

Analysis of Trends in the Development of Agricultural Enterprises and the Formation of Operating Profit

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Abstract. In agricultural business, some specific factors, such as high natural and climatic risks, seasonality of production, reliance on biological assets, slow cycle of capital turnover, timeliness and completeness of budgetary assistance, have a significant impact on financial results. The role of budgetary funds in modern conditions is clearly manifested at the stage of formation and presentation of operating profit in the reports of an agricultural enterprise. The analysis of profit and assessment of its basis of efficiency of business processes of the enterprise are the most important direction of financial analysis of market entities' activity. Information about the amount of operating profit is an economic criterion for the development of an agricultural enterprise and can be a signal reference point for potential investors in the agricultural market when considering business cooperation and partnership.

1 Introduction

Under modern conditions, any enterprise operating in the market pursues the aim to ensure an increase in the efficiency of economic activity and sustainable development of its business. To achieve this aim, the enterprise tends to use financial reporting as an element of accounting and analytical system of sustainable development [1], business reliability and profitability of mutual cooperation.

One of the actual problems of accelerating the development of agricultural enterprises under modern conditions is to increase their efficiency. The efficiency of an enterprise manifests itself in its efficiency [2], that is, an increase in the profitability of management.

The aim of the scientific research is to study the process of formation of profit on sales of agricultural enterprises, which allows to identify trends in the development of their economic activities and to present the author's approach to determining the amount of operating profit.

The process of scientific research was based on the methods of system and comparative analysis, methods of abstraction and modeling of financial information. The analytical study is based on the data from the accounting statements of enterprises, which today are recognized by most users as the main information sources of economic activity for the following reasons: it is formed and systematized on the basis of the initial documents and accounting registers according to the standard accounting rules and principles, in some cases it has to be externally verified and officially published. Under the conditions of tightening market competition and the transition to digitalization of the economy, the published reports serve as the main resource of financial data on the business of enterprises [3].

The agricultural enterprises of the agroindustrial complex of the Leningrad region, the main specialization of which is milk production and cattle breeding, were chosen as the object of the analysis.

Agriculture is one of the leading branches of the national economic complex of our country. Modern agricultural enterprise is a complex system, consisting of many interrelated and interacting elements, and the management of every element has its own characteristics, taking into account industry specifics, specialization and size of the farm. The activity of agricultural enterprise differs significantly from the business of industrial, transport, construction or any other production enterprise. The most important feature of business in agriculture is the system of state support of main production, the influence of which should be emphasized at the stage of formation of operating profit.

2 Results and discussion

The level of food supply in the region and the quality of life of people depends on how quickly and to what extent the agro-industrial complex solves the issue of full provision of the population with food [4]. The production and sale of dairy products on the market of the Leningrad region is the most important direction developed since the times of planned-administrative economy. The successful development of dairy cattle breeding is designed to meet the needs of society for food, which is extremely important for ensuring the country's food security and efficient agricultural production [5]. Over the past 10 years, agricultural production in Russia has advanced significantly [6]. Agriculture in the Leningrad region is one of the most developed industries in the country: the region ranks the

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1st in terms of productivity of dairy cows and the 6th in terms of milk production in agricultural organizations. There are 84 agricultural enterprises, as well as peasant farms and private subsidiary plots operating in the dairy cattle breeding sector in the Leningrad Oblast agro-industrial complex. The agricultural enterprises of the region that successfully solve the problem of providing the population with high-quality dairy products also include the enterprises under study, the main economic indicators of their activities are presented in table 1.

