

ECONOMIC-FINANCIAL ASPECTS ON THE ACTIVITY OF COMMERCIAL COMPANY S. C. SPRING AGROSERV LLC. MALU MARE, DOLJ COUNTY, ROMANIA (2016-2018)

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Abstract

The purpose of the paper was to analyze the economic and financial aspects within an agricultural commercial company named SC Spring Agroserv LLC Malu Mare, Dolj County, Romania in the period 2016-2018. The unit was established in 2011, having as object of activity "cultivation of cereals (excluding rice), leguminous plants and oilseed plants" - CAEN Code 0111. The company has facilities in the form of: agricultural land (166,752.20 lei), constructions (78,108.71 lei), technological equipment (share of about 90% of the total value of assets - 2,232,362.17 lei), surveillance devices and installations (7,620.93 lei). The inventory value of the fixed capital elements is a considerable one (2,484,844.01 lei). Some of the capital elements were depreciated (value to be depreciated - 1,652,893.97 lei). The unit grew wheat, rye, barley, oats, triticale, corn, sorghum, peas, sunflower and alfalfa. It should be noted that since the unit did not have any financial income and expenses, the operating income and expenses are equivalent to the total income and expenses. At the same time, the operating profit or loss is equal to the gross profit or loss. Regarding the calculation of the profit tax, the unit benefited from certain facilities, in 2016 and 2017 when it reinvested all or part of the realized profit. The unit registers operating profit - 96,551.34 lei and pays a tax of 13,218.07 lei, aspects that lead to a net profit of 83,333.27 lei.

Key words: surface, total production, medium production, income, expenses, profit

INTRODUCTION

Currently located on the highest bank of the Jiu River, the village of Malu Mare has a history of over 500 years. The first attestation of the settlement appeared in documents from 1494, more precisely in Vlad Călugaru's decision book where the villages of Ghindeni and Biroslaveni are registered as being located near the village of Malu Mare.

Over time, the village of Malu Mare grew, developed and later became a commune by uniting with the villages of Ghindeni and Preajba. And so, the commune of Malu Mare appeared for the first time [2].

Malu Mare commune is located in Dolj county, only 10 km away from Craiova Municipality, the administrative center of the county. Crossed by DN 55, which ensures the connection with the other localities in the region, Malu Mare commune benefits from a good infrastructure, having its own railway station, and the nearest airport is only 7 kilometers away.

Malu Mare commune, is made up of Malu Mare localities - the commune's residence, Preajba and Preajba-Selgros, with a population of over 4,000 inhabitants [1].

The unit was established in 2011, having as object of activity "cultivation of cereals (excluding rice), leguminous plants and plants producing oilseeds" - CAEN Code 0111, through the proof of availability no. 49094, from 20.07.2011.

The incorporation of the company was based on the existence of a single shareholder, a Romanian citizen, who constituted a legal entity in the form of a limited liability company (SRL).

The declared headquarters of the company is located in Malu Mare Commune, Preajba village, Dolj County, which can set up branches, according to the legislation in force. In addition to the main activity, the company may also carry out as a secondary object of activity: the cultivation of various plant species (rice, tobacco, fiber-producing plants, vegetables, etc.); wholesale and retail trade

(various agricultural products); service activities ancillary to agriculture; business consulting and management activities; storage; manipulations etc.

The duration of the company's existence is unlimited, the subscribed share capital was 200 lei (20 shares), the increase and reduction of the capital, as well as its transfer can be done under concrete conditions stipulated in the founding act.

The articles of association also contain provisions regarding: the rights, obligations and attributions of the associates; how to organize; issues related to the administration, activity and control of the company; matters relating to the dissolution, liquidation, merger and division of the company, the company's staff, the preparation of the Balance Sheet and the Profit and Loss Account, the calculation and distribution of profit, litigation and final provisions [7].

Over time, the company has experienced fluctuations in the size of activities, a phenomenon that is related to taxation, so that decisions of a technological and economic nature have been variable [6]. Thus, the practice of rye cultivation was done, given that it has low demands on the soil, capitalizing on sandy soils [3], which are present in the unit.

