

OPTIMIZING THE IMPACT OF THE ECONOMIC-FINANCIAL ANALYSIS OF ECONOMIC ENTITIES IN THE FIELD OF CONSTRUCTION BY MODERN INSTRUMENTS

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Abstract: The economic-financial analysis is seen as a set of concepts, tools, methods, which facilitate the treatment of accounting information to assess the economic and financial situation of an entity and the level and quality of economic performance. The role of the economic analyst is to make some simple figures to "communicate" optimally to all categories interested in economic and financial information. The activity of any entity takes place in a dynamic and aggressive environment which emphasizes the need for the impact of economic and financial analysis on decisions, to be appropriate and balanced. Modern tools for reflecting information, including those of an economic nature, use computer systems to identify, extract and analyze available data to provide real support for business decisions. The information provided by these tools allows the observation of trends, difficulties, and business areas where there is a need to optimize the business. All these elements lead to a decentralization of decisions allowing employees to move from simple executors to decision makers. The main objective of the research of the economic-financial indicators in the construction field concerns the determination of the value of the construction works, as well as of the evolution tendencies, for the subsequent provision of the essential data about the activity of this field at the level of South Muntenia region.

Keywords: economic-financial analysis, accounting information, reporting tools, performance.

JEL classification: D81, M41.

1. Introduction

The current issue being debated internationally is related to measuring the added value for homeowners, which is becoming a key issue, especially as more and more entities have begun to aim to achieve this. The accounting model that supports modern methods of economic and financial analysis must highlight the achievement of value additions compared to traditional measurements. Accounting information circulates in the form of specific data at the level of economic entities for communication within the economic entity or communication to third parties.

The study on the economic-financial analysis is represented in the literature from the perspective of various sides. The economic-financial analysis investigates the activities or phenomena from the economic point of view, respectively of the consumption of resources and of the obtained results. The essential thing in the economic analysis is the consideration of the structural-functional relations and of the cause-effect ones. (Ișfănescu, Stănescu, Băicuși, 1999).

2. The field of constructions in Romania - economic-financial radiography

According to statistical data, the activity of the construction sector in Călărași, Argeș, Dâmbovița, Giurgiu, Ialomița, Teleorman and Prahova counties demonstrates a significant potential, accentuated by the increase of the entities' confidence in developing medium and long term investments. The economic information reflects the fact that the economy in the South Muntenia region works with "engines running", investments in this field having the capacity to generate horizontal development, by attracting collateral business in all fields, from real estate and industry, services and tourism to trade. The South Muntenia region is a good example that the economy tends towards constantly growing values by increasing the confidence of the categories interested in the economic-financial activity, thus creating more and more solid economic chains. An economic radiograph of the South-Muntenia Region reflects a significant increase in the appetite of

private individuals for real estate investments, renovations and landscaping. The positive trend of activity from an economic perspective needs a stable exchange rate and support from the banking environment.

The main objective of the research of short-term indicators in constructions is to determine the evolution trends, in order to provide further information on the activity of the construction field at the regional level. The demand coming from the users determines the maximization of the role of the information provided by the economic-financial analysis of the entity through their request.

The objective of the analysis of the economic-financial indicators is the provision of information about the financial position, elements that are useful to a wide range of users. The entities that are part of this study are in the field of construction (CAEN code 41- Construction of buildings), are located in the territorial area of the South Muntenia Region and are placed in the top 21 within the region.

As anticipated, in order to be credible information, it must accurately represent the company's results and financial position, reflect the economic substance of events and transactions and not just their legal form, be neutral, ie uninfluenced, be prudent and complete in all relevant aspects (Ristea, Dumitru, 2005).

The answers to business problems can be found in the volume of data generated by day-to-day operations, which is an unimaginable increase in construction, which is why entities can analyze, manipulate and provide meaning more effectively to this huge volume of data, determining a real competitive advantage in the field (Iosif, 2019).

