STUDIES CONCERNING THE FINANCIAL POSITION OF A WINERY

Gabriela IGNAT[1], Teodor BIVOL[2], George UNGUREANU[1], Carmen Luiza COSTULEANU[1]

e-mail: gabriela@uaiasi.ro

Abstract

In the knowledge based economy, the analysis of the financial position of a company, the whole of the assets and capital over which it exercises control, its places imprint on the strategy to being followed. The financial position may be influenced by the economic resources it controls, the financial structure, and its ability to adapt to the changes in the environment in which operated. In the study, the authors tried to carry out an analysis based on the data extracted from the annual financial statements using a system of indicators that are relevant and interpreting the conclusions can be drawn depending on which future evolution can be predicted. It was elaborated the diagnosis of the economic state which involved the analysis of the triad's diagnosis of technical resources, human resources, material resources continuing with, establishing the importance weights and the calculation of the aggregate score. the financial position implies the determination of the indices based on the chain calculated for the elements of assets / liabilities / equity. The diagnosis of the dynamics and structure of the assets, the dynamics and structure of the liabilities was made, thus making the diagnosis of the evolution and structure of the financial position. Studying the ability of the company with the payments due in accordance with IFRS, the diagnosis of liquidity and solvency was made. Based on the analysis of the working capital that gives the strengths and weaknesses of the financing and investment policy of the company. Finally, the SWOT analysis of the financial position of the studied entity was elaborated, enumerating the measures to be taken to strengthen the financial position

Key words: financial statements, financial diagnosis, financial management, financial stability, financial autonomy, global indebtedness

One of the objectives of any economic entity is to ensure the increase of the financial performance while minimizing the risk. In a constantly changing world, any manager must be able to control the change and predict the effects of the change in order to make the best decisions and especially at the right time.

The financial position of a company tells investors about its general well-being. A financial analysis of a company's financial statements - along with the footnotes in the annual report - is essential for any serious investor who wants to understand and appreciate a company correctly.(Gabriela Ignat, 2019)

The financial position, defined as the status of a company's financial well-being, is important for every business. (Covlea, M., C.S. Crăciun, 2008). The financial position of a company is measured by the performance it has in the financial statements of the company: a positive and increasing cash flow statement; increasing the profit in the profit, and loss account; and a balance sheet of assets, liabilities and equity in the balance sheet. (Gabriela Ignat, Andreea Alexandra Timofte, 2017)

In order to understand and value a company, investors need to look at its financial position.(Carmen Costuleanu, 2012)

Fortunately, it is not as difficult as it seems to conduct a financial analysis of a company by examining its financial statements. The financial position, explained as the effect of debt, solvency and liquidity of a company, which ultimately leads to the ability of the business to survive, is an important factor in large and small businesses alike. In general, the summary of the financial position is the most important aspect of accounting: assets, liabilities and equity. These three factors are the essence of the financial position of any business. This is so important that a statement of financial position has become one of the most important reports in a business. When it comes to assets, companies have a lot to balance. They must maintain the appropriate amount of money, equipment and more. Assets, in a very general explanation, are the resources that a business owns. Without resources, a business, like anything else, cannot survive.

A business must keep only enough debt to be able to increase the wealth it holds, making sure

[1] “Ion Ionescu de la Brad” University of Agricultural Sciences and Veterinary Medicine, Iaşi
[2] Ion Creangă Pedagogical State University Chişinău, Moldova

it doesn't have too many debts. This, officially called the condition of being "overcome", is a common path to failure.

MATERIAL AND METHOD

In order to achieve the proposed objectives, the present research used a series of scientific research methods, indispensable in the elaboration of the case studies, such as: the documentation method, the analytical method or the economic analysis, the dynamic analysis, the synthesis method, the induction method, the deduction method, the method descriptive, method of comparison, and method of quantitative analysis. The analysis based on the study of financial statements combines the retrospective and the predictive analysis with the static analysis and the dynamic analysis.

Both financial analysis methodology and financial diagnosis methodology were used in the processing of accounting financial information.

The case study was conducted at an economic entity with a wine profile in Iasi county

RESULTS AND DISCUSSIONS

The structure of the asset characterizes the composition of the economic patrimony of the company, in accordance with its more or less "capitalistic" character as well as its vulnerability to inflationary developments, highlighting the degree of stability of the financing and the financial autonomy it provides to the company, the combination of resources having various maturities and origins (equity, long-term, medium-term, or short-term debt).

The structure rates of the asset are influenced by the technical, economic and legal characteristics of the activity, being expressed as follows: the rate of fixed assets, the rate of tangible fixed assets, the rate of current assets, the stock rate, the debt ratio, the availability rate

The value of the rate of fixed assets over the last two years can be considered normal, this is below the maximum allowed level, decreasing by 10.49% compared to 2015 as a result of the change in a still greater proportion of the value of fixed assets in relation to the value total assets.

The value of the rate of tangible fixed assets for the whole period analyzed is about 100%, which is above the minimum accepted value (85%). The rate of tangible fixed assets has a constant trend, a situation considered favorable.

