. The following factors affect the change in this ratio: selling price, product assortment, purchasing costs, cost of production, and inventory value. The gross profit margin versus net income should be compared over time to:

-Are purchasing costs increasing, and if so, is the company controlling costs?

-Deducting inventory (if the company operates in a volatile market, such as the retail sale of modern goods).

- carrying other expenses to the cost of sold products, for example, the expenses of scientific research and experimental construction work.

It is also useful to compare the margins of different companies. For example, food retailers maintain margins by selling products in bulk. Jewelers need a high margin to compensate for lower sales. A low margin indicates that the business is spending money to expand or is trying to gain market share. A higher than average margin indicates good management.

2. Operating Margin Ratio = Earnings Before Interest and Taxes (EBIT) x100/ Net Revenue. Operating margin is calculated as the increase in gross profit margin (increased selling, administrative and other operating expenses, excluding finance costs and taxes). While gross profit margin shows how much profit a company makes from producing and selling its products, operating margin shows how much control the company has over that process. If the gross profit margin is unchanged but the operating margin is, the following options should be considered: changing the staffing

model (workforce); changing depreciation due to large acquisitions and exits; writing off large amounts of bad debt; changing lease terms; investing more in advertising; dramatically changing fuel prices.

Gross profit margin is affected by more factors than operating margin. This includes fixed and contingent fixed costs (real estate costs). These costs do not change even if revenue increases. Other costs vary (salary, commissions).

3. Net profit margin ratio = Net profit x 100/ Net revenue. This ratio shows the share of profit remaining after deducting operating, overhead and all other expenses. Net profit margin shows the profitability of the business after paying expenses.

Net profit margin shows how efficient the company is and how well it controls its costs. Also, the lower the net profit margin, the smaller the company's margin of safety, and even small negative changes in trade or the economy can lead to losses. For marketers, the net profit margin ratio helps identify areas where measures should be taken to increase the profitability and sales efficiency of a particular division. Net profit margin also helps determine the degree of monopolization of a particular market.

Financial publications indicate that the optimal net profit margin is 10-20 percent. However, as a result of the conducted studies, it is clear that this indicator does not exceed 7.5 percent on average in companies. In general, the higher the net profit margin, the better. However, for an objective assessment of business efficiency, this coefficient should be compared not with average values, but with the indicators of real competitors and similar enterprises in the industry. Now, to analyze the margin coefficients, we will compile the following Table 1.

Table 1
Analysis of the level of margin coefficients of a joint-stock company

Nº	Indicators	Last year	Beginning of the reporting year	End of reporting year	Difference at the end of the year compared to the beginning of the year (+,-)
1.	Net proceeds from the sale of products	316564381,00	402132072,00	218 718 590,02	-183413481,98
2.	Gross profit	35528002,00	23862862,00	19 344 012,94	-4518849,06
3.	Profit before tax	57416638,00	37943859,00	9 443 664,66	-28500194,34
4.	Net profit	53762435,00	32690180,00	8 050 514,91	-24639665,09
5.	Gross profit margin (2 x 100/1), %	11,22	5,93	8,84	+2,91



6.	Operating margin (3 x 100/1), %	18,14	9,43	4,32	-5,11
7.	Net profit margin (4 x 100/1), %	16,98	8,13	3,68	-4,45

Source: Compiled based on the financial statements of the joint-stock company.

From the data in Table 1, it can be seen that the gross profit margin ratio in the joint-stock company increased by 2.91 percent, from 5.93 percent at the beginning of the reporting year to 8.84 percent at the end of the year. This is determined by the decrease in the volume of net income and gross profit. Thus, at the end of the reporting year, the company had a gross profit of 5.93 soums for each net income. The table shows that the operating margin ratio has decreased over the years. In particular, it decreased from 18.14 percent in the previous year to 9.43 percent at the beginning of the year. At the end of the year, the level of this ratio was 4.32 percent, which is a decrease of 5.11 percent compared to the beginning of the year. Thus, the main factors affecting the reduction of the margin level in the company are the decrease in the volume of profit before tax and net income. In the practice of international financial analysis, it is also recommended to calculate the net profit margin ratio. It can be seen that the level of this ratio has decreased in the company over the years. In particular, last year the net profit margin ratio was 16.98 percent, and for every soum of net income, 16.98 soums of profit before tax corresponded. The net profit margin ratio in the company decreased from 8.13