Evolutions regarding the general solvency rate for the entities in the construction field from the S-M Region in Romania

Solvency is the financial balance of entities and their ability to hedge money obligations to third parties regardless of the maturity. An entity is solvent when the sum of fixed, financial and current assets is at least equal to the total of debts or liabilities. It can be solvable, even if at some point, the lack of liquidity proves the inability to pay. The level of the coefficient must be higher than 1.5 (150%), and the increase in its value indicates a high financial independence of the entity. In situations where the entity approaches these limits, it can no longer resort to new medium and long-term loans, otherwise creditors would be unnecessarily exposed to additional risk. Solvency is considered the expression of the quality of the economic activity carried out, in connection with the use and assurance of cash. Long-term losses lead in practice to insolvency.

This indicator is calculated based on the relationship:

$$Gsr = \frac{\text{Total assets}}{\text{Liability}} \times 100$$

Following the research on the 21 entities in the construction field in the S-M region of Romania, the situation of the General Solvency Rate in the period 2010-2019 is presented below.

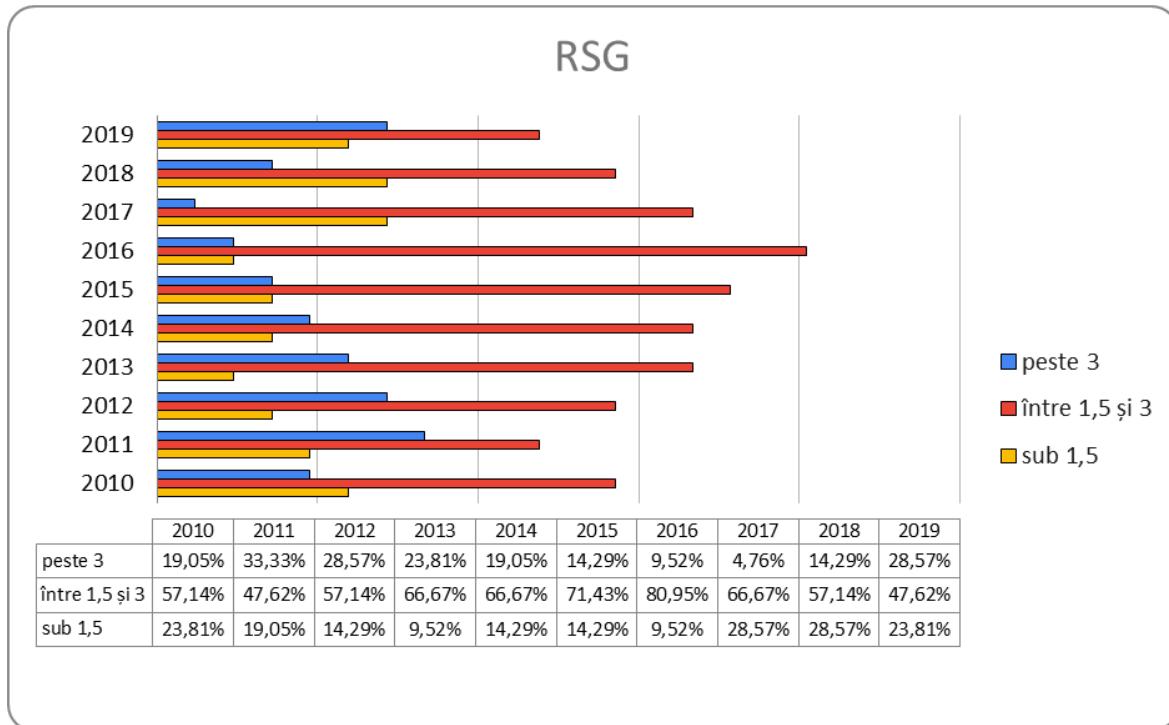


Figure no. 1 Grouping of entities by average annual GSR level

Source: Author processing based on data provided by the companies' annual financial statements, published on the websites <https://www.mfinante.gov.ro>, www.listafirme.ro și pe site-urile societăților respective

The percentage of entities with an average annual general solvency ratio below 1.5 varies between 9.52% and 28.57%, which means that over 70% of the studied entities do not have difficulties in covering their debts on their assets.

