

## **ECONOMIC AND FINANCIAL ASPECTS OF ACTIVITY IN S. C. "AL THEO & DEA" S. R. L. - SALCIA COMMON, TELEORMAN COUNTY (2011 – 2013)**

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### **Abstract**

*The unit was established in 2006, with the object of "Growing of cereals (except rice), leguminous crops and oil seeds plant" - CAEN code 0111 from 02.08.2006. Formation of the company was based on the association of two persons, Romanian citizens, which constituted a legal entity as a limited liability company. The declared company's office is located in the village of Salcia, County Teleorman, which may establish subsidiaries, as required by law. Life of the society is one unlimited share capital was 200 lei (by 50% for each partner), increase or reduce the capital and its transmission can be achieved in concrete terms stipulated in the articles of established. The company has various equipment (tractors, combines, various machinery, storage, etc.) that have experienced an upward trend - both in numbers and in terms of value - during the analyzed period (2011-2013).*

*Key words:* assets, capital, customers, equipment, landscape, providers

### **INTRODUCTION**

Besides the main activity - growing of cereals and other crops (field activity growing plants for market gardening, horticulture), the company may carry on business as a secondary objective: wholesale of grain, seeds feed; Growing of vegetables, horticultural specialties and greenhouse products; cultivation of fruits, nuts, beverage and spice plants; cattle; sheep, goats, horses, asses, mules and donkeys; pig breeding; poultry; Raising of other animals; activities (mixed farming of crops combined with farming of animals); service activities related to agriculture, gardening landscaping (landscape architecture); animal husbandry service activities, except veterinary activities; fisheries; fish; mill products; manufacture of starch and starch products; manufacture of bread, fresh pastry production; road transport of goods; Agricultural machinery and equipment rental; import-export.

Constitutive Act also contains provisions concerning the rights and obligations of members, their tasks, the organization and conduct of general meetings, appointments and tasks aspects, issues related to the dissolution,

liquidation, merger and division of society, staff of the company, the balance sheet and profit and loss account, calculation and allocation of profits, litigation and final provisions.

If we relate to the crop plan is worth noting that the company has marched on traditional cultures - like wheat and sunflowers - more being practiced on small areas of maize and fodder plants (121, 135 and 145 ha cultivated - in total - for 2011, 2012 and 2013 with the following distribution: 64, 55 and 2 ha for wheat, sunflower and maize in 2011, 84 and 51 ha in 2012 for wheat and sunflower, respectively, 70, 71, 3 and 1 ha for wheat, sunflower, corn fodder plants respectively for 2013) [4].

It can be seen that the company was focused on practicing a rotation 'commercial', which aimed particularly products that have been found, on the market capitalizing opportunities, technological side being one somewhat poor, if we consider the restriction of rotation about the selected wheat and sunflower.

The profit of firms is obtained plus from the fact that they earn more than they spend on sales to producing those goods. Total profit of

a firm (Pr) is the difference between total sales (VT) and total production costs (CT):

$$Pr = VT - CT$$

Maximizing profits requires to compare costs with revenues and to look at what level of production, profit will be maximized, and also what is the level of the profit. There are two ways in which this could be achieved. The first and easiest method is to use the total cost and total revenue curves. A second method is to use the average and marginal revenue curves and average and marginal cost curves. Although this second method is more complex than is recommended when we want to analyze and compare maximize profits in different market conditions [3].

In terms of making profit, any firm is related to the notion of economic efficiency.

Economic efficiency of agricultural production is an economic category that expresses ownership of maximum economic effect with minimum manpower costs and materialized.

In the broadest sense, economic efficiency refers to all economic activity, namely the sphere of material production, distribution process, the movement of products, as well as various forms of economic activity in the field unproductive.

Economic efficiency is directly related to the net difference between the value of agricultural products sold and total production costs, which relate to factors that the entrepreneur needs to acquire market (explicit costs), as a ratio between the effort made to obtain values use and economic effect achieved with this effort [2].

Increasing the efficiency of economic activity from agriculture depend on a number of factors: economic, technical, organizational, contextual and natural.