Table 1. Indicators of agricultural enterprises activity in 2019, mln

Enterprises	Assets	Revenue	Sales profit	Net profit
Mozhaiskoe	207	152	5.8	7.7
Kipen	266	109	9.4	7.3
Sudakovo	300	239	0.5	39.3
Bolshevik	313	138	0.7	25.4
Kultura-AGRO	401	180	-30.1	-35.3
Razdolye	463	312	22.7	76.8
Pobeda	471	183	26.0	12.0
Aleksino	480	225	39.7	69.6
Rodina	643	364	26.6	63.1
Pervomaisky	668	366	22.7	64.0
Plamya	707	340	0.6	51.8
Gatchinskoe	713	336	13.8	61.0
Petrovsky	1002	440	44.2	115.2
Krasno-gvardeisky	1048	456	21.3	89.9

All of the researched enterprises are joint-stock companies by form of ownership. The analysis of the accounting data showed that all the enterprises are profitable, with the exception of Kultura-AGRO. The data in Table 1 show that the value of sales profit in many enterprises is significantly lower than the value of net profit. This allows us to conclude that the current agricultural activity of the enterprises is ineffective; most of the net profit of the enterprises is formed as a result of other operations. However, in our opinion, this conclusion is incorrect due to the incorrect approach to the formation of the indicators of the report on financial results in agricultural enterprises.

The conducted research showed that on the whole the total amount of assets at the enterprises increased over the five-year period by 2.6 trillion rubles. The largest increase in assets was noted in Aleksino (increase of 87.6 %), and in Gatchinskoe (increase of 81.6 %). The main source of property financing at agricultural enterprises is their own funds, the total volume of which for the period increased from 3.6 trillion rubles in 2015 to 6.2 trillion rubles in 2019. More than twofold increase in own funds is noted in five farms: Pervomaisky (increase of 124.9 %), Sudakovo (110.6 %), Petrovsky (110.5 %), Razdolye (108.0 %), Krasno-gvardeisky (100.8 %). The increase of own sources occurred due to the organization of effective agricultural activities, which allowed enterprises to ensure the increase of business profitability. The share of retained profit in the balance sheet of the enterprises, except for Kultura-AGRO, is over 60 % of all own funds.

At formation of structure of the capital at the enterprises it is necessary to consider the action of the

mechanism of the financial leverage effect [7]. In addition to their own capital to finance economic activities, all organizations resort to using borrowed sources in the form of long-term and short-term loans. It should be noted separately here, that there is a case of Aleksino, where the management of the enterprise is focused exclusively on its own sources in the process of economic activity, so in this farm there is almost no borrowed capital, the index of financial independence is from 94 % in 2015 to 99 % in 2019.

The analysis of the dynamics and the structure of borrowed capital at the studied objects gives the reason to conclude that agricultural enterprises have different approaches to the formation of their financial policy. Most of the enterprises give preference to short-term borrowed sources of financing. At two large enterprises, Petrovsky and Krasno-gvardeysky, borrowed the capital on average by 85 % is formed at the expense of long-term sources, which indicates the implementation of investment strategy of business development at the enterprises. In general, in the process of development half of the farms prefer to reduce the use of borrowed capital to finance their activity, since the attraction of borrowed capital is closely connected with the value of financial risk of business: if the share of borrowed capital in the sources of financing is higher, the financial risk, and vice versa is higher as well, and vice versa at a low share of borrowed funds in the balance sheet it is common to speak about the financial independence of enterprise and low level of financial risk of activity, which allows to consider such enterprise highly solvent.

For the effective functioning of production, it is necessary to make such management decisions that will ensure the sustainable development of enterprises on the basis of the rational use of capital and obtaining a stable income [8]. The analysis of the reporting data shows an increase in the amount of income from ordinary activities at all enterprises (Table 2), except for Pobeda, where a decrease in revenue for the five-year period by 21.6 % was recorded.

