SOME ASPECTS REGARDING BALANCE SHEET ANALYSIS

ILIE RĂSCOLEAN, ALIN MONEA *

ABSTRACT: *This paper presents some aspects of the analysis based on the balance sheet at an economic entity. Attempting to use economic analysis as a support tool in the decision. The case study is performed on the financial accounts of a company, analyzing the structure of the assets using the following rates: the rate of intangible assets; rate of tangible assets; rate financial assets; rate stocks; rate receivables and cash and cash equivalents rate. Liability structure is analyzed using the following rates: the rate of financial stability; global financial autonomy rate; overall borrowing rate; term borrowing rate.*

KEY WORDS: *balance sheet, financial statement, income statement, cash flow statement, the asset structure rates, rates structure of liabilities.*

JEL CLASSIFICATIONS: *D50, G32, M40.*

1. INTRODUCTION

Throughout its evolution accountancy has been confronted with the need to develop its own procedure for generalization and synthesizing the data, which involved the development of a set of appropriate instruments, namely financial statements.

The financial statements are an accounting tool of great importance in the management process, requiring both decision making on the allocation of funding and recovering funds, organizing control over the implementation of decisions taken and to establish rights and obligations of responsibilities from work household and property development.

International Accounting Standard 1 "Presentation of Financial Statements" is in the same general trend of standards developed by the IASB to shed light on the recognition, measurement, presentation and transmission of information on the activity of enterprises.

* *Assoc.Prof., Ph.D., University of Petroşani, Romania, ilierascolean@yahoo.com*
Assoc.Prof., Ph.D., University of Petroşani, Romania, alinmonea@gmail.com

From a historical perspective IAS 1 "Presentation of Financial Statements" is the predecessor of several standards from international accounting regulatory body (IASC), namely:

- IASI 1 (in its old form), which dealt primarily accounting methods;
- IASI 5, which treat the information that companies must include in the financial statements;
- IASI 13, whose object was represented by the study of current assets and liabilities.

The structure of financial statements comprises: balance sheet; and accounting profit and loss; picture cash flows; situation changes in equity; notes explanatory.

Through these international accounting regulatory body aimed at capturing the financial position, its performance and change them.

Information on financial position is provided primarily by the balance sheet of the companies analyzed. The balance sheet is the summary accounting document which sets out the assets, equity and liabilities of the company at year end. The balance sheet is drawn up based on final balances established in the final trial balance of synthetic accounts.

2. BALANCE - SOURCE OF INFORMATION IN DECISION-MAKING

Balance has entered the world of economic theory and practice as a model synthesized in cash at a time of steady relationships between assets and liabilities heritage, seen in its entirety and structure.

According to the laws of our country, the balance is defined as "synthetic accounting document which presents patrimonial assets liabilities and equity unit at year-end and in other cases provided by law." Balance reveal two components-economic means (use) and economic resources (resources), between which there must be a perfect balance. The two structural entities are heritage situation trader at a time.

With the purpose of presenting heritage in the study is to structure content primacy balance sheet assets, which theoretically resulted over time in different conceptions of interpretation of this content.

The **balance sheet** can be defined in terms of representation heritage accounting respectively for process status reflects in cash at a time uses (destinations) and resources (original) property, providing information regarding assets, the double aspect of their assets and liabilities. The balance sheet is drawn up at certain time, coinciding with the end of the reporting period. At this time the business assets is viewed statically.

The role of the balance sheet accounts and achieving the object of knowledge both accounting and bookkeeping practice. In terms of balance sheet accounting knowledge serves to demonstrate and achieve double representation. It shows the top level knowledge synthesizing and generalizing information.

In this way interdependence and correlations that characterize economic activity and influencing factors. It is also the starting point for grounding and knowledge of rules of the accounts. In terms of accounting practice and work management units managed stock allow the correlation of all accounts that reflects economic elements of the enterprise.

It is the process by ending and starting an accounting cycle, providing an insight into the economic and financial situation of the company, providing information for financial analysis at different levels.

