

Analysis and Forecast of the Performance Indicators in Case of SC Cosm-Fan Carmangerie SRL Sînicoara-Cluj

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Abstract : The need of performing financial analyses derives from the interest shown by the enterprise's decision-making people and from the uncertain circumstance of the businesses and from the frequent modification of the economical, financial and social phenomena. An enterprise's performance is assessed by each user, subject to his/her goals. The economical-financial theory furthers complex methodologies and systems of indicators by means of which an enterprise's performance is measured by a post-factum, current and foreseeable research. The management's goal of reaching competitive economical-financial performances can only be attained by implementing decisions based on the real conclusions of some operative and opportune researches on the economical phenomena and processes carried out in the enterprise.

Keywords: economical-financial performance, added value intermediary management balances, self-financing capability

INTRODUCTION

Performance is a positive, beneficial and measurable result of an action. This result can be regarded as a measure of the investments performances, identifying itself to the net result, or as a measure of the enterprise's value enhancement reflected in the global result, however both the net and the global result prove to be useful for an enterprise's performance assessment. Internationally speaking, the current template of reference for the financial performance, materialised in the International Accountancy Standard 1 - 'Presenting Financial Statements', focuses on the concept of global result, and at the national level, The Profit & Loss Account, centred on the net result, is the information support for assessing a trading company's results. The presentation of the results flow on three levels of activity – of exploitation, financial and extraordinary – enables the calculation and the analysis of the intermediary management balances and the company's financing or self-financing capability. Within an enterprise's performance, the profitability indicators, namely the profitability rates, complete the financial diagnosis by the informational features offered.

MATERIAL AND METHOD

The source of the processed information is the database of the trading company under study, notably the components of the Yearly Financial Statements : The Abridged Balance Sheet and The Profit & Loss Account for 2006-2010. The object of this business is meat products manufacture (including poultry meat-made products).

The method of analysis used is the Intermediary Management Balances Table drawn up according to the economical-financial indicators, the rates method and as a forecast

technique, extrapolation is used. The procedures are the method of comparison in time on several years and the method of chain substitutions.

RESULTS AND DISCUSSION

The analysis of the intermediary management balances

The performance indicators characteristic to S.C. Cosm-Fan Carmangerie SRL whose object is meat products manufacture (including poultry meat-made products), are also displayed in the Intermediary Management Balances Table for 2006-2010.

Tab. 1

The Intermediary Management Balances Table

Indicator	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Turnover (RON)	4800289	8591558	12199961	18170306	24303078
Commercial margin (RON)	396803	677246	1195115	2640343	2588113
Global production (RON)	3147497	6085073	8362705	10944955	15257711
Added value (RON)	491876	981790	1091200	2208936	2523585
Operation raw surplus (RON)	215069	552245	439285	905579	1219393
Operating result (RON)	124323	412234	343843	365638	740961
Financial result (RON)	-7473	-27986	-214849	-346588	-285649
Current result (RON)	116850	384248	128994	19050	455312
Net profit (RON)	104589	324862	103406	8298	371681

Sources: the author's processing operations

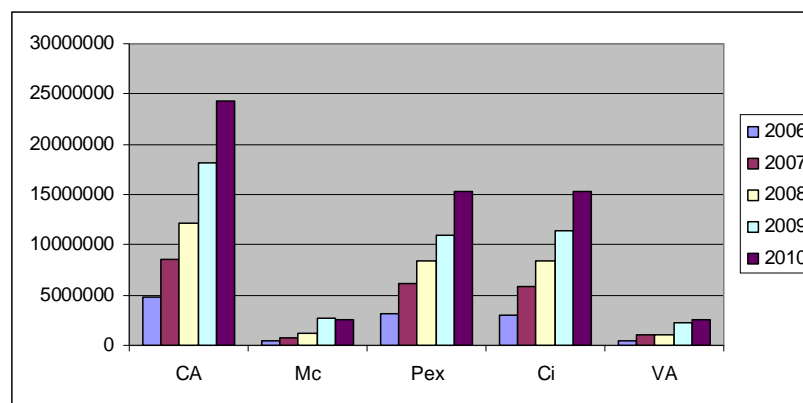


Fig. 1. Dynamics of the intermediary management balances – Activity

Note: CA = Turnover, MC= Working Capital, Pex= Global Production, VA = Added Value