Following the research, it is confirmed that the entities belonging to the construction field in the South Muntenia-Romania region, registered in the period 2010-2019 an appropriate level of the General Solvency Rate (Rsg), having no difficulties in paying debts.

Developments in the Global Autonomy Rate

The global autonomy rate indicates the share of own resources in the total means used to finance the activity of an entity. In practice, it is recommended that the share of own financing sources be at least 33% of the total financing sources used by each entity. This indicator is calculated based on the relationship:

$$Gar = \frac{\text{Equity capital}}{\text{Liability}} \times 100$$

It indicates the level of the entity's financial independence, with the increase in equity in the balance sheet liability having beneficial effects on total financial autonomy. The high value of equity leads to a reduction in lending to finance investments. Uncontrolled indebtedness causes situations that expose the entire activity of the entity to risks. A level of this rate higher than 30-40% is considered satisfactory for reaching the financial balance, while the normal level is around the level of 45%. The low level of this rate reflects a threat to the financial stability of the entities that would thus rely too heavily on debt.

Following the study on the evolutions of the dynamics of the Global Autonomy Rate carried out on the 21 entities belonging to the construction field in the S-M region of Romania, the situation of the General Autonomy Rate in the period 2010-2019 is presented below.

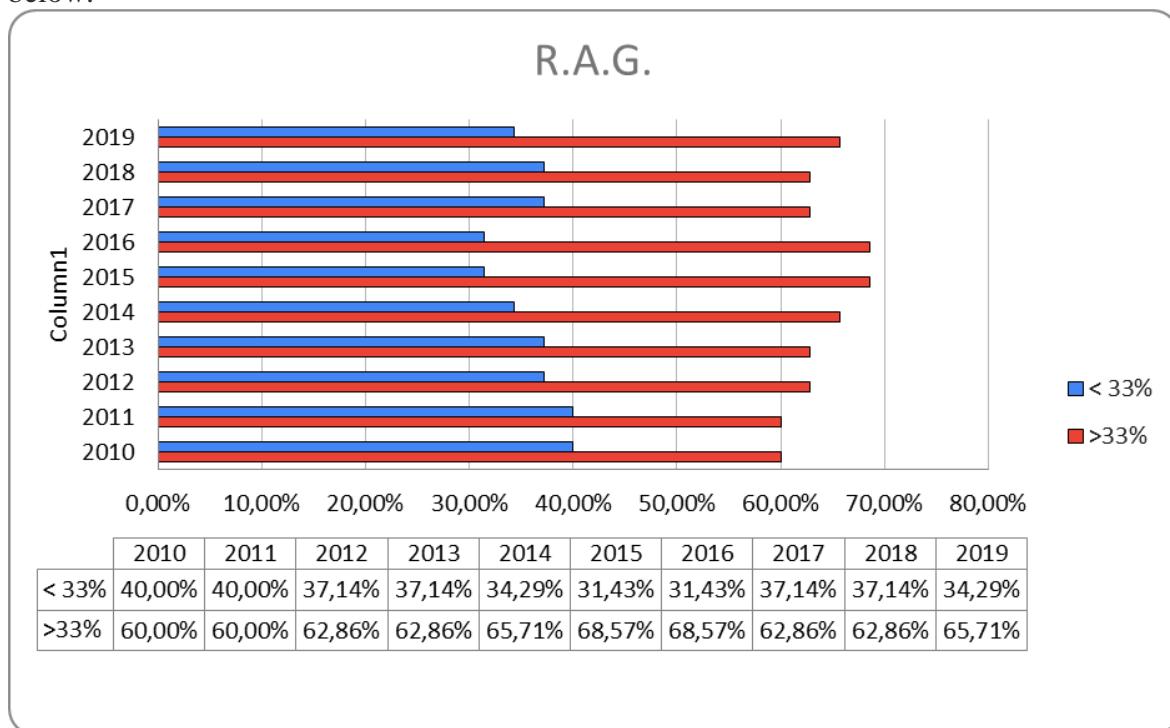


Figure no. 2 Grouping of entities according to the level of R.A.G. annual averages

