

STUDY OF FINANCIAL ACCOUNTING BASED OF FINANCIAL INDICATORS AT SC CREȚU COMPANY SRL, HÎRLĂU

Gabriela IGNAT¹, Carmen Olguta BREZULEANU¹,
Carmen COSTULEANU, Ioan PRIGOREANU

e-mail: gabriela@uaiasi.ro

Abstract

Analysis of expenditure and income and the economic result of the company should occupy an important place in the internal management, because that depends the capacity of using the factors of production and the mode that interfer between the company and market, providing strong financial and economic performance to assure an high level economic and financial performance, to provide an mode of explore costs and income, from another perspective must assure the efficiency of different costs so that generate income by using a correct management and the company obtain an high benefits, profit and plus value. Organization and economic activity must be necessary, in terms of real needs of society and efficient, profitability ensuring a profit to expenses of profit through income. From this point of view is necessary to obtain and record the sources of profit, in this case the company should achieve strict evidency of costs and income, which are one of the most important sector out of business. This objective is conditions on a thorough knowledge of the real situation of unit from in light of external manifestation by using an specifics indicators at the high level and been able to identify the components which are influence the indicators level and to know the primary causes which are actions of them. This study is intended to be a financial an economic analysis of costs, revenues and financial results that involve any economic activity, emphasizing the mode that reflects the causes that positively or negatively influenced their evolution and the necessary measures which are contribution of reducing the productions costs, to improve the quality of products and to increasing the profitability and efficiency of business activity.

Key words: accounting information, performance, policy making, diagnosis profitability

Business expenses and income reflects a wide range of financial and economic phenomena such as using and consume the production factory: nature, labor and capital and so that is necessary to perform, to recuperate the using resource.

To perform in any activities in special the activities of company that are resource consumer and results producing and like accountancy, by the mode of organisation and management provide an accurate picture of company resources and results; so that anyone should be count of that because it's important that the management and business organisation in the company be strategic implemented, so we obtain the high results that we want and a correct management business is a mode by using practices from accountancy domain. According FABS 'expenses are either outputs or decreases in assets or increases its debt or a combination of the two types of operations that occurred during the year and generated the supply of goods, services or other activities arising from normal operation'.

MATERIAL AND METHOD

Research methods used in this paper are bibliographic study, observation and comparative analysis. The case study was conducted at SC Crețu Company SRL, Hîrlău where are been analyzed the indices of asset management, debt and profitability indicators.

RESULTS AND DISCUSSIONS

Assets indices are called as management activity indices. Efficiency of a company is measured by this indicators who stand on base of the current assets transform process of circulating active at the long circuit which begins with the numerar used for stock acquisitions and its end with return of him in the company after selling the products and services.

In the analysis of these are recorded the following aspects:

- the stocks rotate at 1,36 times in the last year compared to 5,06 times in 2010 and 15,61 times in 2009, so that we see a slight inefficiency

¹ Universitatea de Științe Agricole și Medicină Veterinară, Iași

in the use of stocks existing, the main effect of this is the immobilization of money, and we see that in 2009 the company got an extra sales of 0,17 lei, so the asset rotation speed increases from time to time which means an increasing of liquidity, an improving asset structure of the company.

Table 1

Analysis of asset management indices

Indicator	2009	2010	2011
Turnover	5318724	3987154	2919530
Stocks	340736	787818	2144075
Total fixet assets	4530176	4746246	5009913
Total current assets	1591337	1529872	2876312
Total assets	6121513	6276118	7886225
No. stock rotation	15,61	5,06	1,36
No. turns of fixed assets	1,17	0,84	0,58
No. total current assets	3,34	2,61	1,02
No. total assets rotation	0,87	0,64	0,37