The ascending dynamics of the between 2006 and 2009 was achieved when the increase of the goods sales value overcame each year the increase of the value of the production sold to third parties. In terms of weight, the sales of goods reached 81.71 % in 2009 and in 2010 there was a slight diminishment to 70.31 % of the total turnover. Need is to specify that the difference of production made is commercialised through the agency of the company's own selling shops and the production made can be traced in the sales of goods.

The commercial margin sees an evolution similar to that of the sales of goods ; thus in 2009 it overcame 2008 by 120.93 % and in 2010 it saw a diminishment by 1.97 %.

In case of the business under study, the global production comprises the sold production plus the stored production plus the frozen production. The dynamics of the global production is influenced by the high weight of the stored production within the total

production starting from 2008 (66.10 %) and culminating by 69.64 % in 2009. The ascending value of the stock production is also justified by the tradition of a higher demand of meat products at the end of each year.

The 'Added Value' activity indicator measures what the enterprises adds to the economical circuit by its own activity and it characterises the enterprise's performance more truly than the turnover. From the standpoint of the management, it characterises the enterprise's operation and as an instrument of analysis it enables the assessment of the real economical power of that business and the contribution of the production factors to the creation of its own wealth. The subtractive calculation method of the added value : $AV = (\text{Global prod.} - \text{Intermediary consumption}) + \text{Comm. margin}$ enables the highlighting of the correlations that have to exist between the dynamics of the global production and the dynamics of the material consumptions, which are favourable to the indicator's increase.

Tab. 2

Calculation of the added value according to the subtractive method

Calculation elements	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Commercial margin (RON) (%)	396803	677246	1195115	2640343	2588113
		170.68	176.47	220.93	98.03
Global production (RON) (%)	3147497	6085073	8362705	10944955	15257711
		193.33	137.43	130.87	139.40
Intermediary consumption (RON) (%)	3052424	5780529	8466620	11376362	15322239
		189.38	146.47	134.36	134.68
Intermediary consumption weight (%)	96.97	94.99	101.24	103.94	100.42
Added value (RON)	491876	981790	1091200	2208936	2523585

Source : the author's processing operations

The evolution of the Added value between 2006 and 2008 is slowly ascending, it sees a powerful increase in 2009, by 102.43 %, as compared to 2008, then in 2010 it slightly decreases, i.e. by 14.24 %, as compared to 2009. The powerful increase of the Added value in 2009 is the result of the turnover enhancement by 48.93 % as compared to 2008, of the stocks variation increase by 37.88 % as compared to 2008, alongside with the enhancement of the intermediary consumptions increase by 34.36 % as compared to 2008.