Source: Author processing based on data provided by the companies' annual financial statements, published on the websites <https://www.mfinante.gov.ro>, www.listafirme.ro și pe site-urile societăților respective

Analyzing figure no. 2 above, it is observed that the share of entities that register an optimal global autonomy is located on average in a proportion approaching 65%. This proves that the entities in the field of constructions in the South Muntenia-Romania region registered in the period 2010-2019, corresponding levels of the Global Autonomy Rate.

3. Balanced Scorecard

The Balanced Scorecard is an instrument introduced in the early 1990s by Robert S. Kaplan and David P. Norton in the Harvard Business Review, in the famous article "The Balanced Scorecard: measures that drive performance." Performance measurement through traditional financial methods can no longer cover the full range of competencies and skills that entities are currently trying to manage.

The Balanced Scorecard model developed by Norton and Kaplan is in fact a suitable tool for concretizing, implementing and controlling the entity's strategies. The model implies a strong preventive character, the central element being a system of indicators to substantiate the decision-making process. In the original version, the Balanced Scorecard involves the following sectors: financial, market / customers, internal processes and development / improvement. Indicators are assigned to each domain. The correlations established between the indicators are also very important to analyze. Balanced Scorecard is a concept that facilitates the monitoring of results from the perspective of economic and financial analysis. In this way Balanced Scorecard can be a

system for optimizing the economic and financial analysis to allow the entity to achieve an accelerated increase in performance. In practice, this instrument requires that indicators be set in the financial perspective that reflect the proposed objectives, setting high levels for those indicators. They form the entity's balanced scorecard from a financial perspective. In the past, the Balanced Scorecard had exclusively the function of a framework for measuring performance, evolving into a tool for strategic planning.

4. Reporting

In the specialized literature is encountered the tool called Reporting as the one that designates the information related to the achievements of a period. Reporting also appears as a set of documents that reflect a situation on the results. Reporting is used to evaluate and track the performance of the entity and can be considered to be derived from accountability accounting. From an accounting perspective, Reporting compares achievements with forecasts, identifies and investigates deviations. Reporting becomes an information system necessary for monitoring and measuring performance. The difference from the scoreboard is that the indicators are only of a financial-accounting nature, not of a financial and non-financial nature.

Reporting must reach a sufficiently detailed level of information to understand developments in each area of the business and make useful decisions. Reporting and interpreting financial results is one of the most important activities carried out at entity level. Classic accounting is burdened by tax reporting, while the level of financial reporting is low. A financial performance reporting system should be created by creating the format that best meets its own information needs without stifling the entity.

Monitoring and evaluation activities differ from traditional control by establishing the transition from exclusive control of allocated resources (mostly numerical) to reporting and review based on the interpretation of results and increasing managerial responsibility (Tabară, Briciu, (2012).

5. Conclusions

The analyzed indicators show similar evolutions in the analyzed period, reflecting the capacity to respect the commitments through all the resources. The economic-financial analysis plays an important role in measuring the influence of various factors that contribute to the efficiency of the entire activity of the economic entity. The economic-financial analysis is subject to improvement in the procedure to increase the efficiency of the activity, being able to provide key information for achieving economic and financial performance using data provided by the accounting model.

The importance of the economic-financial analysis is also increased by the fact that it must express the economic activity in a faithful way through the information it provides. The complexity and diversity of information allow a detailed knowledge of economic phenomena and the possibility of making the necessary decisions. The role of the economic-financial analysis is emphasized especially in the context of the competitive economy which requires the achievement of superior economic-financial results compared to the established objectives and compared to the previous period. It is absolutely necessary to group the information in order to facilitate their collection, processing and selection, giving the categories of users the possibility to choose the ones they need.

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