Among economic factors to increase the efficiency of agricultural mention: ensuring optimal production and means funds and use the most efficient; units to ensure optimal workforce more skilled and use them as full and uniform; increasing material incentives to workers their work.

Among the technical factors that contribute to raising economic efficiency, the most

important relate to the main directions of technical progress, namely: increased mechanization of agricultural operations; extension of electrification and automation of work processes; expanding irrigation and other hydrological works; widespread introduction of modern technologies in production; modernization of transport and communication lines; widespread use in the production of a high biological material productive capacity.

Organizational factors that increase economic efficiency of agricultural mention: territorial distribution judicious crop production and animal by its requirements to natural and economic conditions; profiling, concentration, specialization and cooperation in production and economic integration; scientific organization of production and labor in the agricultural units.

In the category of temporary factors, a significant influence on the economic efficiency of agriculture have: the prices for agricultural products and industrial products used in agriculture; rates of pay for work performed in agriculture practiced by various units providing services within or outside agriculture; system of taxes and fees charged for economic activity in agriculture; system of taxes and penalties.

Among natural factors highlighted: climate and weather conditions - temperature, rainfall, hours of sunshine, brightness, weather accidents; edaphic conditions or the type of soil and its intrinsic characteristics - the humus content, the reaction time of the pH, texture, structure, the depth of groundwater, etc. .; biological peculiarities of the material used in the production of goods: plants - clones, varieties of biological categories, hybrids; animals - breeds, half-breeds, hybrids, synthetic lines [1].

## MATERIALS AND METHODS

In order to achieve the work was done documentation, on-site by consulting company accounting documents [4].

The phase for office assumed homogeneous grouping categories of indicators - income,

expenses, profit - and their analysis by building a dynamic that used mobile base pointers. For a comprehensive view in addition to the years 2011, 2012 and 2013 was included - the analysis - and the average period.

## RESULTS AND DISCUSSIONS

**Indicators of income.** Table 1 presents the income indicators for the period 2011-2013.

The first indicator of income is presented for production sold. This index ranged from

221,333 lei in 2011 to 322,308 lei in the year 2012, while the average period reached 258,806 lei. It may be noted the uneven development of the indicator increases by 45.6% from 2012 to 2011, followed by reduction of 27.8% in 2013 (232,777 lei) compared with the previous term dynamic series, while the average period 1.11 times ahead specific state of things of 2013.

Revenue from sale of goods ranged from 4044 lei in 2013 to 5073 lei in 2012, the average period being 3039 lei. Dynamics of the indicator is lower in 2013 (79.7%) and the average period (75.1%).

Table 1. Indicators of income

- lei -

No.	Specification	2011	2012		2013		Average	
		Ef.	Ef.	2012 /2011**** (%)	Ef.	2013 /2012**** (%)	Ef.	Average /2013**** (%)
1.	Production sold *	221.333	322.308	145,6	232.777	72,2	258.806	111,2
2	Revenue from sale of goods *	-	5.073	-	4.044	79,7	3.039	75,1
3	Income from subsidies *	-	-	-	-	-	-	-
4	Net turnover (1+2+3) *	221.333	327.381	147,9	236.821	72,3	261.845	110,6
5	Income cost of production in progress *	-20.069	+57.833	100	+62.777	108,5	33513,67	57,9
5.1.	Sold C***	-	57.833	-	62.777	108,5	40.203,33	69,5
5.2.	Sold D**	20.069	-	-	-	-	6.689,66	33,3
6	Other income *	-	-	-	-	-	-	-
I	Operating revenue (4+5+6) *	201.264	385.214	191,4	299.598	77,8	295.358,67	146,8
7	Interest income *	9	9	100,0	1	11,1	6,33	6,33 times
8	Other financial income *	-	-	-	3.226	-	1.075,33	33,3
II	Financial income (7+8) *	9	9	100,0	3.227	358,5 times	1.081,66	33,5
III	Extraordinary income	-	-	-	-	-	-	-
IV	Total revenues (I+II+III)	201.273	385.223	191,4	302.825	78,6	296.440,33	97,9

\* extracts from the profit and loss account (2011 – 2013)

\*\* assigned revenue in balance D is subtracted from net turnover;

\*\*\* assigned revenue in balance C is added to net turnover;

\*\*\*\* own calculations;

It is worth noting that in 2011 is not recorded revenue from sale of goods.

