

## THE ECONOMIC – FINANCIAL BALANCE OF THE ENTERPRISE REFLECTED BY INFORMATION PROVIDED BY BALANCE SHEET

**Mihaela - Lavinia CIOBĂNICĂ<sup>1</sup>**

<sup>1</sup> Lecturer PhD., Spir Haret University, Faculty of Accounting and Financial Management

**Abstract:** The economic life, as well as other fields of social life, in the process of developing activities that give content is dealt with in the permanent problem of balance. It is, in general, of the existence of adequate correlations between the needs of real economic and resources of production factors that underlie to obtain those assets. Economic information is present in all fields of activity, an indispensable element of progress. In the context of the development of market economy and increase the complexity of the economic information required to develop an appropriate area, content and efficiency, so that it can provide the information required to take decisions, to reflect accurately the economic situation of enterprises.

**Keywords:** economic-financial equilibrium, liquidity, ability to pay, treasury.

### 1. INTRODUCTION

The work is intended to be a tool to emphasize the economic life, as well as other fields of social life, in the process of carrying out the activities that give them content is confronted with the problem of the balance. Starting from this issue, the financial management is the function which has as its main objective to provide management of the undertaking, at the appropriate time, the necessary funds for its development and exploitation, while at the same time, the profitability of the operations that are affected by its funds[4].

The approach of determining the economic-financial equilibrium within the framework of the organization resulted in a study conducted on the example of „Transelectica” company who operates in the field of electricity.

Thus, the financial balance is calculated from the case study, rapidly resulting in particular on four indicators, balance sheet of the undertaking which is the subject of analyze them further.

### 2. ANALYSIS OF ECONOMIC-FINANCIAL BALANCE OF THE ENTERPRISE REFLECTED BY INFORMATION PROVIDED BY BALANCE SHEET

For the purposes of the calculation of indicators of economic and financial balance, is presented in table 1 of the financial balance for the retreatment of the three financial exercises [5].

**Table 1. A larger balance sheet items necessary for determining the indicators of economic and financial balance**

Assets (RON)	Financial exercise			Passive = Resources (mii lei)	Financial exercise		
	2009	2010	2011		2009	2010	2011
<i>Means lasting &gt; 1 year</i>				<i>Resources with due date &gt; 1 year</i>			
<b>A. Fixed assets</b>	<b>3 307 866</b>	<b>3 409 380</b>	<b>3 605 189</b>	<b>J. Capital and reserves</b>	<b>2 372 039</b>	<b>2 357 126</b>	<b>2 356 488 499</b>
I. Intangible fixed assets	439	793	549	I. Capital	656	064	733 031 420
II. Tangible assets	33 143	30 428	34 143	II. Prime capital	733 031	733 031	1231 083 222
III. Financial assets	122	786	352	III. Revaluation reserves	420	420	382 726 734
	3 266 106	3 370 039	3 518 660	IV. Reserves – total	+1 242	1 237 389	
	555	278	437		363 725	706	
	8 616 762	8 912 729	52 385	V. The result carried forward – credit balance	+352	375 479	9 557 424
			760		903 762	629	
<i>Means lasting &lt; 1 an</i>					+39		957 103
<b>B. Current assets</b>	<b>1 074 193</b>	<b>805 589</b>	<b>848 744</b>		409 194		
I. Stocks	023	863	275			6 135 590	<b>2 355 441 697</b>
II. Receivables	34 331	35 073	38 729	Debit balance	-		
III. Short-term financial investments	919	966	366	VI. The result of the exercise – Sold C	+41 943	404 321	1 046 802
	833 356	618 817	667 123		077		
	732	388	523	Allocation of profits	- 41 943	<b>2 351 632</b>	1 703 745
	-	-	47 529		077	<b>024</b>	
	206 504	151 698	800	<b>Total equity</b>	<b>2 367</b>	5 494 040	
IV. Cashier and accounts at banks	372	509	95 361	Public Patrimony	<b>708 101</b>	5 331 422	
<b>C. Prepaid expenses</b>	<b>1 723</b>	<b>3 701</b>	<b>586</b>	H. Provisions for liabilities and charges	+ 4 331		
	<b>846</b>	<b>101</b>	<b>550</b>		555		
			<b>498</b>		+14 590		
					143		
				<b>G. Debts for a period &gt; 1 year</b>	1 011	947 211	981 607 809
				<b>D. Debts for a period &gt; 1 year</b>	270 693	185	801 488 387
					840 320	689 022	
					539	111	
				<b>Total debts</b>			1 783 096 196
					+1 851	1 636 233	
				<b>I. Revenue in advance</b>	591 232	296	313 195 882
					+145 562	219 980	
					277	975	
<b>Total net assets</b>	<b>4 383 783</b>	<b>4 218 671</b>	<b>4 454 484</b>	<b>Total Share Capital</b>	<b>4 383 783</b>	<b>4218 671</b>	<b>4 454 484 322</b>
	<b>308</b>	<b>757</b>	<b>322</b>		<b>308</b>	<b>757</b>	