Aspects related to the performance of a unit's activity can be highlighted by the financial analysis, which can highlight the positive or less convenient aspects of the production process. [5].

MATERIAL AND METHODS

For the this paper, there were determined, according to the recommended methodology, and interpreted the following indicators: cultivated area (ha) and its structure (%); total production (t); average production (kg/ha); income indicators - net turnover, other operating income, operating income (total) - lei; expenditure indicators: expenditure on raw materials and materials, personnel expenses, adjustments to property, plant and equipment and intangible assets, other operating expenses (external benefits, other taxes - fees - payments, compensation for donations, assigned assets), operating

expenses (total) - lei; profitability indicators: operating profit or loss (lei), gross profit or loss (lei), profit tax (lei), net profit or loss (lei), gross profit or loss rate (%), net profit or loss rate (%).

The data were collected from the company production and financial evidence, mainly from the Balance Sheet and Profit and Loss Account.

Profit, which is the essential strategic objective of an agricultural unit [4], can also be determined as the difference between the selling price and the cost of production [9], if we refer to the unit of product.

It should be noted that since the unit did not have any financial income and expenses, the operating income and expenses are equivalent to the total income and expenses. At the same time, the operating profit or loss is equal to the gross profit or loss. Regarding the calculation of the profit tax, the unit benefited from certain facilities, in 2016 and 2017 when it reinvested in whole or in part the realized profit [8].

RESULTS AND DISCUSSIONS

The total cultivated area varied from year to year as follows: 245 ha in 2016, 217.94 ha in 2017 (-11.04% - compared to 2016), 263.49 ha in 2018 (+20.90% - compared to the previous year). The average of the period was 242.14 ha.

If we refer to the area at rest, it meant 15.55% of the total area (44.58 ha - average of the period) of 286.72 ha. The indicator evolved fluctuating as follows: 50.81 ha in 2016, 56.18 ha in 2017 (+10.57%), 26.47 ha in 2018 (-51.42%).

The total area registered an amplitude of variation of 21.69 ha (from 274.12 ha in 2017, to 295.81 ha in 2016).

For the average of the period, the following structure of the cultivated area is found (242.14 ha - Fig. 1): 0.09% peas (0.23 ha); 1.40% triticale (3.39 ha); 1.67% corn grain (4.03 ha); 4.77% sorghum (11.55 ha); 5.71% oats (13.83 ha); 9.26% barley (22.43 ha); 12.01% alfalfa (29.09 ha); 16.02% sunflower (38.77 ha); 16.57% rye (40.12 ha); 32.50% wheat (78.70 ha) (Fig. 1).

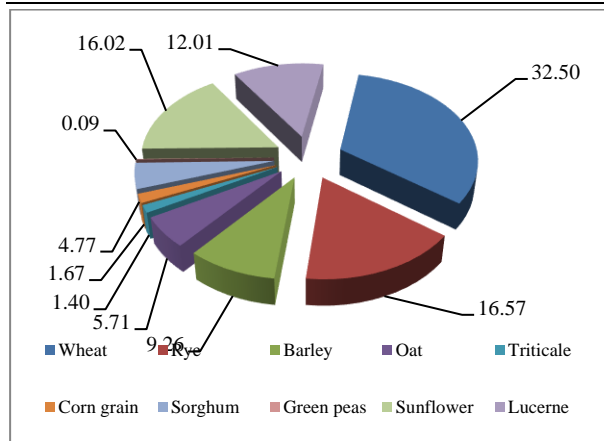


Fig. 1. The structure of the cultivated arable land - the average of the period (%)

Source: Own design and calculations.

The total productions for the average of the period are shown in Figure 2.