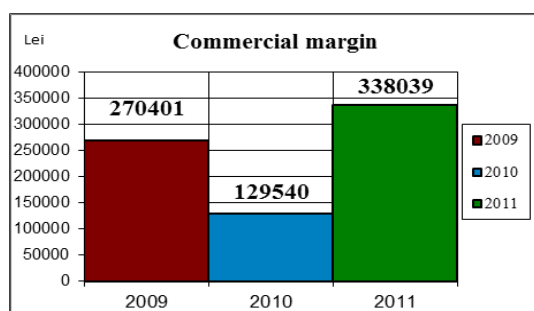


Figure 1 The evolution of trade margin

The commercial margin recorded an upward trend in the last year of analysis, increasing the value of 123540 lei in 2010 to 338039 lei in 2011, this increase is caused by an increase in revenue from the sale of goods in a faster pace than spending goods. Based on figure 1 we can see that margin trading is a great development from 47,90 % in 2010 to 125,01 % in 2011, virtually the increase to 77,11 % in 2011 compared to 2010 was due to lower of year to year based on sales goods and cost of goods but in total production. In financial terms this additional growth signifies an improvement in commercial activity of the company.

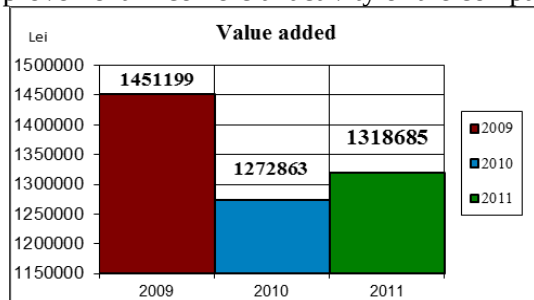


Figure 2 The evolution of value added

Using data from figure 2 it shows that the value added declined in period 2009 – 2011 to 12,28 % in 2010 and 9,13 % in 2011 compared to 2009

This situation was due by the fluctuations of materials costs and consumption from third parties and influence of exercise and production change by trade margin.

After analyzing the dynamics of production we could see that she varies from year to year, as compared to 2009 production recorded an growth in 2010 of 51,05 % and to 48,56 % in 2011 due the mainly lower production in 2010 for 48,95 % to 51,05 % in 2011.

In terms the production stored it recorded the largest fluctuation of 185,34 % in 2010 compared to 2009 and 96,10 % in 2011 compared to 2009, in this case the company recorded the highest value of stocks in 2010, and in terms of production sold recorded the highest value in 2009 and the other two years has a reduction of about 50 % compared to production from 2009.

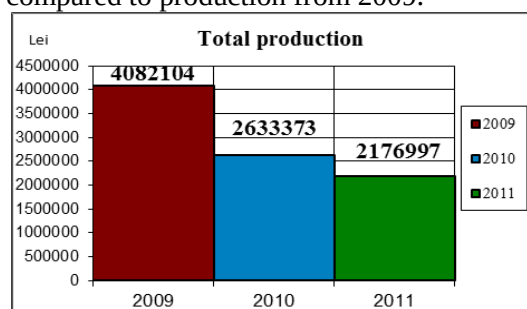


Figure 3 The evolution of total production

Total production also registered a decline from year to year due the fluctuations of production sold in 2009 and the variation in output stored in 2010 so the recorded an growth of 64.51 % in 2010 compared to 2009 and 53.33 % in 2011 compared to 2009. According to the analysis of debt ration, in the table we can see that the company has a share of less than on debt ration in the three years analyzed, which means that the company has a higher self-financing capacity, has a great control over its creditors and that she has a high flexibility. In terms of solvency situation of the company that is excellent both: the general solvency and in specially the financial solvency with good value and relative improvement trends in time, so we can say that the company is not in any danger in terms of inability to pay.

In terms of equity of debt ratio is observed that the company has a ration of 7,77 in 2009 and 2,01 in 2010 and an 2,71 in 2011, basically the best proportion of this is registered in 2009 because the equity has the lowest value in this year.

After analyzed the coverage of interests note of company we can tell that she support interests in the expense of operating profit recorded a high of 1.01 in 2010 and 1.07 in 2011 and so get an extra result as critical value of degree interest coverage is 1.

