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RESEARCH OF THE PROFIT ESSENCE AND EVOLUTION

Gorlenko O. A.

**Supervisors: Dr. of Economics, prof. Satsuk T.P., PhD Shchitnikov A.S.
*Siberian Federal University***

The relevance of research is motivated by the fact that being the financial result of business enterprise in the modern market the profit is the basis for economic development of enterprises and organizations. A major role of profit determines the need to study arrived as a historical category and understanding of its essence as for individual enterprise so for the economy as a whole.

The purpose of this study is to examine the nature of profit, to analyze the approaches of determination of the earnings used by different authors and to formulate my own definition of profit.

To achieve this aim it is necessary to solve the following problems:

- 1) To analyze the economic works of classic and contemporary authors, the subject of study of which is profit
- 2) To study the legal and regulatory documents which govern the formation of profit
- 3) to formulate current definition of profit using the method of compilation, analysis and other methods .

The fundamental works of Thomas Mann, F. Kene, A. Smith, JB Sowing, A. Marshall, Marx, J. Schumpeter, IA Blanc, MI Bakanov, AD Sheremet, etc. were devoted to the study of profit essence.

Theory of profit takes one of the central places in the history of economic thought. There are many approaches in the scientific literature concerning its definition and there are a lot of views on the sources of profit formation.

The basic principles of the research of content of profit are associated with the development of the doctrine of the mercantilists; the most famous representatives of mercantilism were Thomas Mann, A. Montchretien, David Hume. Mercantilists have paid the greatest attention to the research of sources of profit. Mercantilists argued that profit arises in the sphere of circulation, and it is a direct source of foreign trade (unequal exchange as a result of trade relations with other countries). Mercantilists are aimed on the achievement of trade surplus, i.e. surplus in foreign trade.

Transition point from mercantilism to phyziokratizm was the teaching of W. Petty, who considered that the land and labor are the source. The views on the origin and source of profit has been changed. The most prominent representative of phyziokratizm was F. Kene, who denied the doctrine of mercantilism according to which the wealth is created in the sphere of circulation. He believed that labour in agriculture is the source of wealth, provided by the sales price exceeding agriculture products produced over the cost of agriculture "if the selling price does not exceed the costs of farming, it will not appear any income or wealth, as if neither was plentiful products." However, the doctrine of F. Kene is narrow; it is limited in the fact that the source of wealth is considered to work exclusively in agriculture.

The development of production has pushed economists to expand the methodological approaches to the study of profit. Adam Smith argued that there are no trade and other branches of the circulation, and the sphere of production is the source of wealth, what is more, the first source of wealth is agricultural production and only after that there is industrial. In Adam Smith's theory, in contrast to the Physiocrats, productive capital is engaged not only in agriculture, but also in the sphere of material production. In the scientific work "Inquiry into the Nature and Causes of the Wealth of Nations" Adam Smith defines income as "income derived from the capital by a person who personally uses in his deal." Smith says, "all the

surplus remaining after paying rent and reimbursement of capital, is called profit. Meanwhile, some of this surplus is obviously of wages. "From this statement it is obvious that profit is a result of involvement in the production process of production factors.

J-B Sei paid great attention to the study of capital formation as a source of profit in the industry. He believed that "profit entrepreneur usually consists of two parts: the actual profit from the industry and from capital gains." No matter whether this capital is busy or there are no "profits derived from the business which comes in favor of the entrepreneur, because he takes all the chances of success or failure of production on his own responsibility." In his treatise on political economy Sei stands out a source of profit as an entrepreneurial ability: profits "would be received as a reward for its industrial capacity, for his talents, activities, the spirit of order and leadership."

Marginal economic theory replaced classical political economy. Marginalists began to explore the economic phenomena on the scale of individual firms, industries (microeconomics). The second stage of "marginal revolution" was the formation of the neoclassical school of economic thought. A. Marshall introduced special contribution to the development of the theory of return on capital. Marshall devoted his research to examine the relationship of capital gains and entrepreneurial skills as a factor of production. According to Marshall, the driving force is the competition among entrepreneurs. Every entrepreneur "trying every opportunity, predicting the likely developments in the future, reducing them to the actual relative proportions and trying to determine what the excess is likely to generate revenue compared to the costs of any enterprise, needed to obtain these revenues." Marshall defines profit as the main goal of entrepreneurial activity, "all of his income, the potential profit attracts him to participate in the enterprise," as a reward for an entrepreneur: "the entire amount of the expected profits is included in the fee, which he expects to receive for his undertaking".

