

ACCOUNTING POLICIES APPLICABLE TO AGRICULTURAL COMPANIES

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Abstract

In the world of tough competition, in which only the performance resist change, the vital element in making the best decision is to ensure the balance between thought and action. If the methods used for obtain ,for analysis and for synthesis the information are especially good when the financial results are key elements for an entrepreneurial to focus their attention and orient their efforts. In Romania , the performance, success have become the motivation for any agro food companies who trying to enroll in the demands of the market economy .European competition requires taking into account, primarily financial and economic dimensions of activity of Agro company and for that an essential financial role is to be the financial and economic performance. and economic performance. Depending on the methods used to obtain the analysis and the synthesis of information of the manager of agro companies will know how to start and how to learn from the results.

Key words: performance, accounting policies, financial statements,

MATERIAL AND METHOD

Research methods used in this paper are bibliographic study, observation and comparative analysis.

RESULTS AND DISCUSSIONS

Accounting regulations in accordance with the Fourth European Economic Communities provide the format and content of annual financial statements accounting principles and rules of recognition evaluation removal of records and presentation of items in the financial statements, the rules for drawing up, approval, auditing/ verification by law and publishing situated of the annual financial some rules on management accounting, General chart of accounts and the content and the function 's of accounts.

They also establish the rules for organization and leadership accounting and for reporting according to the requirements of state institutions, for use by all category.

In the application of accounting regulations compliant with European Directives agricultural companies must develop its accounting policies to be approved by administrators, according law.

In case of entities who don't have administrators the accounting policies are approved by people who must manage those entity.

The accounting policies are not uniform or " standardized " because they must be adapted to the company's activity.

However, the rules and accounting treatments should be an set of accounting regulations in accordance with the Fourth Directive of the European Economic Community.

Depending on the mode presentation of accounting policies, they may occur as: a document (manual) which contains both rules and accounting treatments under accounting rules ,and documents who underlying economic financial transactions; two or more documents that form a whole, such as companies that use complex computer programs that have standardized procedures and records . In such cases, it may be like accounting rules approved by administrators to be completed with accounting treatments and procedures of the system. In all cases ,will consider approval of accounting policies by administrators.

The financial statements analysis involves the study of the relationship between the information contained in these documents, at a time and the tend of their evolution in a certain period of time.

The main purpose of financial statement analysis is to obtain a pertinent internal situation of enterprises, the reflected in the profitability, efficiency and risk information, allowing then selecting optimal investment decisions.

By analyzing financials situation, may be develop predictions about future developments and

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may be analyzed the diagnostic of company's financial condition. The financial statements of an company aimed to assist decision-making on organization mainly in investment decision.

The work objectives have targeted the necessity of used the results financial accounting in foundation the enterprise strategies . In this sense, was undertaken the gathering information and documentation conducted.

Property and equipment are stated at historical cost in the financial statements which is reduced by the accumulated depreciation Expenditure on repairs and maintenance of fixed assets made to restore or maintain the losses are recognized in profit or loss on associative forms their date .

Costs incurred for improve the technical performance are capitalized and depreciated over the remaining amortization of fixed assets improved.

Depreciation is calculated by linear method, based on the estimated useful lives of fixed assets.

Inventories of goods, supplies and inventory items are valued at acquisition cost . Company stocks are finished goods inventories before each production campaign and all stocks at year-end.

Quarterly is made the stock assessment based on seniority on balance and record provisions for inventory by 50 % between 3 and 6 months old and 100 % for those older than 6 months.

The Inventory stocks identified as impaired and no opportunity for recovery are fully provided, even if the management company for less than 6 months.

The future clients accounts and other receivables are disclosed in value recovery : the total accounts customers net of provisions for doubtful receivables and amounts recoverable value (loss claims). The evaluation of Customers it make monthly and, as a general rule , provisions are made for 50% of the claims with age between 3 and 6 months and 100 % for those older than 6 months. In addition, it considers the information provided by the sales department with regard to solvency unearned customers decide on which management exceptions to the general rule.

The performed analysis aimed at establishing indicators of financial balance , even, return on equity , return rate comercialel , leverage , capital rotation rate on.

Table 1

Indicators of financial balance			
Indicators	2010	2011	2012
Statement of net	61.033.414	93.550.431	159.963.774
Working capital finance	- 10.240.261	11.841.080	58.117.297
NFR	- 24.434.724	14.092.142	63.776.348
Cash flow	14.194.463	- 2.251.062	- 5.659.051
Net cash		- 16.445.525	- 3.407.989

The company has a positive net position and increasing, reflecting a sound economic management. This increase is the result of reinvestment of part of the net profit and the accumulation of other elements.

The increase of the net marks, in fact, the major objective of financial management namely maximizing enterprise value, respectively the value of equity.

Compared with 2010 , in 2011 , the situation grew net at 31,517,017 , respectively 53.3 % and in 2012 it increased by 98,930,360 , or 162.1 %.