Table 2. Analysis of the revenue dynamics of enterprises, million rubles

Enterprises	Years				
	2015	2016	2017	2018	2019
Mozhaiskoe	107	109	127	132	152
Kipen	89	98	103	103	109
Sudakovo	136	166	173	203	239
Bolshevik	123	143	143	142	138
Kultura-AGRO	141	159	180	172	180
Razdolye	224	246	252	273	312
Pobeda	234	215	173	177	183
Aleksino	142	165	183	209	225
Rodina	264	290	325	331	364
Pervomaisky	229	274	314	329	366
Plamya	319	331	351	363	340
Gatchinskoe	217	253	280	290	336
Petrovsky	332	378	400	403	440
Krasno-gvardeisky	293	334	342	397	456
Total	2851	3161	3345	3525	3841

The highest rate of revenue growth (more than 40 %) is observed at six enterprises: Sudakovo, Pervomaysky, Aleksino, Krasno-gvardeysky, Gatchinskoe, Mozhaiskoe. On the average, for all companies revenue increased for the researched period by 34.7 %. Significant growth of the revenue indicator at the enterprises may point at the increase in the volume of production and sales of products, the strengthening of agricultural production. This should ultimately lead to an increase in the profitability of operating activities. However, as the data in Table 3 show, the growth of profit from the sale of products is fixed only at four enterprises: Kipen, Aleksino, Pervomaisky, Gatchinskoe (Table 3).

Table 3. Analysis of the dynamics of profit from sales, million rubles

Enterprises	Years				
	2015	2016	2017	2018	2019
Mozhaiskoe	8.7	3.2	10.9	6.7	5.8
Kipen	5.9	10.1	11.2	6.4	9.4
Sudakovo	-8.1	-5.1	-4.9	2.0	0.5
Bolshevik	3.4	8.5	2.8	1.3	0.7
Kultura-AGRO	-18.1	-19.0	-16.9	-11.3	-30.1
Razdolye	23.3	10.3	0.3	1.8	22.7
Pobeda	31.5	9.1	12.7	14.9	26.0
Aleksino	20.0	21.3	20.5	22.0	39.7
Rodina	28.0	29.0	35.4	24.9	26.6
Pervomaisky	3.8	-11.4	25.4	30.2	22.7
Plamya	4.5	3.0	0.7	1.6	0.6
Gatchinskoe	10.7	12.0	9.4	7.4	13.8
Petrovsky	63.8	76.5	65.6	47.5	44.2
Krasno-gvardeisky	30.8	17.0	8.6	4.8	21.3

The analysis has also showed that in three enterprises in particular years the result of current production activities was negative. In the end, the data in Table 3 allow us to doubt the increase in the efficiency of agricultural production at the enterprises. The revealed contradiction in the reporting data requires a detailed analytical study and explanation of the existing economic "collision".

One of the essential aspects of determining the amount of income from ordinary activities at agricultural enterprises, in our opinion, is the accounting and recognition in the statement of financial results of the amounts of budget support. In accordance with the requirements of the Order of the Ministry of Finance of the Russian Federation No.66n of 02.07.2010 these amounts are reflected in other income, which automatically limits the possibility to include them in the income from ordinary activities and, accordingly, affects the correctness of forming the operating profit indicator, that is the profit from sales.

The amounts of budget support are currently allocated to agricultural enterprises in the following main areas: to cover production costs in the production and sale of crop and livestock products; for capital investment in agricultural machinery, equipment, modernization and reconstruction of buildings and structures; for capital investment in the reclamation of agricultural land and reclamation activities; for

subsidizing part of the interest rate for the use of credit funds.

In our opinion, the receipt and use of budgetary support in an agricultural enterprise is closely connected with its current production activities, which necessitates the recognition of budgetary amounts as income from ordinary activities along with revenue. In our opinion, the fragment of the statement of financial results of an agricultural enterprise in terms of disclosing income and expenses from ordinary activities can and should have the following form (Table 4).

Table 4. Fragment of the report on the financial results of an agricultural enterprise (the author's approach)

Indicators	Code	For the reporting year	For the previous year
Revenue	2110		
Cost of sales	2120		
Gross profit	2100		
Selling costs	2210		
Administrative costs	2220		
Budget funds	2230		
Profit (loss) from sales	2200		

The amount of state support for the agricultural enterprises at this stage of development plays an important role in increasing the efficiency of agricultural production [9]. Subject to the proposed adjustment and the reflection of budgetary funds in the income from ordinary activities, the value of profit from sales of products in agricultural enterprises would have a different value (Table 5).

