ANALYSIS OF NATIONAL FINANCIAL RESOURCES FOR BUSINESS DEVELOPMENT

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Abstract: The potential of an economic organization may be known and analyzed using the indicators in the balance sheet drawn up. On the basis of the balance sheet data, the structure of the patrimony and the links between its elements can be established. In the asset side, the assets of the economic organization will be recovered as passive sources of financing.

Keywords: financial resources, business, balance sheet, assets, liabilities, indicators of economic and financial analysis

JEL Classification: L20, L21, L26, L29

Introduction
The potential of an economic organization can also be known and analyzed using the indicators in the balance sheet drawn up. On the basis of the balance sheet data, the structure of the patrimony and the links between its elements can be established. In the asset side, the assets of the economic organization will be recovered as passive sources of financing.

The balance sheet provides the data’s synthesis and generalization on the heritage situation and all the results. It is an economic mirror of the economic organizations’ activity, which ensures the presentation in a generalized form, synthesized in a value standard at a given moment, of the patrimonial elements and the results of the activity.
1. Balance Sheet

According to the provisions of the Accounting Law no. 82/1991, the balance sheet shall be compiled annually, as well as in cases of merger or cessation of activity, observing the following rules:

- the items on the balance sheet correspond to the data recorded in the accounts, agreed with the actual situation of the patrimonial items established on the basis of the inventory;

- no offsetting between the items on the balance sheet and between income and expenses in the profit and loss account is allowed;

- the annual accounts are subject to verification and certification, thereby certifying the authenticity, veracity and compliance with the rules for their preparation.

The “Business Management Statistics” paper states that “the balance sheet asset comprises both the assets and the available assets held by the enterprise, as well as the claims on third parties”.

On the asset side of the balance sheet, we see both hedged items, like “Fixed Assets” and cyclical items that include “Current Assets”.

In the non-current assets we encounter: tangible assets, intangible assets, current assets (tangible and intangible), financial assets.

The analysis of fixed assets determines the structure and dynamics of these assets and their components; also fixed assets are related to current assets. Current assets include: stocks, receivables or debts of third parties, cash and bank balances.

The treasury of an economic organization is mainly characterized by cash availability which, in correlation with other assets, determines certain indicators, namely: the net degree of assurance of the economic organization with cash availability, the gross insurance degree of the enterprise with cash availability and placements.

The paper which is named “Statistics for Business Management” shows that “about 3-5% of current assets and 1-1.5% of the total fixed assets and current assets current cash availability meets the needs of the enterprise”.

In the paper presented above, it is stated that “the 30% of the current assets and 10% of the total fixed and circulating assets represent a normal situation”.

The net asset of an economic entity is an indicator that reflects the ability to meet the obligations assumed and is calculated on the basis of the items on the asset’s balance sheet as follows:

Net Patrimony = fixed assets + current assets - total debts

The enterprise’s valuation activity uses the net patrimony indicator, but does not go out of business.

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The fiscal value is the total business volume of a company, calculated at market prices, that is, the total amount of revenue earned over a certain period of time (typically within one year). Indicator is the total revenue from deliveries of goods, the execution of works and the provision of services as well as other operating income.

Analyzing the dynamics and the structure of turnover involves answering questions regarding:
- the main revenues of the economic organization
- the evolution of revenue in recent years and its stability
- the evolution of income sources trend in the near future
- the earnings’ determination and collection
- the market position of the economic organization

The factorial analysis of fiscal value implies its decomposition into a smaller or larger number of factors of influence to be analyzed, but the most important of these is the added value.

As we said, the added value is one of the most important value indicators of production and services and, in the context of the enterprise's economic and financial analysis, it has a particular relevance.

The Added Value (VA) is the contribution made during the activity of obtaining the products or services which are the object of the economic activity carried out.

The “added value” indicator is considered and calculated as gross added value and net added value.

Gross Added Value is the gross contribution of the economic operator to the performance of its products and services, including the depreciation of tangible and intangible fixed assets.

Net Added Value expresses the new value created by the economic organization over a given period and expressed in market prices; is obtained by adding indirect taxes to added value calculated at factor prices.

According to the methodology of the National Accounts, net indirect taxes are obtained by subtracting the subsidies granted by the state from gross indirect taxes.

The gross indirect taxes include taxes on production (VAT, excise duties and assimilation) and import taxes (customs duties paid by the enterprise and their assimilation).

I appreciate that value added tax, excise duties and customs duties are elements of the newly created value by any company and should be taken into account when determining the production’s value level, including when determining the added value.

The profit (Pr) is the main goal of any activity. Profit shows the efficiency of using the materials, human and financial resources of the economic organization and also the final result of the exploitation activity, of the entire economic-financial activity.
The current result of the exercise (also formed from the operating result and the financial result) is determined as the difference between the income from the current activity (operating plus financial) and the expenses related to the current (operating and financial) activity.

The exploitation result is obtained as a difference between operating income and operating expenses; the financial result is calculated as the difference between financial income and financial expenses.

