

THE ROLE OF ACCOUNTING INFORMATION IN THE ANALYSIS OF THE RISK OF ACTIVITIES OF ENTITIES FROM AGRICULTURE

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The accounting represents an essential component of the economic informational system; through its own way of processing the data it could offer exact information regarding the results from activities of the economic entities.

Such information, especially the profitability, is necessary for evaluating the potential changes of economic resources which could be controlled by enterprises in the future. The information regarding the variability of results are important in order to anticipate the capacity of the enterprise to generate liquidity cash flows with existent resources, being at the same time, useful to formulate the reasoning regarding the efficiency of using the new resources by the enterprise.

The profitability analysis is linked to risk defining; risk which at the entities from agriculture should be analyzed in a special way, because of the specificity of this activity. Profitability can be appreciated only depending on the supported risk and conversely, the economic agents assume a risk only depending on the profitability they expect. The analysis of the profitability should be done in accordance with the form involved by the risk such as: economic risk (operational risk), financial risk, bankruptcy risk. With the accounting information there were calculated some indicators and on this basis could be appreciated the way of taking place the economic activities, at the same time, drawing some conclusions regarding the favorable or unfavorable trends. Some examples of such indicators are the following: rate of net return, rate of return for the permanent capital, return on equity, quick ratio solvability, financial independence level, global debt rate and so on.

The paper intends to underline the information valences of the accounting data, the resulted conclusions drawn on this basis could be the starting point for the management decisions in the next period.

Keywords: *accounting information, decision, sustainable development, operational risk, financial risk.*

The accounting informational system, component of the global informational system of the entity, represents a model of “description and modelling” of it, but also a real system of information and assisting of decision. This is due to the role of the information of accounting nature which it produces and communicates in the decisional process.

As language of business, accounting has imposed itself more and more through its forecasting function. It is regarded even more as an orientation instrument for the future activity of the organizations, a managerial counselor for them. It is present in all the phases of the decisional process, in various aspects, from simple situations regarding the stocks and the production obtained or situations regarding the immobilized assets to complex reporting of the type of the annual financial reports. The information furnished by the accountancy is at the basis of the determination of the performance indicators and of the risk of the activity of entities.

MATERIAL AND METHOD

Due to the fact that the financial – patrimonial situation of any entity represents a true “barometer” of its policy, of the conversion of using all the types of resources employed in the economic activity, we consider that the analysis of the performances and implicitly of the risk of activity allows the identification of the action modalities for ensuring the balance between the resources mobilized by a company and the way of their use. Subsequently, this analysis is useful for the various categories of users which it is addressed to. Thus, for shareholders, the entity has a good financial situation if the profitableness that such a placement offers to it compensates the risk to which it is exposed. For the shareholders, the first signs of the financial unbalance appear when they do not obtain the profitableness of the own funds that they desire, taking into consideration the economic and financial risks, which we will analyze further on. For managers, the evaluation of the financial situation is connected to the objective of the maximization of the value of the entity, to which criteria of financial flexibility are added, of economic raise and financial autonomy. The creditors must have the guarantee that they have assured the reimbursement of their credits, including the adequate remuneration.

The informational sources for such an analysis are represented by the financial reports, the most centralized and systemized form of the accounting information.

In order to evaluate the performances, more categories of indicators were used. The performance of an enterprise was first evaluated based on its dimension, considering that the size is a defining measure in obtaining the performance. The practice proved that small companies are more flexible and can be administered more easily, especially when the economic environment is damaging. Subsequently, we passed to another criterion of evaluating the performances, respectively the profit. This one reflects the result that remains to the company after covering the expenses. At the same time, by calculating the profit on action, the gain that accrues to a shareholder can be determined. The profit has in exchange more limits, like the non correlation with the activity volume or with the capital used, the non taking into account of the risk, suffers accounting distortions, etc.

RESULTS AND DISCUSSIONS

The passing to the indicators of cash flux allowed to be taken into consideration also the capacity of the company to administer correctly the current activity, following that, subsequently, to focus on the indicators which reflect the creation process of value. All these stages are presented in table no. 1.

Table 1

Performance criteria of the entities

Period	The performance criterion / Performance indicators used
1960-1970	The dimension of the company, evaluated through: - Business number - Total assets
1970-1980	Accounting profitableness, expressed through: - Net profit - Result per share - PER (price earnings ratio)
1980-1990	Relieved liquidity, expressed through indicators of cash-flow: - Exploitation treasury (operational cash-flow) - Global treasury - Available treasury
1990-2001	The creation of value, expressed through: - Profitableness of investments (ROI) - Added economic value - Value added by the market
At present	Creation of value, subordinated to the desiderate of the lasting development.

As far as the entities in agriculture are concerned, there must also be taken into consideration the indicators of performances in the conditions of the lasting development, indicators that are presented in table no 2:

Table 2

Indicators of performances in the conditions of the lasting development

The objectives of lasting development	Indicators
1. The impact on the environment	- Energy consumption - Rate of emission of substances which affect the ozone layer - Rate of emission of acid substances etc.
2. Resources consume	- The consumption of energy on product - Bio-degradability index - Recycling rate of rough matters
3. The access to vital products	- Pollution degree of the soil - Toxic task
4. The contribution to the public health	- The gravity of work accidents - The frequency of work accidents - The weight of professional diseases - Expenses for work security
5. Education and continuous formation	- Training expenses for employees - Training expenses for subcontractors
6. Launching of products and services oriented to the social request	- Number of biological products - Market quote of these products and their weight in the total production

In order to increase the performance of the entity, the effects of the operational or exploitation risk must be diminished, which is determined by the fact that the elements of the result regarding the exploitation activity (quantity, cost, price) cannot be certainly anticipated and correlated with the elements of the exploitation process (supply, production, commercialization). The operational risk

thus represents the probability that for the incomes relieved by the exploitation activity the expenses implied are not covered, due to their structure. As a consequence, the operational risk depends also on the structure of the expenses, their dependence of the production volume; we talk about the fix and variable expenses which are treated by the administration accountancy.