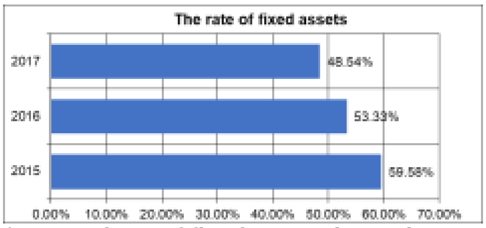

Figure 1 **Share of fixed assets in total assets**

The company does not present financial assets and as such, the rate of financial assets has not been calculated.

The value of the indicator of the current assets rate during the analysis period is above the minimum level allowed only in 2015, having an upward evolution over the analyzed period. This fact is due to the modification of the current assets in a smaller proportion than the total assets.

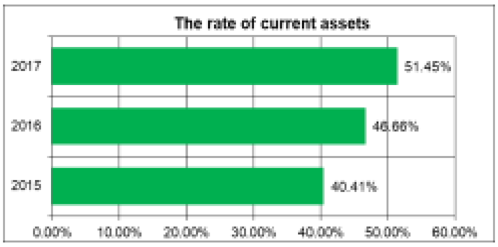

Figure 2 **Share of current assets**

The stock rate (*figure 2*) shows an oscillating, relatively constant evolution over the entire analysis period, but it is above the maximum allowed level. This means an increase in the share of stocks as a result of changing their value to a greater extent than that of current assets.

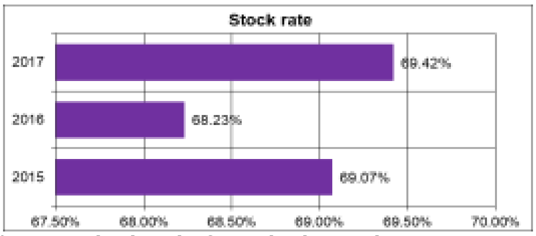

Figure 3 **The level of stocks in total current assets**

The debt ratio indicator shows a downward trend over the analyzed period. This means that the share of receivables decreases as a result of changing their value to a smaller extent than that of current assets.

The share of liquidity increases in the second year, reaching 0.10% of the total current assets, in the first and last year of analysis the share of liquidities increases up to the admitted value of 6.49%.

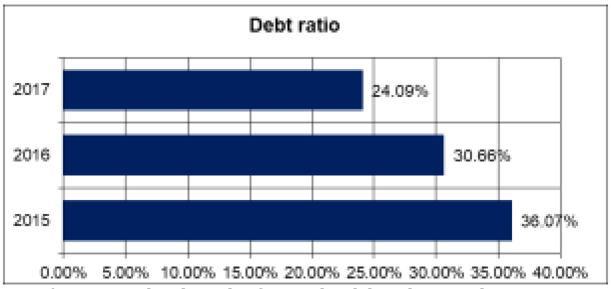

Figure 4 **The level of receivables in total current assets**

The situation is favorable in terms of financial balance.

Throughout the period of analysis the agricultural company has a relatively good degree of autonomy, located above the minimum acceptable value.

However, the indicator has shown an oscillating evolution, due to the slower growth of the permanent resources compared to the current ones.

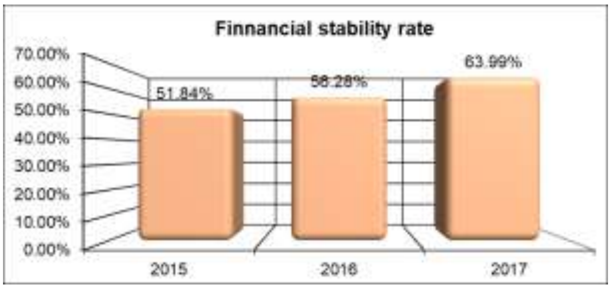

Figure 5 **Rate of financial return**

The increase of the share of the indicator in 2016 by 5% compared to 2015 reflects an increase in the share of resources with a cyclical character in the financing of the company.In the last year of analysis, the agricultural company finances over 63% of its activity from permanent capital, registering an increase of 28.65% over the previous year.

The rate of current resources, the degree of current funding, reflects the extent to which current resources participate in the formation of total resources and activities

Throughout the analyzed period the degree of financing of the activity from current resources was quite oscillating (but not exceeding the maximum level allowed), but it registered a reduction in the level of the first and last year of analysis, due in general to the faster decrease as the rhythm of current versus permanent resources

During the analyzed period, the working capital register positive values only in 2015, the other years of the analysis present a negative working fund, finding a shortage of potential short-term liquidity as compared to the potential short-term eligibility, the agricultural company failing to - and fully fund the permanent allocations and a shortage for financing the cyclical needs. This fact was due to the permanent decrease at a higher rate, during the analysis period, of the permanent resources compared to the decrease of the stable allocations

The negative working capital reflects an uncertain evolution of the security margin of the agricultural company. This situation can be perceived as an unfavorable result in terms of solvency, and as such the agricultural company is not able to meet the payment deadlines and must resort to a stock of liquidity.The activity of the company can be considered favorable, increasing the liquidity being one of the assets of the company to carry out a profitable activity that can make possible the repayment of the financial debts, as well as the efficient placement of the financial resources to consolidate the market position.

