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DIAGNOSIS FINANCIAL ACCOUNTING - A TOOL FOR ASSESSING THE ENTERPRISE'S FINANCIAL FLOWS

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Abstract: *Financial analysis, as part of a distinct economic and financial analysis is part of the special purpose analysis. The most important factors for and stimulated the development and improvement of financial analysis are: the development of Joint Stock Companies, increasing the role of banks and financial institutions.*
Financial analysis is broadly defined as "the study based on analysis of financial statements". This involves a set of judgments made on the financial statements as a specific method for analysis of particular aspects of business management, such as financial position, economic performance and financial, economic risk, financial and bankruptcy, relations with third parties.
Keywords: *financial analysis, financial flows, diagnostic analysis.*

The financial analysis aims to narrow the financial flows that formed the company, the management and placement of financial and monetary resources and more detailed study of financial ratios to determine solvency and profitability of the company. Diagnostic analysis is investigating a systemic vision the real causes of the success of company strengths and weaknesses of its activity, allowing appropriate action to highlight recovery and correction the overall activity. However, in any economic system there is a duality, an economic phenomenon that is also the effect of a number of reasons, but the final cause of another phenomenon.

Study economic reality requires a specific approach that integrates classical view based on knowledge of causal relations and the domestic laws of formation and evolution of phenomena, with the consistency of their systematic research oriented in a changing environment. Such an interpretation allows in fact a correct assessment of the situation and identify vulnerabilities and opportunities for development, management decisions essential grounding.

The increasing complexity of financial activity expansion of the company under competitive economy has profound implications in managerial decision-making process which requires the abandonment of routine and the use of methods based on knowledge of reality in order to establish causal connections between economic phenomena and financial situation of the agent economy, regardless of ownership.

Any financial activity and economic management at all organizational levels - macroeconomic, microeconomic and territorial - is, in essence, a permanent activity of deep and complex understanding of the economic and financial structure of time past, present and future, a permanent work base for operational decision packages, tactical and strategic action to establish ways to deliver the program, as well as a permanent activity of the decisions taken and systematic follow their accomplishment. Given these considerations, is deeply role economic financial diagnosis, by definition, involves research in relation to the functioning of the structural and functional / causal and based on status information. Economic and financial diagnosis is a tool that allows managers to the formulation of quantitative value judgments and / or qualitative data to the state, dynamics and prospects of an economic agent.

Etymologically, the term comes from the greek word diagnosis diagnostika which means "able to discern", ie the ability to delineate objectively discerning a certain topic after its manifestations. This corresponds to a capacity analysis and understanding of performance.

Diagnostic concept was used first in medical practice, an action that aims at knowledge of certain diseases by their symptoms, causes and discovery to establish the necessary healing therapy.

So, making a diagnosis requires a comprehensive and complex research to identify a "disease" and applying a "treatment" from the symptoms.

From an economic perspective, diagnosis, has the same sense as in medicine. Thus, regardless of field of use, diagnostic approach involves highlighting and signaling activity of a business failure, complex analysis of the facts and responsibilities, identification of proposals for measures and their application leading to the regulation of the status quo.

Diagnostic analysis of a company is required to carry out not only where it is in difficulty, but also for normal operation of the system, aiming to recover or improve performance.

Diagnosis, consider Jean - Pierre Thibaut, the base model that analyzes the company in a global perspective in terms of its functions. It illustrates the strengths and weaknesses, and past results show understanding future threats and opportunities in business. According to financial analysts J. Y. Eglem and A. Mikola, a diagnosis is to discover and take into account factors that influence the evolution of the company. In other words, the diagnosis requires identification of key variables of the state and dynamics of phenomena, to study their interaction to determine the progress of business objectives.

Diagnostic work is "a broad investigation of the main aspects of the organization, economic, technical, sociological, legal and management in order to identify sites and failure strength, the causes that generate them and the design and development of recommendations for improvement".