percent at the beginning of the reporting year to 4.45 percent by the end of the year, amounting to 3.68 percent. This is explained by the fact that the company had a decrease in the volume of net income and net profit at the end of the year compared to the beginning of the year. This situation had a negative impact on the decrease in net profit margin. Thus, the company's net profit margin ratio was at the recommended level last year and amounted to 16.98 percent. At the beginning of the reporting year, this ratio was also at an average level, amounting to 8.13 percent. By the end of the reporting year, the net profit margin ratio was significantly lower than the average norm (3.68 percent). The net profit margin ratio by the end of the reporting year was significantly lower than the average standard level (3.68 percent). This change was influenced by two factors:

1. Change in the volume of net profit.
2. Change in the volume of net revenue from the sale of products.

We determine the impact of these factors using the factor analysis method - the chain replacement method (Table 2).

Table 2
Calculation of the level of net profit margin ratio by factor analysis

Number of account order	Order number to exchange	Factors included in the calculation formula		General indicator - Net profit margin ratio level, %	The difference to the previous account (+,-)
		Net profit	Net income from the sale of products		
A	B	1	2	3(1x100:2)	4
1	-	32690180,00	402132072,00	8,13	-
2	1	8 050 514,91	402132072,00	2,01	-6,12
3	2	8 050 514,91	218718 590,02	3,68	+1,67

Balance of factors: -4,45 %

As can be seen from the data in Table 2, as a result of the decrease in the volume of net profit in the joint-stock company by 24639665.09 thousand soums at the end of the reporting year compared to the beginning of the year, the level of the net profit margin ratio decreased by 6.12 percent. The decrease in the value of net proceeds from the sale of products by 183413481.98 thousand soums increased the net profit

margin ratio by 1.67 percent. Thus, the effect of the two factors calculated above: $(-6.12) + 1.67 = -4.45$ percent. According to the results of the analysis, the management of the joint-stock company should take the necessary practical measures to improve the margin indicators in order to increase the level of profitability. The application of the method of calculation of the factors affecting the change of the level of the net profit



marginality coefficient in the practical activities of the joint-stock company allows to increase its economic efficiency and ensure financial stability.

CONCLUSIONS AND SUGGESTIONS. Analysis of the level of marginal indicators is one of the main stages of analyzing the financial stability of enterprises, which should always be in the center of attention of the head of the enterprise, auditors and analysts. Thus, the analysis of marginal indicators is not accounting in the traditional sense. Its main purpose is to provide the business owner or manager with reliable information for making quick decisions. This is especially relevant for enterprises where each operation affects the overall profit, and improper investment of resources or incorrect assessment of profitability can cost the entire project. The higher the level of marginal indicators, the more profit the business receives from each sum. This is especially important when evaluating new projects, franchises or businesses. The results of the analysis show that a joint-stock company has internal opportunities to increase the level of marginal indicators, and first of all, it is necessary to improve the structural structure of indicators. The management of the object of analysis should take the necessary measures to increase the level of marginal indicators. Because, in order to forecast the state of the business and its future development, a comparative analysis should also be carried out based on international financial reporting standards. At the same time, the results of the analysis of marginal indicators are also important in business restructuring, financial recovery, and financial modeling. The following practical recommendations can be given to enterprises to increase the level of marginal indicators:

- modernization, reconstruction, diversification of production and attraction of innovative technologies;
- reduction of total costs for one sum of product;
- reduction of product fund capacity, material capacity as a result of the effective use of production resources;
- integration of the analysis of marginal indicators into the 1C, Excel or CRM system, but it is not necessary to automate the process, a systematic approach is important;
- the results of the analysis of margin ratios allow investors to assess the company's activities and show whether the company is generating enough profit from sales to cover operating expenses. For investors, the stable growth of this indicator is a positive sign;
- as a result of the systematic use of the analysis of margin indicators, enterprises adapt faster in any external environment, develop more effectively and protect their income;

The management of a joint-stock company should fully use the internal opportunities identified as a result of the analysis and mobilize them in practice. The implementation of the methods of analyzing the given margin indicators in practice will make it possible to increase the investment attractiveness of enterprises, ensure their competitiveness, profitability and stability of their financial condition, and increase their financial and economic potential.

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