A largest share of the profit resulting from the operating activity of the enterprise, respectively the profit from the core business means together efficiency. A factorial profit analysis can also be made, which involves highlighting the factors that influence the mass of the profit (loss) and the magnitude of this influence.

The indicators of financial standing can be analyzed in terms of the following indicators: potential, financial balance, debt recovery and liability reimbursement, profitability.

The indicators of financial potential are appreciated using balance sheet accounting data.

The need for working capital is the difference between the financing needs of the operating cycle and the operating debt. It is the expression of achieving the short-term financial equilibrium of the balance between the necessary and the working capital resources (exploitation).

The Net Treasury is established as the difference between the working capital and the needs for that.

The degree of financing of the need for working capital indicates how much of the rolling stock needs it is covered by.

The stock financing rate on the basis of the working capital indicates the proportion in which the working fund finances the stocks.

The stock-financing ratio of paid and unpaid stocks plus claims is calculated as the ratio between the working capital and the stocks and receivables’ size, expressed in the net treasury.

The indicators of financial equilibrium reflect the circuit of money-making.

2. Main Indicators

Property (LP) is determined as a ratio between asset items (cash, stock, finished goods, commodities, placement, receivables and other assets) and liabilities (short-term loans, repayable in the current year on medium and long term loans, creditors, obligations).

Sometimes it is not enough for the report to be overly unitary, but it must be an upward trend. A downward trend indicates declining activity, and those who lend to the economic organization need to be careful when it comes to new loans.

The low liquidity ratio shows a good level when it is tending to 100%. The reduced liquidity ratio expresses the company's ability to honor its short-term debt and debt.

The immediate liquidity ratio provides the interface between the asset's most liquid assets and short-term liabilities.
The Patrimonial Solvency Ratio (PSR) shows that “it is rated as normal when the PSR is 50%”.

The rate of financial autonomy shows that “the higher the value of this indicator, the greater the degree of financial independence of the enterprise”.

The Company Treasury is calculated according to the following formula:

\[ \text{TR} = \frac{\text{Cash Availability}}{\text{Short-term Fees}} \]

The Stock Rotation Rate shows that “for inventories, a global rotation speed can be calculated based on the turnover and the amount of the global average stock reflected in the balance sheet”.

The degree of risk indebtedness (GR) is a relevant indicator of the balance of the company, which reflects the medium- and long-term borrowed capital in the subscribed capital and own capital.

The company’s financial security margin is best reflected by benchmark indicators, with current assets having a higher short-term debt.

Indicators of profitability of the trading company represent the main motivation in the economic activity of economic organizations. Profitability is a decisive criterion in guiding firms in structuring economies. Profitability is measured by the mass or size of the profit and, relative, by the profit rate.

In order to analyze the change over time and for comparisons between companies, the profit rate is the relevant indicator, and it can be set in various forms.

3. Risk of Bankruptcy

Bankruptcy is one of the biggest threats to businesses and occurs as a result of the economic operator’s inability to pay on time.

The existing legislation\(^4\) defines and distinguishes between insolvency and insolvency where the former is characterized by the insufficiency of available funds for the payment of certain, liquid and due debts, and the second is distinguished by the possibility of failure to pay of outstanding obligations.

The financial risk can be determined by the average quarterly deviation of the profitability rates, as compared to the average rate set on a watch horizon.

The financial profitability of a company can be related to economic profitability, with the difference between economic profitability and interest rate and the degree of indebtedness of the company.

4. Business Analyst - What Should He Do to Develop an Enterprise’s Business. Practical Solutions

The business analyst needs to take some measures, given that the scope of business analysis is particularly extensive, with a trend of analysts specializing in one of the main

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\(^4\) Law no.85 of 5 April 2006 on insolvency proceedings, Official Gazette of Romania no. 359 of 21 April 2006
types of business activities that form the subject of business analysis. The most important role of business analysts is to identify needs and provide solutions for business issues, with one of the following roles:

**Business analyst of the company** - this is the most common role assumed by an analyst with general training that considers companies' businesses as processes that are designed to increase their profitability by efficiently using each type of available resource.

**Business strategist** - Businesses need to constantly focus on strategy issues in the modern business environment. Business analysts need to have the skills to analyze the strategic profile of the organization and the environment in which they operate, advising leadership on the right policies, but also on the impact of policy decisions.

**Enterprise Architect** - Companies may need to make changes to solve the problems identified by strategic analysts. Business analysts contribute to this process by analyzing objectives, processes and resources, as well as suggesting ways to undertake Business Process Reengineering or Business Process Improvement. The essential elements of this aspect of business analysis are: redesigning key business processes, applying technologies to support new critical processes, and managing organizational change.

**IT systems analyst** - In order to align the IT development with the ongoing systems within companies, there is a permanent need. An important business issue is how to make IT investments more profitable, which are often very costly and of critical importance. Being aware of this problem, IT departments use business analysts to better understand and define the requirements for their IT systems.

**Conclusions**

Among the issues that both specialists and ordinary people have concerns are risk and uncertainty, all of which come across different concepts in economics, literature, law, technology etc.

In conclusion, the risk of bankruptcy is part of the company's internal risk and occurs due to the inability to honor payments on time.

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