Substantiating the diagnosis is made on the results of the analysis, based on assessments, judgments, and also the assumption of certain responsibilities. Thus, Weiner N. analyst says that "in the absence of reliable standard methods of calculation, the role of experts in assessing the factors trial sociological, anthropological and economic is so great that a novice who has not yet gained tremendous experience acquired by experts, has making in this area. "Therefore, if the sources of information on reliable and accurate diagnostic analysis, the expression of value judgments depend largely on the experience and professionalism of the analyst.

Diagnostic analysis is based on research in a complex systemic causes a business concept, the strengths and weaknesses of its activity, allowing appropriate action to highlight recovery and correction the overall activity.

In the management company can make a parallel between the diagnosis of a medical approach and diagnosis generated by economic activity, as follows:

DIAGNOSIS HUMAN		**DIAGNOSIS COMPANY**
Poor health → disease		Problems → difficulties
Doctor Analysis of symptoms; Research internal and external causes	← **Diagnostic** → ↓ **Suggestions** ↓	Consultant / Expert Analysis of indicators; Research into the causes and responsibilities of internal and external
Identification	**Application**	Identification
Action Programs therapy surgery	↓ **Control** ↓	Action Programs Measures for redress Measures for structuring
Treatment Tracking medical		Into practice ↕ Management Control
Recovery	**Objectives**	**Recovery**

Fig. 1. Parallelism between human diagnosis and diagnosis company

This parallelism results following situations:

If the firm is in difficulty substantiating a diagnosis is needed to identify the causes of its difficulties and record recovery measures to improve economic and financial situation plan.

If a company with a good diagnostic feature is used to highlight the improvement activity.

Diagnosis financial accounting for evaluation of the strength of the diagnosis as long as he summarizes, on the one hand the results of other types of diagnosis, and on the other hand provides information and financial accounting specific conclusions that have significance in assessing the company.

Financial diagnosis therefore requires some judgments on the company's financial health, strengths and weaknesses of financial management, which can assess the risks of past, present and future financial situation arising out of and solutions to mitigate risks and improve results

Diagnosis in the management company expressed:

Management tool: a preliminary approach to any decision-making process that allows the company to know, appreciate what products / services to offer in relation to the resources available or likely to be procured, to identify its competitive advantages are its market position to define strategies.

Appreciate the way that "health" of an enterprise, from changes in the environment in which it operates.

Approach similar to that used in the medical field for analyzing a patient's health status, namely:

- identify symptoms;
- detection of cases that resulted;
- formulate recommendations for preventing or curing disease;
- treatment administration;
- control effects arising from compliance "medical advice".

Diagnosis identifies the key variables of state and dynamics of phenomena, studying their interaction to determine the progress of business objectives.

In economic terms, as emphasized J.P. Thibaut, diagnosis expressed:

- the identification failures and opportunities;
- analysis of the facts (the signs, indicators, etc..) Search internal and external causes and establish responsibilities;
- the proposed program of action and measures to improve recovery and results;
- proposed measures;
- control of the objectives of recovery or improvement.

Financial analysis using specific instruments and tools intended purpose and lead to financial diagnosis, part of the economic and financial diagnosis with diagnosis accounting, financial and accounting function targeting the enterprise, being directed mainly toward profitability and risks.

Diagnosis financial accounting, financial analysis prepared on the basis, is to:

- highlighting failures or unfavorable elements in the company's financial position and performance;
- identify the causes of present and future challenges of the enterprise;
- presentation development prospects of the company and proposing actions to be taken to improve or address the situation.

We appreciate that the general diagnosis of an entity can be structured into three main components:

Diagnosis of the competitive environment;

Economic diagnosis (management);

Financial diagnosis.

While diagnosis of the competitive environment refers to the entity external factors, namely the "opportunities" and "threats" (risks) affecting the entity, the diagnosis aims to establish economic and financial strengths and weaknesses in internal financial and economic activities the entity.

Competitive environment to achieve diagnosis is required in advance, identifying the competitive environment, that analysis of the following elements:

- share - market share;
- competitive position;
- competitive structure;
- a competitive context;
- a competitive advantage nationally and internationally.