### 2.1 Analysis of net situation (SN)

Based on the financial balance, the net situation shall be determined as follows:

$$SN = \text{TOTAL ASSET} - \text{TOTAL DEBT} - \text{REVENUE IN ADVANCE} \quad (1)$$

or:  $SN = \text{EQUITY CAPITAL} \quad (2)$

$$\text{TOTAL DEBT} = \text{DEBT} + \text{PROVISIONS} + \text{PUBLIC PROPERTY} \quad (3)$$

$$\text{Total debt}_{2009} = 1\,851\,591\,232 + 14\,590\,143 + 4\,331\,555 = 1\,870\,512\,930$$

$$\text{Total debt}_{2010} = 1\,636\,233\,296 + 5\,331\,422 + 5\,494\,040 = 1\,647\,058\,758$$

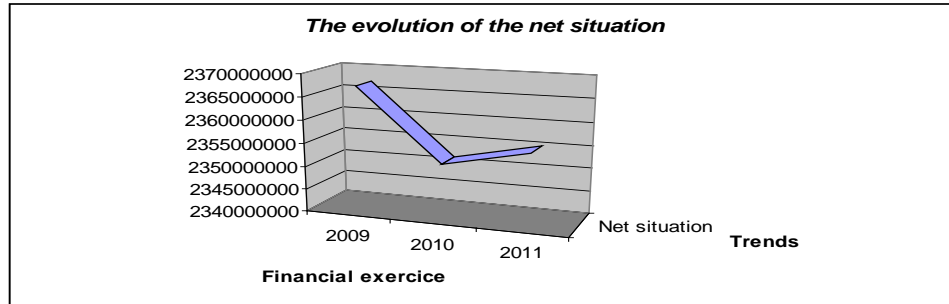
$$\text{Total debt}_{2011} = 1\,783\,096\,196 + 1\,703\,745 + 1\,046\,802 = 1\,785\,846\,743$$

$$SN_{2009} = 4\,383\,783\,308 - 1\,870\,512\,930 - 145\,562\,277 = 2\,367\,081\,101$$

$$SN_{2010} = 4\,218\,671\,757 - 1\,647\,058\,758 - 219\,980\,975 = 2\,351\,632\,024$$

$$SN_{2011} = 4\,454\,484\,322 - 1\,785\,846\,743 - 313\,195\,882 = 2\,355\,441\,697$$

A graphical representation of the evolution of SN, corresponding to the three consecutive financial exercises at “Transelectrica” company is shown in Figure 1.



**Figure 1 The evolution of the net situation**

### 2.2 Analysis of the Revolving Fund (FRF)

On the basis of financial balance group posts after its financial equilibrium criterion entails financing asset with duration of more than 1 year of resources with maturity over 1 year, while assets under financing 1 year overdue resources under 1 year [2].

