LIMITS REGARDING PROFITABILITY ANALYSIS BASED ON FINANCIAL AND COST ACCOUNTING INFORMATION SYSTEMS

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Keywords: profitability analysis, financial statements, profitability analysis, unpaid debts, equity, cash-flow

SUMMARY

The main data source, but also the most important element for the information system of an organization is accounting.

The techniques for modeling the balance sheet particularly affect the profitability analysis acting on one or more of the following elements: equity, debts, the need for operating fund and cash-flow.

Using techniques to eliminate unpaid debts from the balance sheet has the effect of improving the financial situation and creating the premises for obtaining new loans, thus influencing the outcome. This technique allows an artificial profit.

An application was set up in order to confirm this. The company decides to take a bank loan, with a 15% interest rate. The aim is to determine the rate of economic and financial profitability in Case A (the degree of debt is 0) and in Case B (the degree of debt is 0.35).

An increase in the profitability of the financial rate with 6.89 percentage points is registered as a result of the positive influence of the debt rate in Case B. It also can be noticed that the amount of taxes paid on profit in Case A (the degree of debt is 0) is higher than in Case B (the degree of debt is 0.35).

Under the profitability conditions included in our application (profit 4932394.1 lei and economic profitability -20.43%) and at an interest rate of 15% (or a lower rate of economic profitability), it is advisable for the company to use a bank loan in order to finance the investment, because it obtains a profitability increase in comparison to the situation where all the funding comes from own resources.

If this technique would be practiced, profits would be higher, but it would be throughout an artificial way, because the debts and claims are reduced with the nominal values, but in reality, debt and claim amounts are equal in real values (nominal + interest).

REFERENCES

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