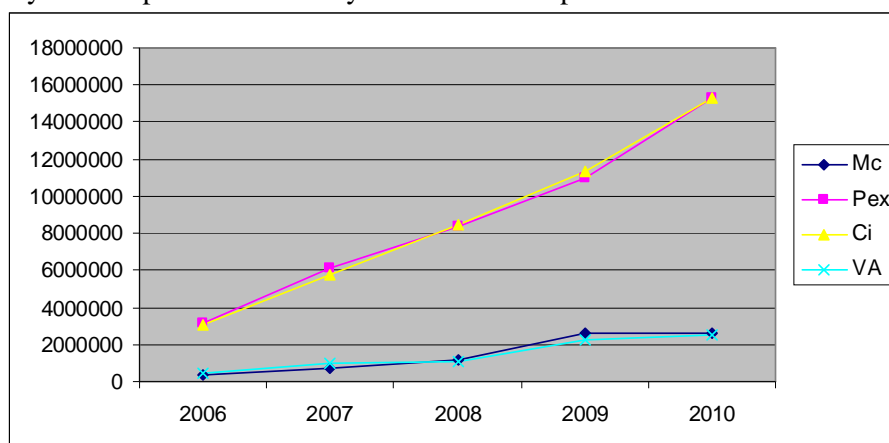


Fig. 2. Evolution of the added value and of its components

Note: Mc = Comm. margin ; Pex = Global production ; Ci = Interm. consump. ; VA = Added value

The contribution of the global production to the added value between 2006 and 2007 is positive in value, as the material and energetic consumptions have an increase rhythm lower than the global production one. As for the 2008-2010 period of time, the contribution to the added value realisation only belongs to the commercial margin, which in turn is slightly diminished by the intermediary costs that exceed the global production made.

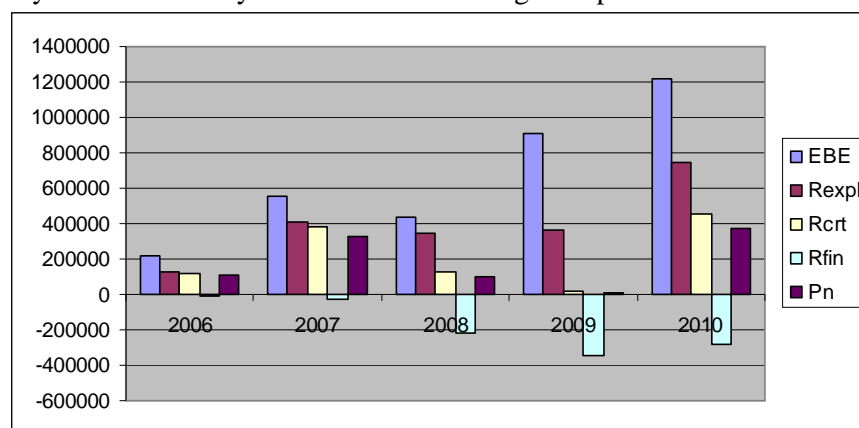


Fig.3. Dynamics of the intermediary management balances – Profitability

Note: EBE = Operation raw surplus ; Rexpl = Operating result ; Rcrt = Current result ; Rfin = Financial result ; Pn = Net profit

The evolution of the operation raw surplus sees in 2007 an enhancement by 125.34 % as compared to 2006, on account of the operating result increase. A remarkable enhancement can be seen in 2009 and 2010, still on the account of the operating result, which is a beneficial phenomenon, as this indicator reflects the maintaining and the development of the productive potential, on the one hand and on the other, the investors' remuneration.

The operating results measures the industrial and commercial performance and it is independent from the company's financial and fiscal policy. As a financial performance indicator, it had a slightly ascending trend in 2007, followed by a considerable increase at the level of 2009 and 2010.

The financial result includes elements of financial flows and elements that correspond to the risks related thereto. Between 2008 and 2009, the absence of the financial incomes whereas there were financial expenditures linked to the payment of the loan interests led to an ascending evolution of the negative financial result and to a slight reduction in 2010.

The current result takes into account the company's financing policy and it cumulates the operating result and the financial result. During the lapse of time analysed, the year 2007 was unfavourable, the financial result was not negative, unlike 2008 and 2009, the result approaching zero. At the end of 2010, the current result had the highest level in the period of time under study, on account of the significant enhancement of the operating result, namely by 102.64 % as compared to 2009, and of the financial loss reduction by 17.59 % unlike 2009. The net profit is the indicator that characterises the general performance of the company's activity and it reflects the enterprise's accumulations increase in 2007 and 2010 and a drastic reduction at the level of 2009, which does not enable the capitals invested in the enterprise to be remade.