A negative value of net assets would highlight the pre bankrupt situation , when the the losses accumulated consume integral the equity , and the uncovered portion falls to financial creditors the finance working capital was negative in 2010.

This shows that current assets converted into cash within less than 1 year for a repay the short-term debts. This shows a disadvantage in terms of solvency.

The net cash the company is negative both in the 2011 financial year and in 2012. This shows the dependence of external financial resources company , namely loans.

Treasury negative in 2011 and 2012 show the some implicit financial dependence should not be interpreted as a state of insolvency. The company can prosper in this case because financial partners who have provided short-term loans , according to contracts , supports the renewal of ensuring the necessary resources to cover outstanding debts.

The negative value suggests that the cash - flow investment finance company is failure.

However one can notice an improvement in its value at the end of 2012.

Was analised the " Breakeven " , - the turnover is above breakeven , which confirms that the company achieved operating profit for the activity during the period under review . In 2011 , the growth of financial working capital compared to the 2010 was 22,081,341 , and in 2012 compared to 2011 of 46,276,217. Increasing

financial working capital reflects the allocation of all net accumulation exercises for the 2011 and

2012 to increase current assets.

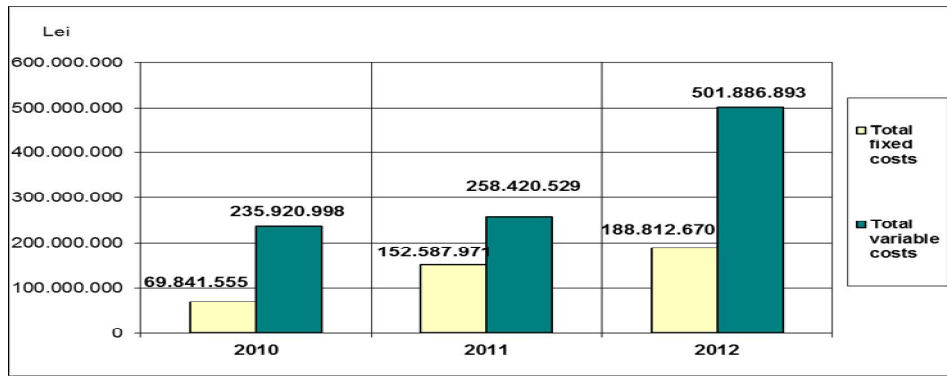


Figure 1 Breakeven analysis

In 2011 and 2012, net assets are higher than short-term debt that shows that the transformation of the former into cash in the short term will not only allow full repayment of the debt, but equally exceedantare release cash.

Current assets increased due to the increase permanent capital and debt of less than one year. In 2011 and 2012 the need for working capital is positive because company policy underwent a fundamental change.

The company has focused on attracting strong reviews, and assured them credit for a longer period, in other words there was a slowdown in revenue and speed up payments.

In the financing of operating conditions was not done by increasing debts to suppliers, but bank loans.

Such a policy might lead but extended to a gap between stock liquidity and debt on the one hand and chargeability operating liabilities on the other.

In 2010, the treasury is positive, and is found in the form of cash and cash equivalents in bank accounts and in the home.

This situation is favorable and can speak even a short-term financial autonomy.

Margin rates or commercial rates of rentablitate expressed profitability (gross or net) in relation to sales (or value added), so with commercial activity.

The informative usefulness of these ratios lies in their character structure rates of income and comparability over time and in relation to other companies with the same activity profile (the competition).

It observed an upward trend of these rates in the period of analyze.

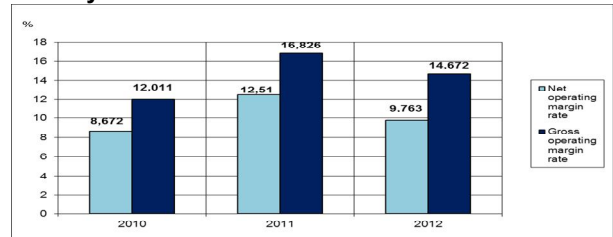


Figure 2 Net and gross operating margin rate

Economic rate of return provides an overall assessment of the gross return on invested capital. The decreasing trend of rate means that the investment made not only of cash flow, but also, with the borrowing.