Table 2

Debt management indices			
Indicator	Anii		
	2009	2010	2011
Debt index	0,89	0,67	0,73
Degree of short term debt	0,44	0,26	0,32
Degree of long term debt	0,44	0,40	0,41
Patrimonial solvency	0,11	0,33	0,27
Debt to equity ratio	7,77	2,01	2,71
Coverage of interest	0,98	1,01	1,07
Average cost of debt	0,07	0,14	0,10

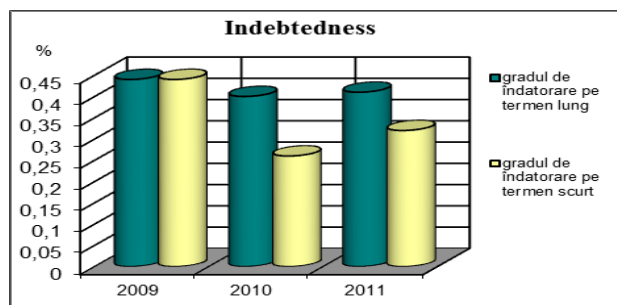


Figure 4 Share degree of short and long term debt

Net profit margin was an increasing trend during the analyzed period from 0,11 % in 2009 to 0,25 % in 2010 and the 1,27 % in 2011. In the analyzed period the rate of net profit margin has increased to 14 % in 2010 and with 116 % in 2011 which is attributed to redirection in the gross operating surplus greater extend than reducing turnover.

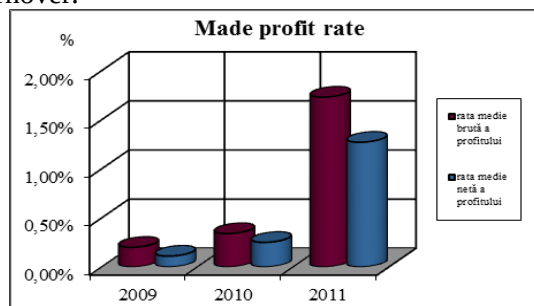


Figure 5 The evolution of made profit rate

Gross margins indicator is on an upward trend during the analyzed period recorded a level of 12.79 % in 2010 which means that a 100 lei turnover of 12 lei incument firm as gross result and in 2011 a level of 15 % an increase of 6 % over the previons year. Level is lower than the recommended level of 15 %..

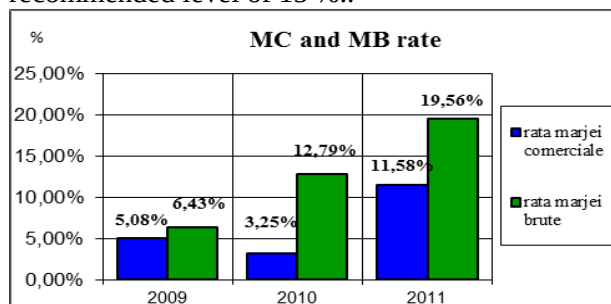


Figure 6 Share of commercial and brut margin

During the analyzes economic profitability rate she recorded in 2011 a significant increase of 276.47 % compared to 2009 this reflecting an increase in total asser releasing capacity gross profit.

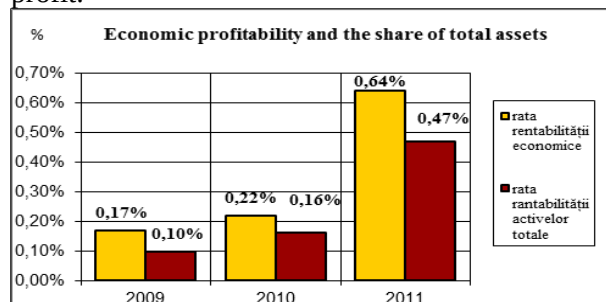


Figure 7 Share and return on total assets

Raising economic return of between 2009 – 2011 at a lever of 0.17 % in 2009 reaching a level of 0.22 % in 2010, thess year due to increased net income from the 5921 lei in 2009 than 9963 2010 and 36986 % in 2011.