Revenues from grants in the period 2011 -2013 missed because the net turnover was influenced by the production sold. It can be seen that it was between 221,333 lei in 2011 and 327,381 lei for 2012, and the average period reached 261,845 lei. The dynamics is similar to that of output sold. As a result it observed an increase of 47.9% in 2012 compared to the first term of the series dynamic and a decrease of 27.7% in 2013 compared to the previous time of dynamic series, and an increase of 1.10 times for 2013 than average.

Revenue from cost of production in progress

ranged from 57,833 lei in 2012 to 62777 lei for 2013 (+8.5% over the previous year), the average period was 40,203.337 lei (-30, 5% compared to 2013) - balance C, whereas for 2011 the value of 20,069 lei was placed to the balance D - 6689.66 lei in average (33.3% compared to the term comparison). Based on the situation described above is reached an overview of the average index of 33,513.67 lei, which dynamically represented only 57.9% compared to the specific situation of 2013.

The farm has recorded other revenue related to operating activities and therefore operating income reached: 201,264 lei in 2011; 385,214 lei for the year 2012 - 191.4% in dynamics;

299,598 lei for the year 2013 - 77.8%; 295,358.67 lei for the period average (+ 46.8%). Unit recorded interest income of 9 lei in 2011 and 2012, one leu in the year 2013 and the average period of 6.33 lei. Dynamics emphasizes equal value in 2012, sub-unitary in the year 2013 (11.1%) and supra-unitary for period average (6.33 outrunning the reporting base).

The unit also performs other financial income only in the year 2013 - 3226 lei, which leads to an average of 1075.33 lei - 33.3% in dynamics. Financial income is based on the two aforementioned sources, so they are equal interest in 2011 and 2012 (by 9 lei) and reach 3227 lei in 2013 (outrunning by 358.5 times the reference period). Under these conditions the average period is lei 1081.66 - 33.5% in dynamics.

It should be noted that the farm is not registered during the review period, any extraordinary income.

Based on the three income categories (operating, financial and extraordinary) shall be

constituted the total income of the farm, which is as follows: 201,273 lei for 2011; 385,223 lei in the year 2012 to 191.4% in dynamics; 302,825 lei for 2013 (decrease of 21.4% compared based reporting); 296,440.33 lei for the period average (-2.1% since 2013 - the reference period).

**Indicators of expenditure.** Table 2 presents the indicators of expenditure for the period 2011-2013.

Expenses with raw materials and consumables ranged from lei 62,506 in 2012 to 155,317 lei in the year 2013 while the average period was 95,279 lei. Dynamic stresses uneven trend indicator, decreases in 2012 (-8.1% compared to the year 2011 to 68,014 lei), followed by overtaking in 2013 (2.48 times compared with the previous term of dynamic series) and then appear decreases for average period (-38.7%).

Other material costs appear only in the years 2011 and 2012 - 1050 and respectively 8 lei, something that results in an average of the period of 352.67 lei.