Consequently, a steady result from the confrontation of liabilities over the long term (permanent capital) with its permanent (fixed assets), as they result from the top of the financial balance:

$$FRF = \text{Permanent Capital} - \text{Assets net fixed} \quad (4)$$

Using this option, the necessary elements for calculation and analysis of the FRF are presented in table 2.

**Table 2. Determination of FRF based resources and sustainable use**

No.crt.	Indicators	Financial exercise		
		2009	2010	2011
1.	Equity capital	2367708101	2351632024	2355441697
2.	Debt with maturity over 1 year	1011270 693	947 211 185	981 607 809
3.	Provisions for liabilities and charges	14590143	5331422	1703745
4.	Public property	4331555	5494040	1046802
5.	Permanent capital ( $C_p$ )	3397900492	3309668671	3339800053
6.	Net fixed assets ( $A_i$ )	3307866439	3409380793	3605189549
7.	Revolving Fund financial (FRF)	90034053	- 99712122	-265389496

$$FRF_{2009} = 3\,397\,900\,492 - 3\,307\,866\,439 = 90\,034\,053$$

$$FRF_{2010} = 3\,309\,668\,671 - 3\,409\,380\,793 = -99\,712\,122$$

$$FRF_{2011} = 3\,339\,800\,053 - 3\,605\,189\,549 = -265\,389\,496$$

In 2009 there is a revolving fund, in this case on the basis of permanent resources company that finances in full assets. In respect of the 2010 and 2011 financial exercises, you notice a downward evolution of this indicator as a result of the increase in value of assets, particularly tangible desire development and modernization of the company which is the subject of case study.

The lower the balance determines the FRF as follows:

$$FRF = (\text{Current assets} + \text{Prepaid expenses}) - (\text{Short-term debt} + \text{Revenue in advance}) \quad (5)$$

Using the second option, the elements needed to calculate and analyze the FRF is in table 3.

**Table 3. Determination of FRF based resources and cyclical applications**

No. crt.	Indicators	Financial Exercise		
		2009	2010	2011
1.	Current assets	1 074 193 023	805 589 863	848 744 275
2.	Prepaid expenses	1 723 846	3 701 101	550 498
3.	Short-term debt	840 320 539	689 022 111	801 488 387
4.	Revenue in advance	145 562 277	219 980 975	313 195 882
5.	Revolving Fund financial	90 034 053	- 99 712 122	- 265 389 496

$$\begin{aligned} FRF_{2009} &= (1\,074\,193\,023 + 1\,723\,846) - (840\,320\,539 + 145\,562\,277) = \\ &= 1\,075\,916\,869 - 985\,882\,816 = 90\,034\,053 \\ FRF_{2010} &= (805\,589\,863 + 3\,701\,101) - (689\,022\,111 + 219\,980\,975) = \\ &= 809\,290\,964 - 909\,003\,086 = -99\,712\,122 \\ FRF_{2011} &= (848\,744\,275 + 550\,498) - (801\,488\,387 + 313\,195\,882) = \\ &= 849\,294\,773 - 1\,114\,684\,269 = -265\,389\,496 \end{aligned}$$

In calculations, can be seen as a financial exercise 2009,  $FRF > 0$  whence it follows that the value of circulating assets exceed short-term debts. In conclusion the good situation in terms of the capacity to pay.

Thus, she is financing part of the current assets at the expense of short-term debt, and the other part of their permanent capital [3].