The company recorded the highest share of total production by the sold production so in the tree years analyzed dominate the sold production. Percentage immobilized register 89.98 % of total manufactorig production in year 2009, 71.21 % in 2010 and 81.94 % in 2011 and 10.02 % production records stored in 2009, 28.79 % in 2010 and 18.06 % in 2011. These fluctuations of production sold are stored in total manufacturing production is due because of different recording production sold on the highest value recorded respectively in 2009 and when stored production is the highest value in year 2010.

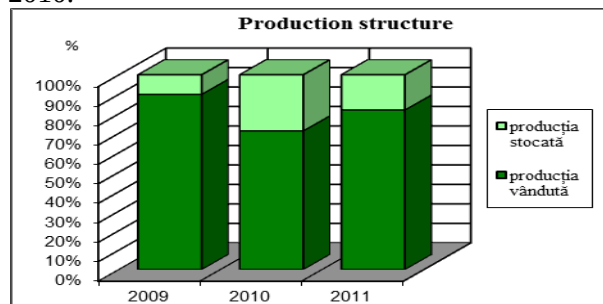


Figure 8 The production structure evolution

The added value recorder in 2010 a decrease from 12.29 % which is due because of decreased production whith 35.49 % and the decrease of intermediate consumption by 48.64 %. In 2011 value added registered an upward trend compared to 2010 increasing from 1272863 lei to 1318685 lei, an increase value in the relative sizes of 3.60 % increase due the increasing trade margin of 160.95 %. Accordin to the variation in absolute value added fell by – 178336 lei in 2010 compared to 2009 but realized an increase of 45822 lei in 2011 compared to 2009. This growth was driven by fluctuations that had the intermediate consumption, the trade margin and the total

productions. Intermediate consumption decreases in 2010 compared to 2009 to 48.64 % and 64.96 % in 2011, the company recorded a few practical production process costs from year to year.

Commercial margin are influences the value added because of his decreases from 52.09 % in 2010 with a slight increase in 2011 about 10 % reach 41.55 % compared to 2009. In terms of total output this register declines from year to year. In other words each year the company reduced production and decreasing production, decreases that influencing the factors namely commercial margin but also the intermediate consumption and entire result of this reduction is reflected on the value added. Throughout the analyzed period EBE register a downward trend which reflects a decrease in funding capacity operation.

Downward trend is due of decreased both value added and personal expenses. A rate lower wage growth in value added growth and the existence of a high fiscal pressure led to a decrease of 27213 lei in 2010 compared to 2009 and with 44913 lei in 2011 in front of the base year.

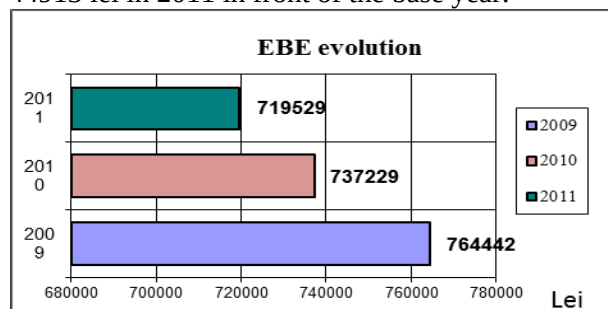


Figure 9 The eccedent brut of exploatare evolution

Analyzed during the operation result register an upward trend, so in 2010 the result of exploitation increased to 368333 lei at 607843 lei an increase in the relative size of 65,03 % and in 2011 result on operation grow from 607843 lei to the value of 647858 lei an increase on the relative size of 6.58 %. Is seen that the result of the operation registered a significant increase in 2010 and 2011. This growth is driven both by increses production and efficiency goods exercise activity, but the increase in operating revenue growth faster than operating cost have resulted in the company an favorable effect.

Lower gross operating surplus in 2009 – 2011 at 764442 lei in 2009, and 737229 lei registered in 2010 reaching at 719529 lei in 2011 this was due because the decrease in value added and

CONCLUSIONS

Financiar and economic analysis performed based on 2009 – 2011 data provided by the company highlighted a number of positive and negative aspects of company such :

personnel costs and other taxes.