Consequently, the competitive environment diagnosis is to determine the competitive position of the company's strategic marketing firm offering answers to the constraints of its external environment. Such a diagnostic environment that enables the company to take account of "opportunities" and "risks" involved in the market, thus prefiguring its effort to adapt to structural changes of the environment and efforts to position appropriate to the competition.

Economic diagnosis (management) or diagnostic study of the economic activity of enterprises in economic terms, achieving an interdependence between the efforts involved (resources) and business effects (results) in the achievement of business cycle activity aimed at determining strengths and weaknesses and establish "recovery therapy" economic activity of the company. Economic diagnosis decision support system internal needs of the company's corporate governance, the case managers' needs as the main internal users of microeconomic analysis.

Financial Diagnosis requires a synthetic speech, tracking symptoms, failure, violations, establishing the company's financial condition, prescribing "treatment" to redress an existing situation at a time.

International Financial Reporting Standards considers that "the financial analysis is a discipline that analytical tools are applied to the financial statements and other financial data for interpreting trends and relationships in a consistent and disciplined manner. In essence, the analyst in charge of converting data into information and help, therefore, the diagnostic process aimed at research and forecasting information ".

Diagnosis is an economic and financial managers to reach that allows the formulation of qualitative value judgments and / or quantitative status, dynamics and prospects of an economic agent, highlighting its strengths and weaknesses, the ability to grow in a profitable manner.

The concept of another author, financial accounting diagnosis can be reduced to risk assessment and it assumes that a foreign partner because of its relations with the enterprise business.

Financial diagnosis is a set of concepts, tools, methods, techniques, allowing treatment of financial statements and other internal and external information at their disposal or acquired, in order to produce qualitative value judgments and / or quantitative financial status, dynamics and a business perspective.

Therefore, the diagnosis is a means of information which allows identification of different variables (internal and external) and alternatives.

Internal variables are the material resources, staff qualifications, staff behavior, the financial resources of the enterprise. External variables reflects the evolution of market demand, technological developments, consumer preferences, development of markets for raw materials, capital, financial development and economic policies.

At the same time work aimed at diagnostics and future periods of an enterprise.

Achieving firm diagnosis requires several steps:

1. failure to identify a company and their evolution, such as:

o products improper application;
o failure to satisfy the health and safety;
o selling prices, ie high production costs compared to market;
o damage relations with a principal customer or supplier;

2. a determination of causes, factors and events that have caused shortages of company might be:

o human factors
o organizational factors
o political factors
o managerial factors
o technical factors
o rupture factors arising from events such as
' Change of regulations,
' Political decisions at branch level or at the macroeconomic level,
' Technological changes, competitive concerted actions,
' Entry of new "actors"
' Behaviors and reactions of partners,
' Adverse economic circumstances,
' Business changes, etc..

3. search "key actors", internal and external, related to malfunctions found and when they have taken action which led to such failures, such as:

o employees
o managers,
o shareholders,
o public power,
o customer groups,
o suppliers,
o other employees.

4. internal tracking methods to improve deficiencies noted, could be:

improvement of organizational nature, regarding:

' company's ability to identify, allocate and coordinate resources to best achieve the objectives to be set;
' increasing the flexibility of the company, meaning the ability to respond as soon as the new expectations of external partners;
' economic improvements designed to help achieve a maximum profit with minimum resources and the creation of value;
' social improvements, related to the company's ability to maintain a permanent balance between business partners and to help create a stable, harmonious and ensure business continuity;
' communication management strengths, weaknesses of the enterprise diagnosis, they can exploit opportunities or threats that may affect future business.

Firm diagnosis involves three dimensions:

❋ a cognitive (descriptive) resulting from the application of proper methods, techniques and procedures specific diagnosis;
❋ an explanatory judgments and interpretations derived from the results of diagnostic analysis performed;
❋ a prediction that has a strong creative and consists in drawing up measures for improving the business activity, identify opportunities and outline its strategic options.

As a conclusion, diagnosis requires the ability to discern, detect symptoms of failure of an enterprise activity, research and analysis of facts and responsibilities, developing action programs to ensure their practical application to improve recovery and performance, identifies the critical points within a system and also , the decision to endorse the centers of control measures.

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