WAYS TO IMPROVE PROFITABILITY

The main goal of any commercial enterprise is profitability. The essence of profit is determined by the economic performance of the enterprise and its place in the market. The basis of ensuring profitability is qualitative development of the company, which is estimated by profit or to be more specific by the parameter of profit quality as a key parameter. The quality of company profits is defined as a general characteristic of the sources of income. The high quality of company profits is characterized by growth in sales [5, c. 180].

The profit of the company is affected by such important quality indicators as increase in productivity, reduction of costs, improvement of product quality and the use of production assets. Profit is the main source of expansion both of fixed asset and working capital and an effective tool that stimulates increasing of production performance and reduction in operating expenses.

To ensure sustainable growth of the enterprise some effective measures must constantly be implemented for maximizing profits. Among them are the following:

1. Planning - if the plan of getting profit is made up properly, professionally and proficiently, the company can determine the amount of payments paid to the state budget and the amount of profit remains at its disposal to create a financial base for development of its activities as well as necessary expenses for social development and financial incentives work.
2. Paying due attention to the product quality.
3. Constant search for reserves growth.
4. Maintaining of appropriate level of business (the ability to gain additional revenue and increase profitability is favourable for high business reputation, which primarily depends on timely fulfilment of all obligations to suppliers and customers).

One of the reserves of company profit growth is an increase in the volume of sale of commodity products. Between revenue and sale rate is a direct relationship, i.e. the more products are sold, when all other things being equal, the greater is the amount of profit, and conversely, losses lead to reduction of profits.

The increase in profits as a result of production activities enables the company to earn funds for production and social development, financial incentives. At the same time, growth of revenue at the company means the increase of contributions to the state budget [7, c. 302-307].

The reserve for profit growth of industrial enterprises is in the increasing of the quality of products and the elimination of losses caused by the defective goods. The problem of products quality in a number of industries is closely connected with increasing of durability and reliability of products. Many companies produce products with warranty [6, c. 232].
Practice shows that some companies provide guaranteed service life of products by the costs for premature repairs of defected products sold to consumers in the warranty repair workshops. It leads to reduction of product quality and increase of production costs, since the cost of products includes warranty costs. It results in moral and material damage for both a buyer and a manufacturer.

The means of production must be constantly improved too. It means to introduce new equipment, improve technology, introduce advanced materials and so on. This enables to reduce production costs significantly and thereby increase the profits.

Reducing of production costs is the most important condition for stabilization of prices, the economic prosperity of a company, the source of savings for accelerating social and economic development of society and improvement of living standards[4, c. 126].

Reducing production costs is very essential for profitable growth. Reduction of production costs depends on savings of material, labour and financial resources, which use the company. The cost of production is very important for efficient functioning of an enterprise.

It should also be noted that with the increase in output profit increased not only by reducing costs, but also because of increasing the amount of products manufactured. Thus, the higher is the level of production, the higher amount of profit is received [1, c. 115].

Increasing in income may also occur due to increased productivity. With productivity growth labour costs per unit of production declines, and thus decreases the share of wages in the cost.

To reach it the company must actively use various motivational tools: the mode of payment, payment for overtime time work, delivery of workers to and from work on agreed routes, financial allowance to workers with the occasion of the anniversary and other important dates [3, c. 253].

To increase the received profit industrial enterprises must apply the adequate price policy. Prices should reflect some social aspects like nature, quality and purchasing power of consumers. The price affects largely the amount of profit, liquidity, solvency of the company and its financial position.

The sale of products depends on the labour remuneration of sales department workers.

An important role for sale plays marketing. World trade practice has shown that many types of new products do not find a buyer on the market without skilful marketing organization. Therefore, in these circumstances marketing should be paid special attention [4, c. 126].

To increase profit it is very important to preserve existed long-term economic ties. Their distraction has bad impact on production and logistics.

An inventory of supplies and equipment to identify surplus should be regularly conducted in order to increase the volume of profit from the sale. These surpluses must be sold at market prices.

The standards require improving too. Technically reasonable rates and regulations, well-timed reviewing of them, on the one hand, affect wages. But on the other hand they affect pricing [4, c. 54].
One of the reserves to increase the profits of industrial enterprises is the use of salvage resources and complementary products. The part of salvage raw materials in total material resources used in economics, increases significantly.

In conclusion the basis of the increase in profits is scientific and technological progress in manufacturing. The scientific and technical progress, decreasing of power inputs provide a sharp turn to intensifying of production.

REFERENCES


3. Кондратюк О.М. Синергія інформації в управлінні витратами підприємства. / О.М. Кондратюк, О.В. Школа. // Держава та регіони. – 2010. – №6. – С. 253;