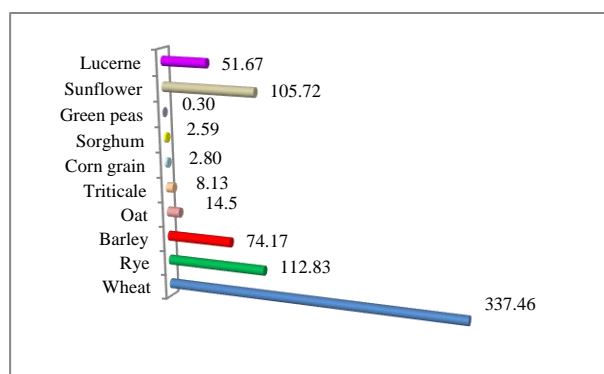


Fig. 2. Total production - average of the period (tons)

Source: Own design and calculations.

The level of production per productive unit is shown in the Figure 3.

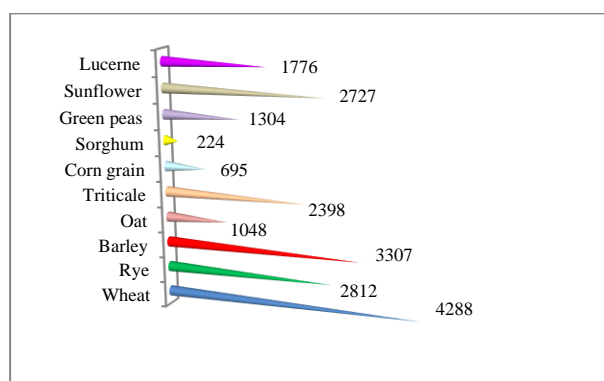


Fig. 3. Production per productive unit - average of the period (kg/ha)

Source: Own design and calculations.

Table 1 contains information on financial indicators.

As the first component of revenues, the net turnover stands out, which varied from 657,371 lei in 2016, to 782,887 lei in 2017, to

which adding the value specific to 2018 (639,321 lei) reached an average of period of 693,193 lei (Fig. 4). The indicator evolved unevenly: increases by 19.09% in 2017 compared to the specific situation in 2016, decrease by 18.34% in 2018 compared to the previous term of the dynamic series, increase by 8.43% of the average compared to 2018.

For other incomes, there is an average of 488,773 lei (+36.16 and -25.17% in dynamics), which is based on annual sequential levels of: 358,979 lei in 2016, 454,155 lei in 2017 (1.26 times ahead of the comparison base), 653,185 lei in 2018 (advances of 1.81 and 1.43 times of the terms of reference - Fig. 4).

Operating revenues ranged from 1,016,350 to 1,292,506 lei (2016 and 2018, respectively), and the average for the period reached 1,181,966 lei (Fig. 4). The dynamics of the indicator is strictly ascending, predominating the supra-unitary levels of the component indices - except for those with a mobile base in the case of the average period (91.45%). The advances of the reference bases reached: 1.21 times in 2017, 1.27 and 1.04 times in 2018, 1.16 times for the average of the period. Expenditures on raw materials and consumables are characterized by an average of 496,715.33 lei (+15.96 and -15.15% compared to the terms of reference), given that the annual sequential levels were: 428,344 lei in 2016, 476,398 lei for the year 2017 (+11.22% in dynamics), 585,404 lei in the case of 2018 (advances of 1.36 and 1.22 times of the reporting bases). We can say that the dynamics of the indicator is strictly increasing (Fig. 5).

Personnel expenses varied from 92,148 lei in 2016, to 120,641 lei in 2018, and the average for the period was 106,035.33 lei (Fig. 5). The indicator has evolved upwards, over time, registering successive annual increases of 14.29 and 14.55% in the case of 2017 and 2018, respectively.