Marx explores the profit from the position of labor theory of value. In the book "Capital" Marx defines profit as the increment form of surplus value. According to Marx's theory surplus value is obtained by gratuitous capitalist appropriation of unpaid labor employees. He considered that the profit maximization is the main motive of the company.

Schumpeter, as well as A. Marshall was interested in explaining the origin of business profits. Schumpeter supported the view of predecessors that profit is the difference between total revenues and expenses; however, he believed that such a concept is very superficial. According to Schumpeter, expenses included "relevant emoluments which entrepreneur gets for his labor, and rent for the land, which he possibly owns and, finally, the risk premium", as well as interest on capital. He meant entrepreneurial profit as a "part of the funds remaining after the free cover of all costs, especially free from the standpoint of the entrepreneur."

Due to the development of competition, the study of entrepreneurship as a source of income was devoted to the works of many scientists, in particular P. Knight. He believed that profit is an award which entrepreneur gets due to assumption of risk "is almost always the entrepreneur must possess some property, and the owner of property used in business, is unlikely to be free from all risk and responsibility." Knight's special contribution to the development of the theory of profit is to introduce the concept of "net profit", he connected it with the fact that in today's organizations, the owner does not provide services of his labor, but only serves the property owner in this situation of profit "it is the difference between the rate of return on investment part and general competitive rate of return on investment". Based on this, the "scientific interpretation of the term" profit "should be distinguished from all sorts of free use of this word in business and in particular of the net income owner", therefore, "it is advisable to use some special expressions such as" net income. "Knight also insisted on using the term "financial result" in the singular, because the result of activity is either only the profit or loss.

In modern scientific literature profit is treated as the difference between income and expenses of the enterprise, as a source of income for the entrepreneur, as the main indicator for the analysis of financial and economic activity.

Blank I.A. treats profit most fully: "Profit is expressed in pure cash income of the entrepreneur on invested capital, which characterizes his reward for the risk of doing business, representing the difference between total income and total costs in the implementation of this activity." This definition includes: economic profit essence, the sources of its emergence and significance for the entrepreneur. However, in his definition of profit I.A. Blank takes into account only the external costs of the enterprise, that is, in essence, gives a definition of accounting profit, without considering the benefits of the alternative use of factors of production, i.e. internal costs (implicit costs).

Bakanov M.I. and Sheremet A.D. note: "profit - is, on the one hand, the main source of fund companies, and on the other - the source of revenues for the state and local budgets." Based on the above definition, we can conclude that Bakanov and Sheremet treat profit from the point of view of its microeconomic and macroeconomic values. According to them, profit and profitability are the important indicators of efficiency of financial and economic activity of enterprises.

The Civil Code of the Russian Federation defined profit as a goal of a commercial organization.

The Tax Code of the Russian Federation subject to tax on corporate profit tax is recognized in profit earned by a taxpayer. According to article 247 of the Tax Code profit for Russian organizations is recognized as received incomes, reduced by the amount of expenses that are determined in accordance with Chapter 25 of the Tax Code. Thus, the Tax Code provides a definition of profit before tax (accounting profit).

Thus, analyzing the approaches to the concept of "profit" and identifying the sources of its occurrence in the historical aspect, we can say that the majority of authors, in particular, F-B. Sei, A. Marshall, K. Marx, J. Shumpeter, F. Knight considered entrepreneurial abilities as the main sources of profit. They define profit as a result of entrepreneurial initiative (as a reward for entrepreneurial abilities for resource saving and rational use of factors of production, for labor and risk of the entrepreneur).

F. Knight proposed to use the term "financial result" in the singular, according to his point of view, the profit must be determined as a positive financial result of the enterprises activities (as negative will be a loss).

In accordance with PBU 4/99 "Accounting organization," 9/99 "Income of organizations" and PBU10/99 "Expense of organizations," to date, profit is the difference between the proceeds from the sale of products and goods, works and services (from ordinary activities), costs associated with the normal activities of the enterprise and the algebraic sum of income and expenses from other activities, i.e. the difference between total revenues and external costs of the enterprise.

Based on the above arguments and the legislative and regulatory framework we formulate our own definition of profit.

Profit - is a positive financial result of economic activity of enterprises, acting as a reward for the entrepreneur's initiative obtained by subtracting from the total income of the enterprise, both external and internal costs.

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