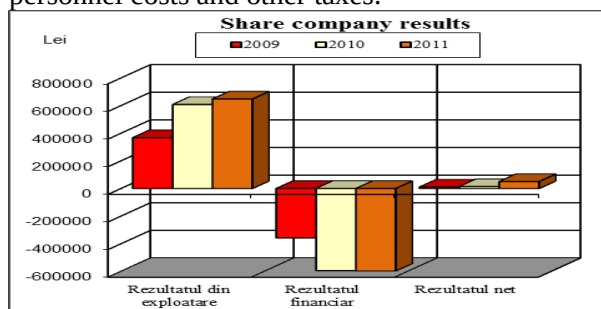


Figure 10 The evolution of company results

EBE representing cash flow capacity and is released from operations recorded in the tree years analyzed a decrease in growth rate because the due of lower income items from the nature of the expenditure and decreased efficiency. Downward trend of this indicator is negative because it is provide a reduction potential investment cash flow from operations and low remuneration of invested capital, all under a high inflation rate and a general economic instability.

Value added registered a decrease in the tree years analyzed because that she looks reducing the extra wealth created by business operating company. The operation result represents a loss in both periods increased. So given that EBE, operating expenses and decrease this value adjustment assets cancels the beneficial effect exerted on the result of the increase in other operating income.

Operating income increased in the tree years analyzed from 368333 lei in 2009 to 607843 lei in 2010 and 647858 lei in year 2011 was because the increased operating income compared to operating expenses. Operating result consistent with other financial indicators confirm the general trend of growth of the company, the real value registred higher of 65 % in 2010 and 76 % in 2011 compared to 2009. This significant increase is a positive think for the company such as expressing increased profitability in operating activities and consequently the performance of this activity.

Current income in the tree years analyzed the net result of the exercise show a grew in the tree years so in 2009 we have 5921 lei and in 2010 9963 lei and in 2011 to 36986 lei. This increase is due by primarity increased volume of buesiness activity by turnover.

- ♦ market leader in manufacturing bakery products owning a share of about 60 %;
- ♦ total production recorded a downward trend due to lower consumption;

- ♦ turnover fell by 25 % in 2010 and 45.11 % in 2011 compared to 2009 the reduction of the production process and thus decrease production sold;
- ♦ return growing in all fields of business;
- ♦ gross profit up from 2009 to 2011 reaching over 470 % over the year;
- ♦ increasing economic rate of return was influenced by increasing the number of revolutions of the total assets of 3.58 % and 4.62 % commercial rate of return ;
- ♦ financial return after recording in 2010 an decreased with 43.53 %, decrease due the increased equity, in 2011 this indicator grew with 104.71 % net income growth for the year due to growth in capital growth faster then own ;
- ♦ trade margin rate recorded in the 2011 an increased with 127.95 % compared to 2009, gross increase due the increasing exploitation result in higher rates of growth than total assets ;
- ♦ gross margin rate was an increasing trend throughout the growing analyzed by 98.91 % in 2010 and 204.20 % in 2011 compared to 2009 increases due the increased gross results in a higher rate of exploitation increased ;
- ♦ rate of return or profit rate expenses recorded in the year 2011 a significant increase of 1030 % compared to 2009 due the increasing net income growth for the year.

REFERENCES

- Bătrâncea I., 2001.** *Financial analysis based on balance*. Presa Universitară Clujeană, Cluj – Napoca.
- Bătrâncea I., Trenca I., Bejenaru A., Borlea N., 2007.** *Performance analysis and banking risk*. Editura Risoprint, Cluj – Napoca.
- Cojoc Doina, Ignat Gabriela, Iațco C., 2008.** *Accounting for engineers*. Editura Pim, Iași.
- Ignat Gabriela, Cojoc Doina, 2008.** *Balance sheet and economic success*. Editura Pim, Iași.