The adjustments regarding the tangible and intangible fixed assets had an average of 252,457 lei, which represented a higher positioning compared to 2016 (142.38%) and a lower positioning compared to 2018 (76.14%

Table 1. Financial indicators

Specification	Year									Period average**		
	2016			2017			2018			Eff. (lei, %)	Dynamics	
	Eff. (lei, %)*	Dynamics**		Eff. (lei, %)*	Dynamics**		Eff. (lei, %)*	Dynamics**			Ibf	Ibm
	Ibf	Ibm		Ibf	Ibm		Ibf	Ibm		Ibf	Ibm	
Net turnover	657,371	100	100	782,887	119.09	119.09	639,321	97.25	81.66	693,193	105.45	108.43
Other incomes	358,979	100	100	454,155	126.51	126.51	653,185	181.96	143.82	488,773	136.16	74.83
Operating income	1,016,350	100	100	1,237,042	121.71	121.71	1,292,506	127.17	104.48	1,181,966	116.30	91.45
Expenditure on raw materials and consumables	428,344	100	100	476,398	111.22	111.22	585,404	136.67	122.88	496,715.33	115.96	84.85
Staff expenditure	92,148	100	100	105,317	114.29	114.29	120,641	130.92	114.55	106,035.33	115.07	87.89
Adjustments for property, plant and equipment and intangible assets	177,309	100	100	248,491	140.15	140.15	331,571	187.0	133.43	252,457	142.38	76.14
Other operating expenses	276,734	100	100	185,446	67.01	67.01	228,441	82.55	123.18	230,207	83.19	100.77
Total operating expenses	974,535	100	100	1,015,652	104.22	104.22	1,266,057	129.91	124.65	1,085,414.66	111.38	85.73
Operating profit or loss ***	41,815	100	100	221,390	5.29 times	5.29 times	26,449	63.25	11.95	96,551.34	2.31 times	3.65 times
Tax	-	-	-	35,422.4	100	100	4,231.8	11.95	11.95	13,218.07	37.32	3.12 times
Net profit or loss	41,815	100	100	185,967.6	4.45 times	4.45 times	22,217.2	53.13	11.95	83,333.27	199.29	3.75 times
Operating profit rate	4.29	100	100	21.80	5.08 times	5.08 times	2.09	48.72	9.59	8.90	2.07 times	4.26 times
Net profit rate	4.29	100	100	18.31	4.27 times	4.27 times	1.75	40.79	9.56	8.12	189.28	4.64 times

* data extracted from the Profit and Loss Account (2016 – 2018);

** own calculations;

*** identical to gross profit or loss;

Source: Own calculations.

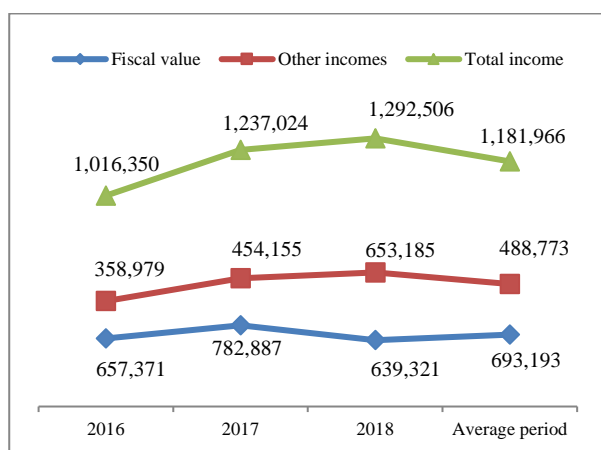


Fig. 4. Income indicators (lei)

Source: Own design and calculations.

This average is based on the following annual situations: 177,309 lei in 2016, 248,491 lei in 2017 (1.40 times ahead of the reference term), 331.571 lei in 2018 (1.87 and 1.33 times ahead of the comparison bases - Fig. 5).

Regarding the situation for other operating expenses, there are extreme levels of 185,446

lei in 2017 and 276,734 lei for 2016, respectively, and the average for the period reached 230,207 lei (Fig. 5). The dynamics of the indicator is uneven: decreases of 32.99% in 2017, increases of 23.18% in 2018 compared to the previous term, increases of 0.77% of the average of the period compared to the specific situation of 2018.

The total operating expenses had an average of 1,085,414.66 lei, as a result of the annual sequential levels of: 974,535 lei in 2016, 1,015,652 lei in 2017, 1,266,057 lei in 2018 (Fig. 5). It can be seen that the indicator has evolved upwards, the dynamics being predominated by the supra-unit levels of the component indices (except for those with a fixed base for the average of the period - 85.73%). The advances of the comparison terms were 1.04 times in 2017, 1.29 and 1.24 times in 2018, 1.11 times for the average of the period.