Self-financing capability (SFC) and self-financing (SF)

The intermediary management balances cascade can be continued with two flow residual balances that enable the characterisation of the company's financial performance in

terms of providing the resources for financing the current and future activity, materialised in the self-financing capability and in self-financing.

The self-financing capability is a potential money flow envisaging the flows all throughout the enterprise's activity, unlike the operation raw surplus, which only envisages the current activity.

Tab. 3

The self-financing capability determined by the additive method

Indicators (RON)	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Net result (Net profit)	104589	324862	103406	8298	371681
(+) Value adjustments on the frozen and circulating assets		4041	-	-	38631
(+) Depreciations	86061	141397	226873	767007	874550
(+) Provisions adjustments	-	-	-	15085	-
SFC	190650	470300	330279	790390	1284862
(-) Dividends distributed	87846	-	-	-	-
Self-financing	102804	470300	330279	790390	1284862

Source: the author's processing operations

It is a simple rapid method, which connects the self-financing capability to the net result and informs on the latter's utilisation, in 2006, of the dividends and for the subsequent periods of time, the financial needs generated by the investments made for enhancing and strengthening the floating asset necessities.

The performance rates

Tab. 4

The performance rates calculated according to SFC and SF

Indicators (RON)	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Self-financing capability (SFC)	190650	470300	330279	790390	1284862
Turnover (RON)	4800289	8591558	12199961	18170306	24303078
R1 (%)	3.97	5.47	2.70	4.35	5.29
The company's own capitals + the value adjustments	725707	1054610	1153975	1162273	1572586
R2 (years)	3.8	2.2	3.5	1.4	1.2
Debts exceeding 1 year	128599	194330	2878479	2186692	6766154
R3 (years)	0.67	0.41	8.72	2.76	5.27
Financial debts in all	1103503	3573567	7073797	6263388	10807520
R4 (years)	5.79	7.60	21.42	7.92	8.41
Self-financing (SF)	102804	470300	330279	790390	1284862
Tangible blocking-ups (frozen assets)	1136604	4546642	10275084	10074636	10156768
Tangible blocking-ups rate (%)	9.05	10.34	3.21	7.85	12.65

The evolution of the self-financing capability (SFC) enables the assessment of the company's financial health by the financial performance rates :

- The efficiency of the global activity (R1) : in 2007 the 1.5 % increase and in 2010 the 0.94% increase were the consequence of the difference of 67.70 % in 2007 and of 28.81 % in 2010 between the SFC enhancement rhythm and the turnover.

- The profitability (P2) : each year's drop, namely in 2010 by 14.29 %, of the number of years where the company's own capitals and the value adjustments can be recuperated due to the favourable difference amongst the increase rhythms.

- The reimbursing capability (R3) : the ascending evolution of this rate in 2010 reflects the 90.94 % increase of the long-term loans reimbursement duration and the reduction of financial autonomy.

- The total reimbursement capability (R4) : the doubling of the financial debts at the level of 2008 caused a 181.84 % enhancement of the debts reimbursement duration, in 2009 the cashing of the investments subsidies tempered this reimbursement duration to approx. 8 years, the financial autonomy diminishing drastically.

The enterprise's indebtedness theoretical margin at the level of 2010 is 11.89 years.

The self-financing (SF) evolution :

- the tangible blocking-ups self-financing rate (TBR) : the enhancement of the tangible blocking-ups self-financing rate reflects the 61.25 % rate of the self-financing weight within the overall tangible blocking-ups.