Table 2. Spending indicators

-lei-

No.	Specification	2011	2012		2013		Average	
		Ef.	Ef.	2012 /2011** (%)	Ef.	2013 /2012** (%)	Ef.	Average /2013** (%)
1	Raw materials and consumables *	68.014	62.506	91,9	155.317	2,48 times	95.279	61,3
2	Other material expenses *	1.050	8	0,8	-	-	352,67	-
3	Spending on goods *	5.395	5.073	94,0	4.044	79,7	4.837,33	86,3
4	Trade discounts received *	110	330	3,0 times	-	-	146,67	-
5	Total expenses related materials and goods (1+2+3-4) *	74.349	67.257	90,5	159.361	2,37 times	100.322,33	63,0
6	Salaries *	5.873	13.490	2,29 times	17.346	128,9	12.236,33	70,5
7	Insurance expenses *	1.641	3.761	2,29 times	4.830	128,4	3.410,67	70,6
8	Personnel expenses (6+7) *	7.514	17.251	2,29 times	22.176	128,5	15.647	70,6
9	Adjustments on assets *	8.833	13.766	155,8	30.329	2,20 times	17.642,67	58,2
10	Spending on external services *	78.988	108.887	137,9	70.696	64,9	86.190,33	121,9
11	Other taxes, duties and similar *	3	1.256	418,66 times	2.756	2,19 times	1.338,33	48,6
12	Other expenses *	-	-	-	-	-	-	-
13	Other operating expenses (external services, other taxes - taxes - payments, compensation donations transferred assets) (10+11+12) *	78.991	110.143	139,4	73.452	66,7	87.528,66	119,2
I	Total operational expenses (4++8+9+13) *	169.687	208.417	122,8	285.318	136,9	221.140,66	77,5
14	Interest expense *	-	-	-	2.276	-	758,67	33,3
15	Other financial expense *	-	-	-	-	-	-	-
II	Financial expenses (11+12) *	-	-	-	2.276	-	758,67	33,3
III	Extraordinary expenses *	-	-	-	-	-	-	-
IV	Total expenditure (I+II+III) *	169.687	208.417	122,8	287.594	138,0	221.899,33	77,2

\* extracts from the profit and loss account (2011 – 2013)

\*\* own calculations

Spending on goods have averaged 4837.33 lei (-13.7% in dynamics) value is based on annual level indicator: 4044 lei in 2013 (79.7% in dynamics), 5073 lei for 2012 (94.0% compared to the reporting deadline) and 5395 lei for 2011.

The company benefited from trade discounts for the years 2011 and 2012 - 110 and respectively 330 lei, a situation that resulted in an average of the period of 146.67 lei.

Due to this situation, the expenditure related materials and goods ranged from lei 67,257 in 2012 to lei 159,361 for 2013, and in 2011 they reached the 74,349 lei. Under these conditions the average of the period was 100,322.33 lei, which represented a decrease in dynamics with 37.0% reporting to base. Dynamic index is a uniform decrease of 9.5% in 2012, followed by exceeding of the reporting term in 2013 by 2.37 times

Salaries increased from 5873 lei in 2011 by 2.29% in 2012 (13,490 lei) and 28.9% for 2013 (17,346 lei). Average of the period reaches 12,236.33 lei, which represents only 70.5% of the comparison.

Security costs have averaged 3410.67 lei (-29.4% compared based reporting), with extremes of 1641 lei in 2011 and 4830 lei in 2013 - in the year 2012 indicator reached 3761 lei. Dynamics is similar to that recorded for wages.

Based on salaries and insurance costs were determined the personnel costs. This indicator has been rising values for the analyzed period from 7514 lei in 2011 to 22176 lei for the year 2013. It can be discussed for increasing trend of index highlighted by exceeding the term of reference as follows: 2.29 for 2012 (17251 lei), 28.5% in 2013 (average - 15647 lei - is lower by 29.4% compared to base).

Another item of expenditure appears as the adjustments on property, which has an upward trend indicator net. The year 2011 is characterized by a value of lei 8833 adjustments, the value increases to 13,766 lei in 2012 and 30,329 lei for 2013 average conditions in the of the period reached 17,426.66 lei (58.2% compared to the base of the reporting). Dynamics is dominated by indexes above unit - 155.8% in 2012 and is ahead by 2.20 times (of comparison term) in the year 2013.

The expenses on external services were 78,988 lei in 2011 grew by 37.9% in 2012 (108,887 lei) decreased by 35.1% for the year 2013 (70,696 lei), while the average term exceeded 1.21 times the reporting deadline - 86,190.33 lei.

As regards the other taxes, fees and similar payments, it can be seen that they ranged from 3 lei in 2011 to 2,756 lei in the year 2013 while the average of the period was 1338.33 lei. In dynamics made can be seen supra-unitary values for 2012 and 2013 (exceeding by 418.66 and 2.19 respectively of the terms of reference) and subunit values for average period - 48.6%.

For the element other expenses the company did not record any indication.