3. ANALYSIS OF INDICATORS FNANCIAL ACCOUNTS

Based on the balance sheet prepared by the economic entity have created the financial statement in order to benchmark specific economic and financial analysis.

Financial statement: it is built in net values, heritage reflects a still image, the image is more real property than for balance sheet financial balance sheet construction is highlighting the real level of liquidity of assets and the actual items for charging liabilities.

For example we used information taken from the balance sheet of Alpha Construct SRL.

Table 1. Financial balance

No.	Specification/year	01/01/2013	12/31/2013
	ASSET		
1	Intangible assets	0	0
2	Tangible assets	83.865	75.990
3	Financial assets	0	0
4	- financial assets more than 1 year	83.865	75.990
5	- claims more than 1 year	0	0
6	TOTAL CURRENT ASSETS	83.865	75.990
7	Stocks	306.997	361.239
8	Claims:	40.055	376.588
9	-claims less than 1 year	40.055	376.588
10	- financial assets less than 1 year	0	0
11	Cash	30.732	6.003
12	-TOTAL CURRENT ASSETS	377.784	743.830
13	**TOTAL ASSET**	**461.649**	**819.820**
	LIABILITIES		
1	Equity	79.191	131.876
2	Medium and long-term liabilities:	184.338	485.838
3	- financial liabilities in the medium and long term	184.338	485.838
4	- debt service on medium and long term	0	0
5	ONGOING CAPITAL	263.529	617.714
6	Current liabilities:	198.842	340.521
7	- financial liabilities in the short term	198.842	340.521
8	-provisions less than 1 year	0	0
9	Short-term operating liabilities:	0	0
10	- suppliers and similar accounts	0	0
11	- other operating liabilities	0	0
12	LIABILITIES - TOTAL	383.180	826.359
13	**TOTAL LIABILITIES**	**462.371**	**958.235**

Financial and economic analysis of the structure of the enterprise Alpha Construct SRL is to determine the optimal structures for asset and liability side, structures allowing an efficient allocation of financial resources to cover or part of the financing needs of the enterprise.

Factors influencing the company's asset structure Alpha Construct SRL are:

- technical-economic-factor: intensity capitalization; duration of life of property; duration of the production process.
- legal-economic-factor: regulation law; legal form of companies.
- factor conjectural: options strategic enterprise; enterprise size; relationships with external partners.

3.1. The analysis of the asset (asset structure):

Asset structure is analyzed using the asset structure rates, these rates can study highlight:

- destination economic capital;
- grade liquidity of invested capital;
- the ability of the company to change its asset structure under the action of factors.

Table 2. Rates of asset structure

Specification/year	2012	2013
Assets	83865	75990
Total assets	461649	819820
Rates of assets	18.17%	9.27%
Intangible assets	-	-
Rate of intangible assets	-	-
Tangible assets	83865	75990
Rate of tangible assets	18.17%	9.27%
Financial assets	-	-
Rate of Financial assets	-	-
Current assets	377784	743830
Rate of Current assets	81.83%	90.73%
Stocks	306997	361239
Rate of stocks	66.50%	44.06%
Accounts Payable	40055	376588
Rate of Accounts Payable	8.68%	45.94%
Cash	30732	6003
Rate of cash	6.66%	0.73%

Assets ratio measures the capital investment and is calculated as the ratio between the total assets and the total asset

Rate reflects the share of intangible assets Intangible assets in total assets.

Rate reflects tangible investment share in total investment material and also indicates the company's flexibility to changing market requirements and technologies.

Rate financial assets reflect the company's financial investment policy and express the intensity of linkages and financial relations which it has established with other units.

The rate of current assets expressed in the relative sizes of fixed capital in the operation.

Rate stocks depend on several factors: sector activity where the company operates; time operating cycle; -speculation of market price fluctuations.

Increase in stocks is justified when driven by increased workload or unjustified when it leads to the formation of stocks without moving or slow moving.