The relationship between AV and SF

Tab. 5

The relationship between AV and SF

No.	Indicators (RON)	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
1	Added value, out of which :	491876	981790	1091200	2208936	2523585
2	Staff expenditures	270134	413719	618730	1231965	1217249
3	Other fees and taxes related expenditures	6673	15826	33185	71392	86943
4	Operation raw surplus (1-2-3)	215069	552245	439285	905579	1219393
5	Other operating incomes + financial incomes	4939	10685	173931	497092	455262
6	Financial expenditures	8204	30790	248728	348053	255868
7	Profit tax	21460	59386	25588	10752	82624
8	Compensations, donations, assigned assets related expenditures	8893	2454	8621	253476	51301
9	Extraordinary result	9199	-	-	-	-
9	SFC (4+5-6-7-8+9)	190650	470300	329279	790390	1284862
10	Distributed dividends	87846	-	-	-	-
11	Self-financing (SF)	102804	470300	329279	790390	1284862
12	Operation raw surplus (ORS) / Added value (%)	43.72	56.24	40,25	41,00	48,32
13	SFC / Added value (%)	38.76	47.90	30.18	35.78	50.91
14	SF / Added value (%)	20.90	47.90	30.17	35.78	50.91

Source: the author's processing operations

The increase of the added value is the material support of the production factors remuneration enhancement, both the labour by the staff expenditures and the capital invested by ORS, whose weight increased from 41 % in 2009 to 48.32 % in 2010. The ORS weight enhancement in AV has also consequences on SFC by the increase from 35.78 % to 50.91 % in 2010.

The forecast of the main indicators that reflect economical-financial performance is made by using the extrapolation forecast technique.

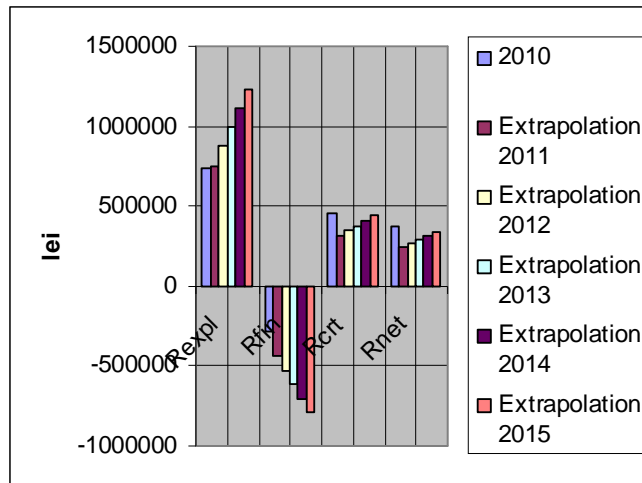


Fig. 4. Economical-financial performances forecast

The forecast results obtained by extrapolation are optimistic, taking also into account the frequent modification of the economical-financial and social phenomena nationally and internationally.

CONCLUSIONS

When it comes to assessing an enterprise's performance there is not one single measure, therefore both the net result and the global one prove to be useful. Financial performance reporting is possible by cumulatively meeting two requirements : the result-measure of the enterprise's value creation and the result-measure of performance, at the same time.

The turnover, which is a component of the intermediary management balances, evolves both in terms of absolute values and of trend, much farther than the other indicators. Therefore the turnover does not measure performance, it does not show the value created, but expresses how much the enterprise sells. The turnover enhancement is the result of the manufactured products sale thanks to the extension of the shop network in Cluj county.

The Intermediary management balances – Profitability and the Financial result components show negative values, which draws attention toward their influence on the Current result and the Net result.

The self-financing capability, the ascending evolution of its absolute values are of major interest for the company's management, more precisely for the new investments, the indebtedness reimbursement and so forth.

The diagnosis analysis of the enterprise's performances resorts to specific instruments, which help us explore the past, know the present and foresee perspectives of these performances for the enterprise, all these having to be correctly included in 'the sustainable performance', as a new approach of the enterprise's performance centred on three coordinates : economical, social and environmental.

Knowing and interpreting the evolution of the performance indicators in case of SC Cosm-Fan Carmangerie SRL is in the best interest of this entity's practitioners, in order to provide high performance management, whose final goal identifies itself to profit maximisation and to value creation.

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