Following the values quoted for the last three indicators were determined other operating expenses, which registered: 78991 lei in 2011, 110,143 lei for 2012 to 139.4% 73452 lei, 66.7% for the year 2013. With these values determined the average period was 87,528.66 lei, which represented the in dynamics an overrun by 19.2% of the reporting base.

Total operating expenses are based on total material costs, personnel costs, adjustments on assets and other operating expenses. Based on parameter values, remember earlier, it was sequential levels: lei 169,687 in 2011; lei 208,417 for 2012 (+ 22.8% in dynamics); lei 285,318 in the year 2013 - fig. 3.10. (+ 36.9% compared to the benchmark); lei 221,140.66 for period average (-22.5% in the dynamics composed).

These values notes the upward trend of operating expenses for the period considered.

The company realized interest expense in 2013 - 2276 lei, which led to a multi-annual average by 758.66 lei (33.3% in dynamics).

The same situation was reported in the total financial costs.

Concerning the total expenditure, it is noteworthy that it is identical to the previously index - total operating expenses - for the years 2011 and 2012, while in 2013 it reaches level of 287,594 lei (38.0 % in dynamics), and the average of the period reaches 221,899.33 lei (-22.8% in the dynamics composed).

**Profitability indicators.** Table 3 presents level of profitability indicators for the period 2011-2013. Operating profit is characterized by an

average of 74,218 lei, the resulting value of sequential annual levels by 31577 lei in 2011, 176,797 lei specific 14280 lei - 2012 and the year 2013 these values highlights the trend of indicator, exceeding of reference terms 2012 and the average for the period (5.59 and 5.19 times respectively), decreases in 2013 (-91.9%). Financial profit was every 9 lei in 2011 and 2012 respectively, and 951 lei for 2013 (equal value of dynamics indices in 2012 and supra-unitary for 2013 - outrunning by 105.66 times the reporting database). Due to this situation, the average of the period reaches 323 lei, or 34.0% compared to the benchmark.

Current profit appears as the sum of operating profit and financial profit. So talk about values 31,586 lei in 2011, 176,806 lei for 2012, 15,231 lei in the year 2013 and 74541 lei for of the period average. The dynamics is characterized by the values of the index components supra-unitary for the years 2012 and period average (exceeding by 5.59 and 4.89 times respectively compared bases), and the sub-unitary levels in

2013 (8.6%).

Gross profit is equal to current profit, as the company has not been extraordinary profit or loss.

Company paid income tax but not paid "other taxes". Therefore values are found of income tax as follows: 5054 lei in 2011, 28,289 lei in the year 2012 (5.59 outrunning or dynamics), 2437 lei in 2013 (-93.4%). Under these conditions the average of the period was 11,296.66 lei, a level exceeded 4.89 times the reporting base.

Net profit is characterized by an average of 62,614.33 lei, while the extreme values of the indicator appeared in 2013 to 12,794 lei and 2012 to 148,517 lei. The dynamics is one uneven of the reporting term overruns are 4.89 times and 5.59 times the average of the period in 2012 (compared to the value by 26532 lei specifies 2011), while the 2013 is a decrease of 93.4% compared to the reference period.

Table 3 Indicators of profitability

No.	Specification	M.U.	2011	2012		2013		Average	
			Ef.	Ef.	2012 /2011 ** (%)	Ef.	2013 /2012 ** (%)	Ef.	Average /2013 ** (%)
1	Operating profit *	lei	31.577	176.797	5,59 times	14.280	8,1	74.218	5,19 times
2	Financial profit *	lei	9	9	100,0	951	105,66 times	323	34,0
3	Current profit (1+2) *	lei	31.586	176.806	5,59 times	15.231	8,6	74.541	4,89 times
4	Extraordinary profit *	lei	-	-	-	-	-	-	-
5	Gross profit (3+4) *	lei	31.586	176.806	5,59 times	15.231	8,6	74.541	4,89 times
6	Income tax *	lei	5.054	28.289	5,59 times	2.437	8,6	11.926,66	4,89 times
7	Other taxes or levies *	lei	-	-	-	-	-	-	-
8	Net profit (5-6-7) *	lei	26.532	148.517	5,59 times	12.794	8,6	62.614,33	4,89 times
9	Operating profit rate **	%	18,61	84,8	4,56 times	5,0	5,9	33,56	6,71 times
10	Current profit rate **	%	18,62	84,82	4,55 times	5,30	6,2	33,59	6,34 times
11	Extraordinary profit rate **	%	-	-	-	-	-	-	-
12	The gross profit rate **	%	18,62	84,83	4,55 times	5,30	6,2	33,59	6,34 times
13	Net profit ratio **	%	15,64	71,26	4,55 times	4,45	6,2	28,22	6,34 times

