

USING THE FINANCIAL ACCOUNTING INFORMATION IN A COMPANY'S DECISION-MAKING PROCESSES

Ilea Marioara, Lucica Armanca*

Faculty of Horticulture, University of Agricultural Sciences and Veterinary Medicine, 3-5 Mănăştur Street, Cluj-Napoca, 400372, Cluj, Romania;

**Corresponding author: lucicaagro2000@yahoo.com*

Abstract. The constant change of economic tendencies is encouraging our need to know the real stage of performance of an economic entity and the resulting opportunities and threats. The main objective of this work is the operations diagnosis of a company doing business in the forest industry by means of an economic and financial analysis, in order to follow its financial trend. Starting from this objective the company's opportunity to develop a new business field, i.e. tourism has been assessed.

Keywords: *economic performances, wood exploitation, analysis, tourism development, guest houses.*

INTRODUCTION

A large and increasing literature has focused on the levers underlying environmental innovations that are external to the firm. Little attention, however, has been devoted to the possible role of local spillovers of a sector/geographical nature as a factor that correlates with EIs and economic performances (Antonioli et al., 2016). Beside its economic and financial performance, a special importance is gained by corporate sustainability seen as an impact on the environment and the society where the business is carried out and the role played at society level (Salzmann et al., 2005). A sustainable business cannot exist unless it holds financial sustainability given by its performance. In the context of the current economy it is of critical importance to know the success-generating factors and how it can be measured. Key Performance Indicators are meant to offer information on the quality of the processes developed within an organisation, thus offering support in meeting deadlines and sticking to pre-set budgets. Logging and wood processing is nowadays one of the main operations in the North West and Central Region, as our forest areas are rich and diversified, being the second logging region in Romania after the North East Region and among the first regions in terms of timber production. In order to survive, any organisation must be constantly connected to the environment it operates in and be able to face any changes occurred in its relationship with the environment. Its key purpose is to identify the strategies that are likely to create a specific model, which would best balance the corporate resources and the company's ability to grow in the environment where it is already operating. Even if wood has always been the top natural material and will continue being so for a long time, during the last years the wood industry has undergone major transformation.

Thus the following wood processing industry issues can be mentioned:

Higher raw material costs

Inaccessibility of some forest areas because of the absence of forest roads and modern means of access

Legislation changes

Higher public utility costs

Higher wages and lack of employees

Higher fuel prices

Obsolete technologies in the logging and wood processing sector

High costs required by supply of equipment, technologies and machines

In order to grow, companies create development strategies for new fields of activity, in order to achieve a balanced growth. A company's strategy is made up of a set of integrated and coordinated actions meant to use its main components and establish a competitive advantage. This is why an analysis of the current situation is necessary as a diagnostic analysis to include the analysis of effectiveness, economic efficiency and competition. Proposing and analysing future perspectives by means of a SWOT analysis will highlight the particularities of both the internal and the external environment. Setting future approaches and elaborating variants to reflect such approaches will lead to achieving of the proposed objectives. In conclusion, the diversification strategies are used to extend the scope of a company's business by adding new products and services, entering new markets, authorising a new NACE code for the diversification of the company's activities, thus the company will be able to operate with other suppliers, create new technologies or services etc. Generally speaking, the final strategy adopted by a company for the diversification of its business implies a change of industry determined by the new opportunities, and should be in close relation with the new objectives, competences and resources of the company. (Armanca L, 2014) During the last years the number of Romanian and foreign tourists has increased, therefore the tourism sector is constantly growing.

MATERIAL AND METHOD

The analysed company was set up in 1998 in the North West region in a rural area and is a part of the Apuseni Natural Park that is situated in the West of Romania, on the Central North West side of the Apuseni Mountains, spreading on one side from Bihor massif to the south and Vlădeasa to the north, over the administrative territory of three counties: 28% in Alba, 32% in Bihor, and the greatest part of 40% in Cluj County. Its main scope according to NACE Rev.2 classification is 1610 – Sawmilling and planning of wood as well as other activities, code 0220 - Logging. The methods used imply the analysis of the company's financial position and economic and financial performance, bankruptcy appraisal and SWOT analysis (Ilea M, 2014). Analytical criteria were used as indicators of the research analysis, as follows: The analysed company is situated in an area with a high tourism potential, which has made the company consider changing its scope of business.

RESULTS AND DISCUSSIONS

The main objective of this work consists in the diagnosis of its activity from the perspective of an economic and financial analysis, in order to follow the financial trend. Starting from this objective the company's possibility to develop a new business field has been analysed. The analysis conducted on the basis of financial and accounting documents i.e. balance sheets and profit and loss statements of the company, completed for the period 2014-2017 has led to the following financial data (according to Table 1).