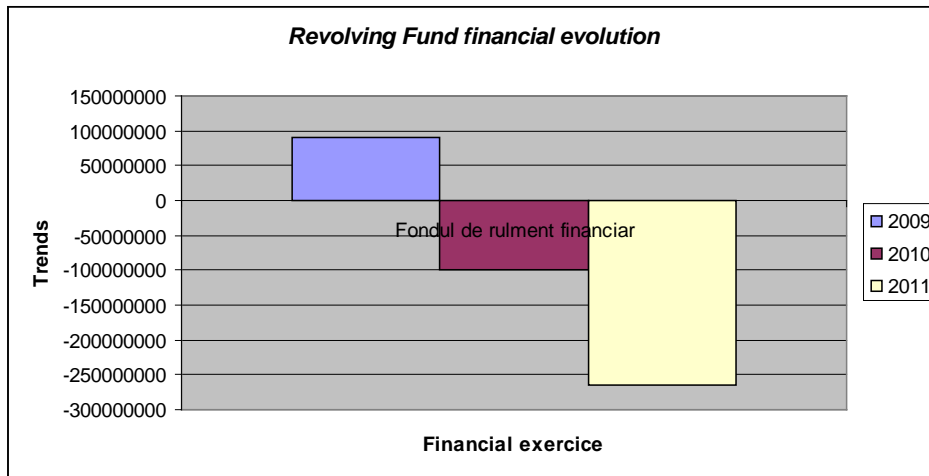
In other words, the company has a buffer of resources for financing of current assets, the margin coming from permanent capital of the firm. In respect of the 2009 and 2010 financial exercises, in the calculations the FRF has a negative value, meaning that the organisation is in a situation of imbalance.

This means that short term debts are financing both current assets and a portion of the company's imobilizarile, meaning those assets with stable character that rotate (turn into cash) at ranges in excess of one year.

The situation is worse, because even if the enterprise will be able to transform the whole current assets into cash, it will be unable to pay its debts in the short term, because the imobilizarile turns into cash at large intervals of time.

In addition, the company may have difficulty in terms of refinancing the obligations of permanent assets in the short term.

A graphical representation of the evolution of the indicator economic-financial equilibrium FRF, for three consecutive financial exercise in the company which is the subject of a case study is shown in Figure 2.



**Figure 2 Revolving fund financial evolution**

### 2.3 Analysis of Requirement Revolving Fund

On the basis of balance NFR is determined as follows:

$$\begin{aligned} NFR = & \text{CURRENT ASSETS} - \text{SHORT-TERM DEBT} \\ & (+ \text{Prepaid expense} \quad \quad \quad + \text{Revenue in advance}) \\ & - \text{Treasury assets} \quad \quad \quad - \text{Treasury liabilities} \end{aligned} \quad (6)$$

The elements necessary for determination of the NFR, extracted from the balance sheet are shown in table 4.

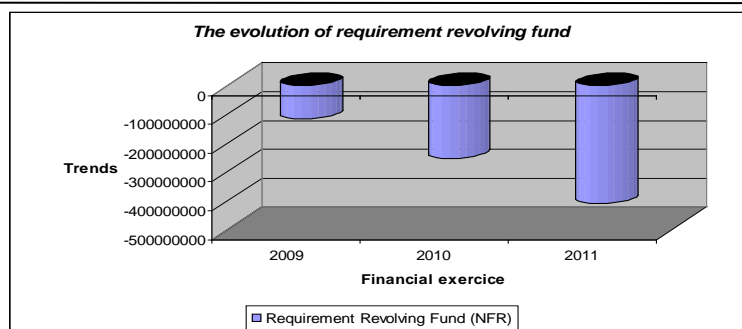
**Table 4 . Determination of Requirement Revolving Fund**

No. crt.	Indicators	Financial exercises		
		2009	2010	2011
1.	Stocks	34 331 919	35 073 966	38 729 366
2.	Receivables	833 356 732	618 817 388	667 123 523
3	Prepaid expensive	1 723 846	3 701 101	550 498
4.	Debt with maturity up to 1 year	840 320 539	689 022 111	801 488 387
5.	Revenue in advance	145 562 277	219 980 975	313 195 882
6.	<b>NFR (1 + 2 + 3) – (4 + 5)</b>	- 116 470 319	- 251 410 631	- 408 280 882

In the three financial exercises, NFR is negative, signifying a surplus of temporary resources in relation to the corresponding needs of circulating capital.

This situation is as positive as it would represent the result of circulating assets turnover and accelerating the hiring of debt with maturity more relaxed [1].