Claims rate is influenced by: activity field; the nature of trade relations; payment terms of the submissions charged.

Availability rate: a high availability may reflect a favourable situation in terms of financial equilibrium, but can also be a sign of underutilized resources.

intangible assets rate + rate + rate financial assets tangible fixed assets ratio =
+ inventory + receivables rate availability = current assets
rate fixed assets + current assets ratio = 100

The analysis of liabilities (financial structure):

Rates of liabilities structure highlights the structuring of financing sources depending on the origin and degree of their chargeability.

Rates of liabilities structure reflect three main aspects of enterprise financing: financial stability, financial autonomy, the indebtedness.

Table 3. Rates structure of liabilities

Specification/year	2012	2013
Capital permanent	263529	617714
Total liabilities	462371	958235
Financial stability rate	57.00%	64.46%
Equity	79191	131876
Global financial autonomy rate	17.13%	13.76%
Total debts	383180	826359
Overall borrowing rate	82.87%	86.24%
Long-term loans	184338	485838
Term borrowing rate	69.95%	78.65%

Financial stability rate reflects the share of permanent capital in total financing sources. These consist of permanent equity capital and borrowed capital for longer than 1 year, which is why they are also called stable sources of funding.

The financial stability of the company is even greater as the rate is closer to 100. Rate financial autonomy: financial autonomy highlights the extent to which funding sources belong to the owner.

The own resources have an important share in total sources of financing the company's financial autonomy is higher. Global financial autonomy rate reflects its share in the total sources of funding. Financial autonomy term rate reflects the share of own sources in total permanent sources of funding.

Overall borrowing rate compares all the debt that we have company towards its creditors whether financial or not, with total financing sources. Maximum acceptable level of debt at a tolerable level of risk is 66%.

The dynamic indicator should be reduced permanently to the change in debt at a rate slower than changing liabilities, the most favourable situation is due to repayments of debt in the medium and long term cash loans that giving way to reduce equity.

Term borrowing rate compares financial liabilities and long-term permanent financing sources or own sources of funding. Maximum acceptable level of debt at a tolerable level of risk is 50%.

4. CONCLUSIONS

The role of economic and financial analysis is to provide relevant information to managers for decision-making in the economic entities. Thus, the end of the paper we propose several measures to optimize activity.

To rate assets rigorous measures consist of tangible assets and inventory of assets, which the company no longer used in the current work, keeping their generating two types of negative effects: immobilization of cash and the continuous decrease in value, based on physical wear and moral.

As regards the rate of stocks and receivables rate can be considered as the main measure invoicing works in stages, thereby increasing the discharge frequency and record revenue from sales of stock.

Rate of fixed assets in 2013 is lower than in 2012, which means that: weighted assets decreases; is a win-win situation for the company still achieving at least the same results compared to the basic period.

Because this capital is renewed after each operating cycle it is called capital. The rate of current assets in 2013 is higher than in 2012, which means: increase the share of current assets in total assets due to the fact that changes current assets in an amount greater than the total assets; this change is thought to be effective only if the enterprise increases in turnover greater than the increase in current assets.

Financial stability rate in 2013 is lower than the financial stability in 2012, which means that the degree of financial stability decreases.

Global financial autonomy rate in both years are in the range 15-30%, which means that it can get credit but increases its risk.

REFERENCES:

[1]. Cotleț, D.; Megan, O.; Pistol, I. (2005) *Situațiile financiare ale întreprinderii-între informație şi decizie*, Editura Orizonturi Universitare, Timişoara

[2]. Dura, C.; Isac, C.; Răscolean, I. (2012) *Economia şi gestiunea întreprinderii,* Editura Sitech, Craiova

[3]. Răscolean, I.; Dura, C.; Isac, C. (2014) *Economia şi gestiunea întreprinderii-fundamente teoretice şi studii de caz,* Editura Sitech, Craiova

[4]. (2011) *Standarde InternaȚionale de Raportare Financiară*, Editura CECCAR, Bucureşti