The operating profit varied from 41,815 lei, in 2016, to 221,390 lei, in 2017, and the average for the period was 96,551.34 lei (Fig. 6).

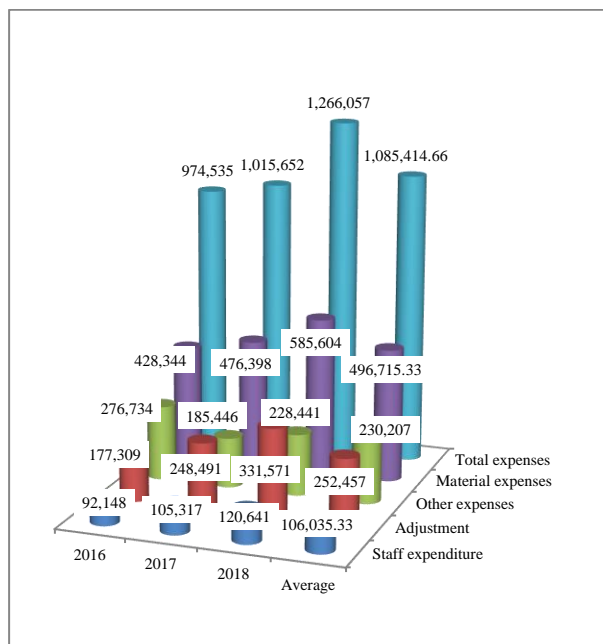


Fig. 5. Expenditure indicators (lei)
Source: Own design and calculations.

An uneven evolution of the indicator can be seen: spectacular overtaking in 2017 compared to 2016 (overtaking 5.29 times), sharp decrease in 2018 compared to the previous term of the dynamic series (-88.05%), increase of 3.65 times the average of the period compared to the state of affairs specific to 2018.

The profit tax appears only in 2017 and 2018 (35,422.4 and 4,231.8 lei), given that the unit benefited from tax-related facilities in 2016, when no reinvested profit tax was paid. The relative decrease of the tax in 2018 compared to 2017 was 88.05%. Under these conditions, the average for the period was 13,218.07 lei (-62.68% compared to 2017 and a 3.12 times advance of the specific situation of the previous year).

The net profit is characterized by an average of 83,333.27 lei, given that the extreme values of the indicator appeared in 2018 - 22,217.2 lei and respectively 2017 - 185,967.6 lei (Fig. 6). The dynamics of the indicator is fluctuating, the advances of the reporting term being 4.45 times in 2017, the decreases compared to the reference bases characterize the year 2018 (-46.87 and -88.05%

respectively), and, for the average of the period, there are advances of 1.99 and 3.75 times of the terms of comparison.

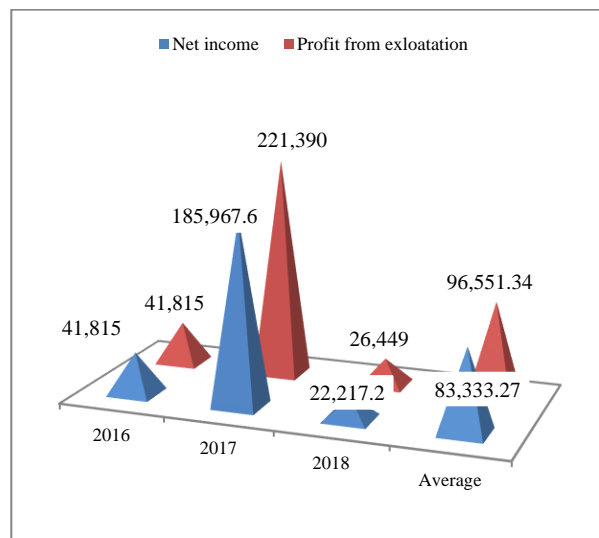


Fig. 6. Operating profit and net profit (lei)
Source: Own design and calculations.