Table 5. Analysis of adjusted profit from sales, mln

Enterprises	Years				
	2015	2016	2017	2018	2019
Mozhaiskoe	20.6	16.3	29.6	25.7	25.6
Kipen	19.7	35.7	29.4	24.4	24.5
Sudakovo	31.7	30.9	27.1	46.7	41.1
Bolshevik	41.7	34.4	40.8	33.1	24.1
Kultura-AGRO	8.2	6.8	9.2	14.8	-7.8
Razdolye	60.8	57.6	27.6	43.9	68.9
Pobeda	62.3	35.1	37.0	48.7	37.0
Aleksino	44.6	49.8	45.8	59.4	71.7
Rodina	66.9	74.6	75.0	75.2	72.9
Pervomaisky	68.4	53.2	85.9	94.9	111.3
Plamya	71.0	71.3	63.5	50.6	55.1
Gatchinskoe	44.4	54.4	66.8	72.9	72.1
Petrovsky	135.0	141.2	151.5	119.3	108.9
Krasno-gvardeisky	101.4	110.0	78.0	114.3	110.0

Based on the analysis of the data in Table 5, we can conclude that the amounts of budgetary support in agriculture have a significant impact on the formation of profit from operating activities. The indicators of adjusted profit reflect the profitability of the main production activity at all enterprises, except for the activity in Kultura-AGRO in 2019. Thus, the conducted research allows us to conclude that for effective management of agricultural enterprise activity it is necessary to know at the expense of what its operating

profit is formed and what influence on its formation the amounts of budgetary support have [10].

The question of profit formation as a result of modern business processes today is a complex and contradictory process. In practice, there are often situations that Y.V. Sokolov called accounting paradoxes: there is profit in accounting reports, but there is no money; or there is a real loss based on the results of activities, products are sold in debt, expenses are not recovered - in the accounting of the enterprise a profit is reflected [11].

In modern accounting and analytical theory and practice of financial management, there is a huge variety of types of profit, diverse in their economic content and algorithm of formation. Only in accounting reports there are five types of profit: undistributed, gross, from sales, before tax, net. Four of these types of profit are reflected in the statement of financial results. Also in this report is the formation of the indicator "the total financial result of the period" as the final indicator of the activity of the enterprise for the reporting period. In practice, it is also used to calculate additional types of profit: economic, marginal, taxable, capitalized, consumed, EBIT profit, EBITDA profit, NOPLAT profit, etc.

The existing approaches to the interpretation and calculation of profit indicators allow to judge the uncertainty of understanding this indicator and its importance in economic activity.

Most often profit indicators are used in the process of analysis and evaluation of business efficiency and expediency of its further development. However, the process of formation of operating profit as a financial result of agricultural production can have not just economic importance. The profitability of agricultural business is of crucial local importance for the success of rural development and the implementation of social support measures for employees and their families. This, in turn, stipulates a certain social responsibility of agricultural enterprises' activity [12].

3 Conclusion

The significance of accounting reports is that they are a source of data about the enterprise for potential users, in modern conditions it is reporting that serves as the main means of communication and the most important element of providing management decisions.

The implementation of the proposed approach to the formation of profit from sales in the report on the financial results of agricultural enterprises is designed to increase the informativeness and usefulness of the indicators of accounting statements of these economic entities.

The transition to digitalization of the Russian economy encourages all entities to ensure the publicity of accounting statements as an information source of the success and attractiveness of the business for potential counterparties. The solution to the problem of improving the quality of generated and published reporting information serves as a guarantee of objective disclosure

of the performance of agricultural business and the effectiveness of mutual business cooperation.

In the course of financial analysis the main goal should not be limited to determining the quantitative benchmarks of business profitability, the key objective should be to identify the stability of economic processes in the enterprise and determine the sustainability of the enterprise.

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