Taking into consideration this classification of expenses, the economic risk can be regarded in close correlation with the weight of the fix expenses which are absorbed in a much greater measure if their weight is lesser.

An efficient instrument in the analysis of the risk and in agriculture is represented by the profitableness limit, which can be also regarded as a measure of the flexibility of the enterprise in relationship with the fluctuations of its activity. The result of an entity is influenced by unpredicted events. Especially in agriculture where the dependence upon the environment conditions is greater.

The profitableness limit – the point at which the incomes from exploitation cover the whole sum of the expenses from exploitation, the result of the exploitation being null – represents the minimum level of activity for which the entity does not register a loss and over which it relieves a positive result.

In order to use this instrument in the analysis of the risk it is necessary to know its informational valences. In order to characterize the profitableness limit, the following indicators are used: the critical sold quantity which represents the critical activity volume, expressed in physical units, respectively that quantity for which neither profit nor loss is registered, and which is determined as a relationship between the fix expenses and the unitary gross margin on the variable expenses; the critical business number given by the critical activity volume expressed in value units which are determined by multiplying the critical sold quantity with the selling price; the use degree of the production capacity in the critical point determined as a report between the critical activity volume and the maximum activity volume; the critical period represented by the moment in which the profitableness limit is reached, when the critical physical volume is accomplished of the production sold.

The analysis methodology of the critical point as an evaluation instrument of the risk is extremely useful in case the entity has a seasonal activity, the way it happens in agriculture.

The methodology presented, illustrated further on through an example, can be used in any field of seasonal activity.

In table no. 3 the indicators necessary to the calculus of the profitableness limit are illustrated in an activity with seasonal character.

Table 3

**Indicators necessary to the calculus of the profitableness limit
in an activity with seasonal character**

Nr. crt.	Indicators	Per. I	Per. II	Per. III	Per. IV	Total per. of production
1.	CA (thousand RON)	4800	7200	11200	16800	40000
2.	Variable expenses related to the business number (thousand RON)	4200	5600	8000	12800	30600

Nr. crt.	Indicators	Per. I	Per. II	Per. III	Per. IV	Total per. of production
3.	The margin of the variable expenses (thousand RON)	600	1600	3200	4000	9400
4.	Fix expenses (thousand RON)	1000	1000	1000	1000	4000
5.	The result from exploitation (thousand RON)	0	0	0	0	
6.	The coefficient of the margin of variable expenses	0,12	0,22	0,28	0,23	0,23
7.	Season coefficient (CA on per./CA environment)	0,48	0,72	1.12	1,68	

The calculus of these indicators allows the determination of the critic business number and of the coefficient of the profitableness limit which is determined as a ratio between the critical business number and the business number / no. of days of the production period. This way the critic business number will be of 17021 thousand RON and is reached in the 156th day of the production period.

The effect of the season period is distinguished through the determination of the profitableness limit on each period. It is obtained the critic business number:

- for the period I of 8333 thousand RON;
- for the period II of 4545 thousand RON;
- for the period III of 3571 thousand RON;
- for the period IV of 4347 thousand RON.

At the same time, through the analysis of the coefficient of profitableness limit on each period the effect of the season period is reflected on the business income.

The results of the analysis of the operational risk must be correlated with the resulted from the evaluation of financial risk. This is because we should not disregard the impact that the structure of the financing sources has on the result.

From a methodological point of view, the analysis of the financial risk supposes the same stages as the operational risk, with the indication that, for a certain level of activity, the financial expenses with the interests are considered fix expenses. The evaluation of financial risks is interesting both for the creditor, and for the shareholder.

For the analysis of the financial risk two indicators are important and that is:

- the rate of financial profitableness of the own capital;
- the rate of financial profitableness of the permanent capital of the rate of economic profitableness.

CONCLUSIONS

The performance, the profitableness of an entity cannot be evaluated by making abstraction of the risks it faces. On the other hand, any entity cannot assume risks without knowing its performances.

The increase of financial performances depends on the raise of economic profitableness, the raise of the rotation speed of the actives and the raise of the efficiency of their use, but also by the rigorous substantiation of the financing

politic. In order to prevent the risks it is imposed to value with a superior profitability all the resources of which the entity disposes, the integral and efficient use of the capital no matter its origin.

An analysis in this sense is not possible without accounting information. The accounting informational system as a whole, must respond to the informational necessities of users, taking into consideration that the contemporary evolution of the accountant systems is marked by the necessity to surpass the crisis regarding the necessities of accounting information. Accountancy must become an instrument of administration and an instrument of financial analysis, aspects that bring in discussion new characteristics of the accountant information, these being generally the only elements based on which the administration of an entity can be judged, compared, foreseen and evaluate the situation and its beneficiary capacity, and, subsequently, to make decisions.

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