A graphical representation of the evolution of the indicator economic-financial balance of the NFR, which relates to the three consecutive financial exercise in the company which is the subject of a case study is shown in Figure 3.



**Figure 3 The evolution of requirement revolving fund**

#### 2.4 Treasury net analysis

In terms of a Treasury entity, it is determined as the difference between availability and current financial debts.

$$TN = \text{TREASURY ASSETS (liquidity)} - \text{TREASURY LIABILITIES (short-term bank loans)} \quad (7)$$

The Treasury is the most relevant part of the expression for an efficient activity in the Revolving Fund, at some point, is superior to the need of revolving fund, as evidenced by the relationship:

$$TN = FRF - NFR \quad (8)$$

The financial surplus is materialised in the liquidity of funds in bank accounts and into the cashier. Treasury financial balance quality reflect neta general entity both long-term and short-term.

The necessary elements for the calculation of the net cash requirements can be found in table 5.

**Table 5. The necessary elements for determining TN**

No. crt.	Indicators	Financial exercise		
		2009	2010	2011
1.	FRF	90 034 053	- 99 712 122	- 265 389 496
2.	NFR	- 116 470 319	- 251 410 631	- 408 280 882
3.	Treasury assets	206 504 372	151 698 509	142 891 386
4.	Treasury Bank loans	-	-	-

$$TN_{2009} = FRF_{2009} - NFR_{2009} = 90\,034\,053 - (-116\,470\,319) = 206\,504\,372$$

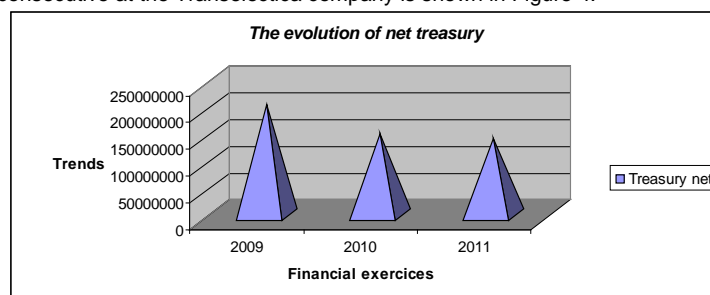
$$TN_{2010} = FRF_{2010} - NFR_{2010} = -99\,712\,122 - (-251\,410\,631) = 151\,698\,509$$

$$TN_{2011} = FRF_{2011} - NFR_{2011} = -265\,389\,496 - (-408\,280\,882) = 142\,891\,386$$

As a result of calculations, the value corresponding to the result of the net cash requirements for the three financial exercises explored is positive and in decline. This situation reflects the gap between the higher rate of growth of the supply Revolving Fund compared to the Revolving Fund's financial growth. Reduction of TN is a consequence of the increase of current liabilities, current assets respectively in the lower growth rate of revolving fund requirement.

At the same time, is identical to the liquidity of funds as a result of the non-bank borrowing by the Treasury.

A graphical representation of the evolution of the indicator economic-financial equilibrium TN, corresponding to the three financial exercises consecutive at the Transelectrica company is shown in Figure 4.



**Figure 4 The evolution of net treasury**

### 3. CONCLUSION

In general, the assessment of the financial health of the company focuses on three coordinates: profitability, liquidity, solvency. The economic and financial performance of an enterprise can be considered a key element for any real or potential creditor. Maintaining a State of performance as good and even improve them must constitute an essential concern for enterprise management, as this ensures the activity of profitability and liquidity.

The study conducted for the firm's interdisciplinary approach and the environment or to allow a proper understanding of the financial position and performance. This facilitates the realization of the enterprise financial diagnosis. In this respect, theoretical argumentatia is completed by documenting in the „Transelectrica” company, through the promotion of an efficient financial management, has managed to successfully resist an environment characterized by numerous changes of economic, technical, political and social, as well as emphasizing the phenomena of concentration and globalization of business.

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