By analysing the rates of the resulting indicators in terms of company resources, namely its performance, a warning signal is triggered on the business efficiency, prompting the company management to analyse the company's future activity through the actual development of the building designed as boarding house. Any company, in order to develop its activity and to become a strong "player" on the market wishes to increase its performance, so in 2005 the construction of a building designed as a boarding house with a capacity of 18 rooms and a restaurant that can accommodate 60 people was started.

Following the business analysis by the economic and financial diagnosis a SWOT analysis has also been conducted, whose conclusions are the grounds of the new strategy.

Table 1

Indicators	2014	2015	2016	2017
Fixed assets(lei)	1.006.445	1.062.786	1.202.114	1.383.645
Current assets(lei)	162.550	200.109	205.167	302.043
Total Active(lei)	1.168.995	1.262.895	1.407.281	1.685.688
Debts to be paid in one year(lei)	1.449.193	1.514.966	7.937	182.624
The capital of the company(lei)	200	200	373.060	373.060
Total revenue(lei)	745.899	914.393	833.397	749.549
Total expenses(lei)	589.121	834.458	854.052	823.489
The result of the exercise(lei)	156.778	72.843	-20.655	-80.379
Expenditures at 1000 (lei)	772	1023	1310	1405
Company's flexibility	-1,1006	-1,2369	0,1401	0,0708
The firm's leverage ability	0,0001	0,0001	0,2630	0,2096
Return on assets	0,6525	0,7674	0,4634	0,3477

Source: own analysis of the financial documents of the company for the period 2014-2017

Strengths:

Capital increase – the analysis of the accounting documents shows that the company has increased its capital contribution from 200 lei to 373.060 lei.

The only company in the Smida area operating as a wood processor

The solvency of the company – following the analysis of the risk of bankruptcy the company does not longer face temporary financial difficulties.

Is not listed by the ANAF (Romanian Tax Administration Agency) with any overdue payments or other tax debts

Considering the change of business, the company has increased its fixed assets hence the building used as a boarding house could be finished within 6 months from the start of fixtures and fittings works

Company location – its location in the Apuseni Natural Park represents a strong point, as for the development of the new business development it is located in an area with a tourism potential, having important tourism objectives recognised worldwide such as the Vălul Miresei waterfall, the Padiş natural reservation

Identification of weaknesses represents the business and market decline for the main NACE business field as follows:

The company has recorded loss during the past two accounting years analysed

Increase of raw material costs by suppliers

The absence of legally approved logging surfaces in the area – causes the lack of easy access to other forest roads

Staff is a weakness for the company, being hard to find in the area; the company had to bring every time people from other counties (Maramures)

High costs required by equipment and repairs of the existing machines

Opportunities identified for the company reside in achieving a new business field representing a new source of income.

Adding new business field: NACE Rev. 2 Code 5520. Label: Holiday and other short-stay accommodation and NACE Rev. 2 Code 1085. Label: Manufacture of prepared meals and dishes; and finishing the building for the new business.

Apuseni Natural Park's tourist attractions

Unexploited tourism potential of the area

Creating new leisure packages – boating on the Beliș-Fântânele Lake, carriage tours, biking, ATV rides etc

Threats that can negatively impact the company's business are:

The difficulty of buying raw material for the main business field

The difficulty to enter a new business field

Increase of competition for the new business field intended (the number of boarding houses being on the rise)

Seasonality of tourist demand for the new business field

The SWOT analysis has enabled us to obtain a radiograph of the internal resources of the company, which has imposed a new development strategy in that of building new strengths, eliminating the existing weaknesses, exploiting new opportunities and removing the threats.

Following the study new solutions have been found for the company's economic growth by creating a new business field, pursuing its achievement and putting to use the building to be used as boarding house, which by its operation could bring new income and contribute to the economic development of the area through tourism.

REFERENCES

1. Antonioli D., Borghesi S, 2016, Are regional systems greening the economy? Local spillovers, green innovations and firms' economic performances Journal Economics of Innovation and New Technology Volume 25, - Issue 7. Armanca L., 2014, Investment management and market share in the Romanian Hospitality Industry , Journal Communication, Context and Interdisciplinarity, edited by Alpha Institute of Multicultural Studies, Targu Mures, pg.569-602.
2. Ilea M, 2014, Analiza economico- financiara, Editura AcademicPres, Cluj-Napoca
3. Dumbrava M., 2010. Model de analiză a performanței firmei, Economie teoretică și aplicată Volumul XVII , No. 8(549), pp. 105-119
4. Trasca D., Popa R., Chiritescu V., 2015, Performanta intreprinderilor mari din industria prelucratoare. Cazul Romaniei , Revista Strategii Manageriale nr. 2.
5. Salzmann, O., Inoescu-Somers, A., Steger, U., 2005, The business case for corporate sustainability: literature review and research options. European Management Journal 23 (1), 27–36 .