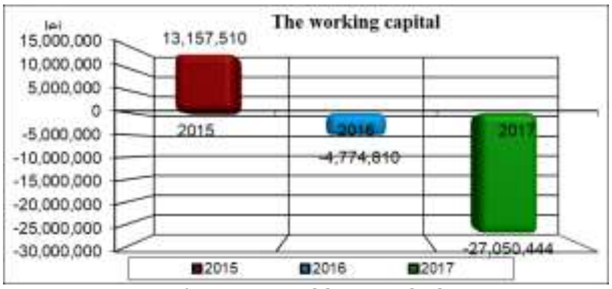

Figure 6 **Working capital**

The company has a very good overall financial autonomy over the whole period analyzed, as it shows a decreasing tendency due to the lack of borrowed and attracted resources.

From this point of view the analyzed agricultural company was safe, being below the maximum allowed value of the indicator showing an increase due to the faster increase of the share capital compared to the total debts.

During the analyzed period the exploitation result registers a decreasing tendency, thus in 2016 the exploitation result decreases from the value of 29,352,903 lei to the value of 6,888,110 lei, that is a decrease of 76.50%, and in 2017 the result of the exploitation increases from the value of 6,888,110 lei in 2016 to the value of 26,749,781 lei, an increase in relative quantities of 91.13%.

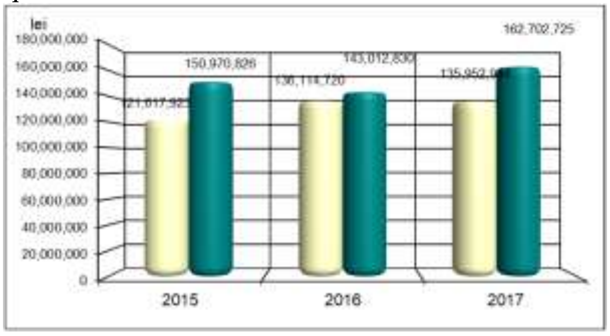

Figure 7 **Company expenditure and revenue**

During the 3 years subjected to the analysis, the company recorded an economic rate of return below the interest rate. In this situation, the company does not register financial leverage, respectively it will decrease its financial profitability, and the decision to be taken by the company is the cessation of loans. The increase of the economic profitability can be realized on account of the acceleration of the rotation of the assets. The rate of economic return of the asset characterizes the efficiency of the material elements employed in the activity of the company. Economic profitability measures the degree of profitability of using the total asset.

During the analyzed period, the rate of economic profitability registered in 2017 an increase of 359.29% compared to 2016, reflecting a decrease of the capacity of the total assets to generate gross profit. The increase of the level of the rate of economic profitability in 2017 is due to the increase of the net result of the financial year from the value of RON 5,585,241 in 2016 to the value of RON 22,937,305, an increase of 403.45%. In this situation when the rate of economic profitability is determined as the ratio between EBID and AT, the company registers financial leverage, respectively, it will increase its financial profitability. If the company receives financial leverage, it will be inclined to borrow from the market, respectively, to increase its production capacity, to the extent that the debt levels make it insolvent.

CONCLUSIONS

The determination of the financial position of the company can be realized by its book value: if we subtract the total debt from assets, we remain with the share capital of the shareholders. Essentially, this is the book value or book value of the shareholders' participation in the company. It is mainly made up of the capital contributed by the shareholders over time and from the profits obtained and retained by the company, including that part of any profit not paid to the shareholders as a dividend.

In 2017, the rate of return on equity registered a growth trend with 301% compared to 2016, an increase due to the increase of the net profit from the value of 5,685,241 lei in 2016 to the value of 22,937,305 lei, that is an increase of 403, 45%. In the period 2015–2017 the rate of return on permanent capital registered a growth trend with 315.61% in 2017 compared to 2016. In this situation, the company does not register financial leverage, respectively it will decrease its financial profitability, and the decision to be taken by the company is the cessation of loans. The increase of the economic profitability can be realized on account of the acceleration of the rotation of the assets.

REFERENCES

Costuleanu C., 2012 - *Situatii financiare,* ED TiipoMoldova, Iasi.

Covlea M., C.S. Crăciun, 2008 - *Management financiar,* Ed. Nomina Lex, Bucureşti.

Ignat G., **2019** - *Considerations on paradigms performance of entities agri-food,* IDENTITY AND DIALOGUE IN THE ERA OF GLOBALIZATION, , Arhipelag 21 press, ISBN 978606 8624.

Ignat G., Timofte A.A., 2017 - *Auditing the performance of a wine firm,* International Conference Globalization. Identity, Nation and Dialogue: Social Sciences.

Ignat G., Iatco C., 2014 - *Fraud risk analysis in auditing financial situation of entities in the field of agriculture*, International Conference on Globalization, Intercultural Dialogue and National Identity.

Ignat G., 2013 - *Accounting policies vs. financial performance applicable to agro food companies* - 140th EAAE Seminar Theories and Empirical Applications on Policy and Governance of Agri-food.