\* extracts from the profit and loss account (2011 – 2013)

\*\* own calculations

Operating profit rate was 18.61% in 2011, 84.82% for 2012, 5.0% in 2013 and 33.56%

on average for the period. The evolution in time of the indicator is in the form of an

uneven trend, advancing the reference term 2012 by 4.56, followed by decreases of 94.1% in 2013 or 2010 and exceeded 6.71 times - the basis for comparison - for average of the period. It can be seen that the current profit rate is significantly higher than the previous indicator, the annual growth of 0.01% for 2011 and 2012, 0.03% for the average of the period and 0.3% in 2013.

The gross profit rate is equal to the current rate of profit as the company has not been extraordinary profit or loss.

The last indicator of profitability refers to net profit rate. It can be seen that this ratio averaged 28.22% (6.34 times the base outrunning of the reporting) with extremes by 4.45% for 2013 and 71.26% in 2012.

The consequence of this situation is a dynamic non-uniform reference period being exceeded 4.55 times in 2012 and there is a negative difference of 93.8% (compared with this - reference period) in the year 2013.

## CONCLUSIONS

a. total revenue structure prevailing operating income of 99.63%, financial income was only 0.37% of the total. Components are included in operating income ratios: 88.33% turnover, 87.30% sold production, 11.31% of production costs related revenues, 1.02% proceeds from the sale of goods - Figure 1.;

b. total expenditure structure prevailing material costs and related goods - 45.21%, followed by operating expenses - 39.45% adjustments on assets - 7.95% and personnel costs - 7.05% - fig. 2 .;

c. the unit record operating profit and financial profit - 74218 and 323 lei respectively, which form the current profit - 74541 lei;

d. given that the unit has not reported profit or loss is found extraordinary similarity between current profit and profit, the latter decreasing by taxes paid, so to reach a net profit of 62,614.33 lei.

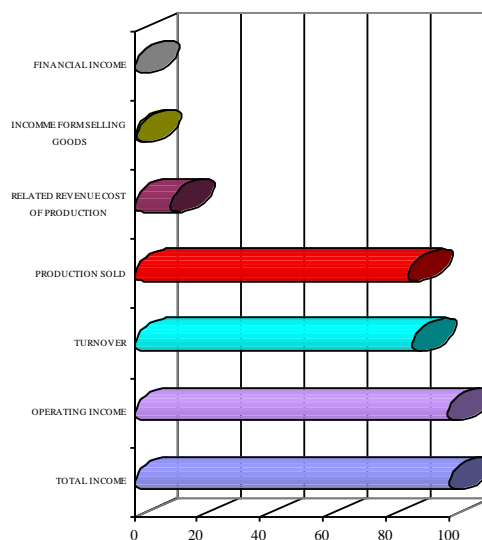


Fig.1. The ratio of total income and its main components (%)

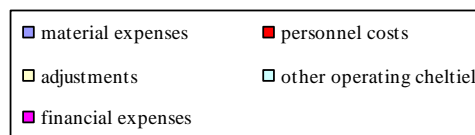
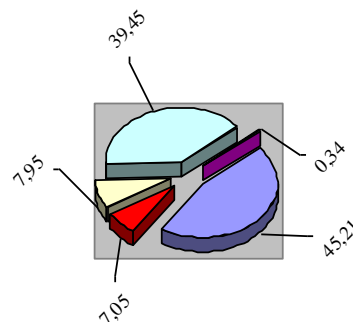


Fig.2. Structure of total expenditure (%)

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