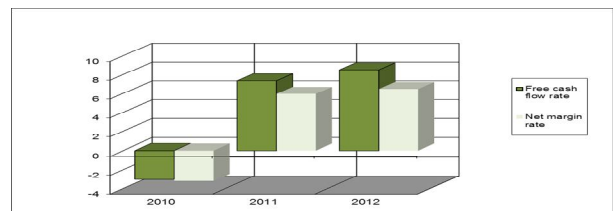


Figure 3 Net margin rate and free cash flow rate

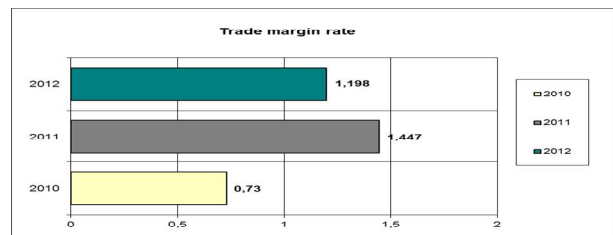


Figure 4 Trade margin rate

Due to the fact that in 2011, 2012 respectively, the company achieved profit, also it resulted an financial profitability of equity (range 30% -40 %). In the same period the earnings per share was 267 lei and 370 lei (nominal value of a share -1.000 lei).

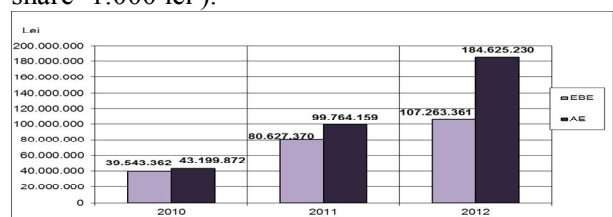


Figure 5 EBE and AE

Regarding the "lever" - Total debt ratio throughout the period under review has value unit, which demonstrates its claims against addiction (long and short term loans).

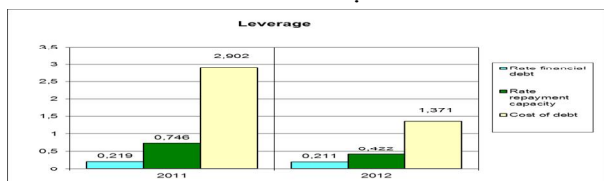


Figure 6 Leverage

The noteworthy trend of decreasing of this indicator in 2012 is very close to the threshold below par, level at which banks grant loans under guarantee safety.

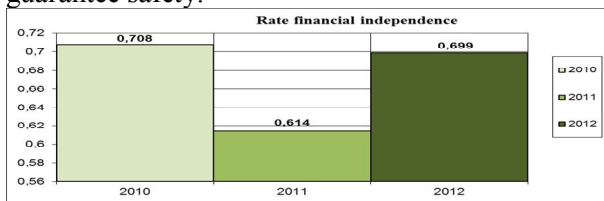


Figure 7 Rate financial independence

The rate of financial independence must be greater or at least equal to 0.5, because of the rules imposed by credit banking relationships with enterprise requirement is satisfied by the company under review.

Analysis of inventory turnover rate is very important because a high volume of the latter may result in a financial jam.

The low rotational speed (4.39 rpm) for the year 2010 show a high asset laundering and indicates difficulties in providing liquidity.

In 2011, the rotation speed has improved considerably and maintains the same level in 2012. This shows that the company had a good inventory management, managing not to block funds in stocks and at the same time to meet product demand.

Duration collection customers. This indicator shows how many days have taken money from clients of the invoice.

Customer collecting time is about 54 days in 2010, which shows customer credit policy pursued by the management company. Was called it as the solution to attract customers with high workload (major wholesale).

Between 2011 and 2012 this is reduced the collection time.

Due a recovery the activity of company, he has been forced to negotiate payment contracts with customers.

Duration of payment of suppliers as shown in 2010 was higher due to lack of liquidity.

The Company entered into default accumulated late fees from suppliers, a situation

highlighted the poor financial results of 2010.

Comparative analysis in 2011 and 2012, times for collection of customers with the payment of suppliers, we find that the latter were higher, which shows that the company had attracted resources they used in operating activities.

The rate of repayment ability (or coverage rate loans) has a minimal amount, which demonstrates the company's capacity to fully repay the loans.

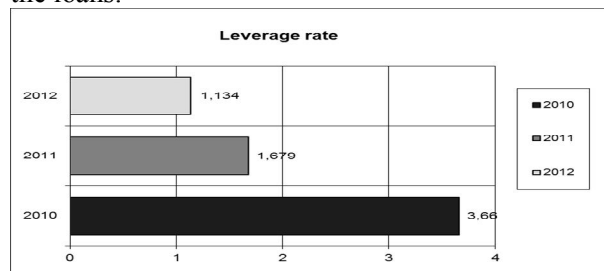


Figure 8 Leverage rate

CONCLUSIONS

Result of operating activities is positive, through the appropriate management of production the compliance with consumer, an reducing indirect expenses - annual turnover exceeds breakeven and provides a good level of inventory turnover rate - from 2011 the company has improved its customer portfolio (collection period resulted in lower customer) - decreased duration of payment of suppliers by negotiating better the ontracts regarding payment deadline (did not pay penalties) - financial result negatively affected by exchange rate differences and the provisions made for exchange differences - exceptionally positive outcome is the sale of fixed assets to the value of the depreciated value - to finance production and investments company borrowers, insufficient internal resources, which resulted in additional interest expense.

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