The operating profit rate was 4.29% in 2016, 21.80% for 2017, 2.09% in 2018 and 8.90% for the average period (Fig. 7). The evolution, over time, of the indicator is in the form of a non-uniform trend, the advances of the reference term in 2017 5.08 times, being followed by decreases by 90.41% in the case of 2018.

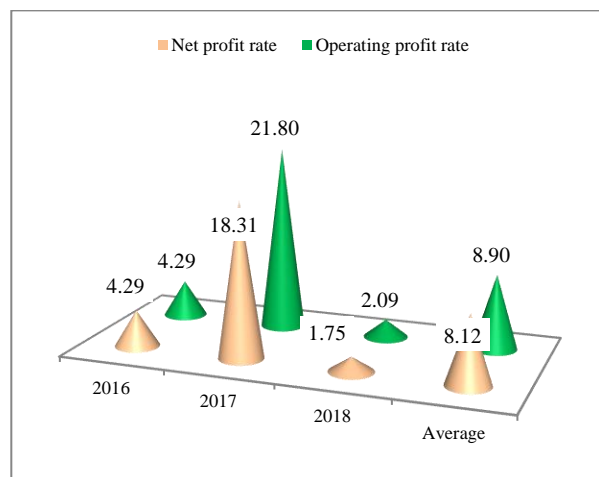


Fig. 7. Operating profit rate and net profit rate (%)
Source: Own design and calculations.

The net profit rate (Fig. 7) registered an average of 8.12% (overtaking 1.89 and 4.64 times the reporting bases), with extreme values of 1.75% in 2018 and 18.31% in 2017. The consequence of this situation, the

dynamics is uneven: there is an advance of 4.27 in 2017 compared to the first term of the dynamic series, and the terms of reference were not reached in 2018 (decreases by 59.21 and 90.44% respectively).

CONCLUSIONS

The levels of total and average productions were also influenced by the degree of qualification of the workers, but also by the climatic conditions specific to the area (sandy soil, precipitation, temperatures, etc.). For certain crops, we can discuss results as convenient as possible, at least in the county context (wheat +3.85%, rye +21.0%, sunflower +9.52%) [10].

In the income structure, the net turnover predominates with 58.65%, other incomes representing 41.35%.

The structure of total expenditures is dominated by expenditures on raw materials and consumables - 45.76%, followed by adjustments on property, plant and equipment and intangible assets - 23.26%, other operating expenses - 21.21%, personnel expenses - 9.77% (Fig. 8).

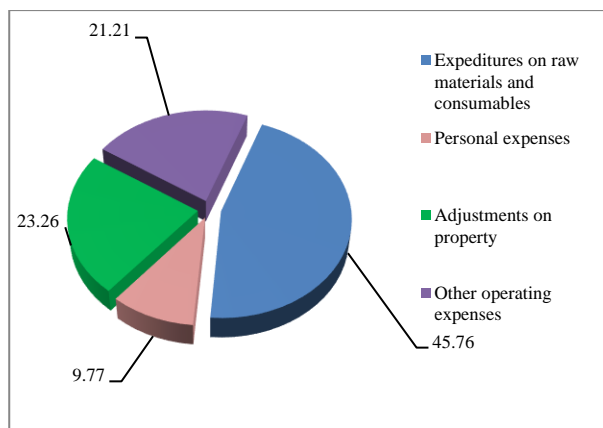


Fig. 8. Structure of total expenditures - average of the period (%)

Source: Own design and calculations.

The unit registers operating profit - 96,551.34 lei and pays a tax of 13,218.07 lei, aspects that lead to a net profit of 83,333.27 lei.

These results are influenced by the specific situations of the three years analyzed (including the tax facilities specific to 2016).

Better management of expenditure elements is needed, the initiative of the entrepreneur to

reinvest part of the profit for the development of the unit must be appreciated, but there is also the need for appropriate policies from the state to support the activity of medium-sized companies.

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