Analysis of the Evolution of Financial Indicators for the Period 2004-2014 TRANSGAZ SA

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Abstract
This article highlights the financial analysis of the evolution of a company through the key indicators involved. For this we watched a firm financial evolution of Romania and its main financial over 11 years. The study investigated virtually throughout the entity was based on an analysis of the financial indicators in the period 2004-2014 in Transgaz S.A. The objectives of this analysis are to determine the main financial indicators that lead to obtaining high economic performance. I used this method to analyze data when investigating entity because we wanted to emphasize financial evolution in full economic and financial crisis (2008), the methods for recovery post-crisis analysis of the company's evolution and its future prospects.

Key words
Financial analysis, evolution, indicators, rate, liquidity, profit, profitability

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1. Introduction

Financial analysts often assess the following elements of a firm: profitability, solvency, liquidity and stability.

Profitability is the ability to earn income and sustain growth in both the short- and long-term. A company's degree of profitability is usually based on the income statement, which reports on the company's results of operations.

Solvency is the ability to pay its obligation to creditors and other third parties in the long-term.

Liquidity is the ability to maintain positive cash flow, while satisfying immediate obligations. Both solvency and liquidity are based on the company's balance sheet, which indicates the financial condition of a business as of a given point in time.

Stability is the firm's ability to remain in business in the long run, without having to sustain significant losses in the conduct of its business. Assessing a company's stability requires the use of the income statement and the balance sheet, as well as other financial and non-financial indicators etc.

Financial analysts can also use percentage analysis which involves reducing a series of figures as a percentage of some base amounts.

Using the data contained in the annual accounts of the company under review, I wanted to determine in this article, the main indicators, for the period 2004-2014, at Transgaz S.A.

Also, I used this method to analyze data when investigating entity because we wanted to emphasize financial evolution in full economic and financial crisis (2008), the methods for recovery post-crisis analysis of the company's evolution and its future prospects.

2. Methodology of research

Financial refers to an assessment of the viability, stability and profitability of a business, sub-business or project. It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top management as one of their bases in making business decisions.

Based on the elements mentioned before I have calculated: current liquidity, immediate liquidity, profitability, return on equity advanced and the profit rate.

Current liquidity is the standard indicator for measuring the liquidity and reflects the extent to which current assets cover current liabilities gives the guarantee of current assets.
Current liquidity = Current assets / Current liabilities
Immediate liquidity is the ratio between current assets - Inventories and current liabilities.
Immediate liquidity = (Current assets - Inventories) / Current liabilities
Immediate liquidity should be at least equal to 1 for companies with slow moving inventories, and for those with a fast rotation speed of the stocks may fall even below 1 without suggesting the company would have financial difficulties.

Financial profitability is determined as the ratio between net profit and equity.

\[
\text{Financial profitability} = \frac{\text{Net profit}}{\text{Equity}} \times 100
\]

(1)

Return on invested capital is determined as the ratio between current result for the year and advanced capital (fixed and mobile) using relationship:

\[
\text{Return on invested capital} = \frac{\text{The current result}}{\text{Fixed assets + Current assets}} \times 100
\]

(2)

Profit rate - expressing the relative size of the profit, calculated as a percentage ratio between gross weight and a corresponding reference period, reflecting efforts to obtain profit.

\[
\text{Profit rate} = \frac{\text{Weight of profit}}{\text{Total assets}} \times 100
\]

(3)

I went through these indicators to the actual analysis in the form Transgaz S.A.

3. Results

3.1. Data

To analyze the main financial indicators was used as the calculation period from 2004 to 2014. The evolution of each indicator in the period of 11 years is summarized in the attached table and is accompanied by a graphic representation. The results of each indicator are presented in percent. The data for the analysis of these indicators are presented in the annual balance sheets. First, I analyzed the evolution of current liquidity in the period 2004-2014.

Table 1. The evolution of current liquidity in the period 2004-2014

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</thead>
<tbody>
<tr>
<td>Current liquidity</td>
<td>1,15</td>
<td>0,89</td>
<td>0,95</td>
<td>0,75</td>
<td>1,72</td>
<td>1,42</td>
<td>1,58</td>
<td>1,85</td>
<td>1,57</td>
<td>2,17</td>
<td>3,11</td>
</tr>
</tbody>
</table>

Source: Transgaz S.A. (www.transgaz.ro)

Graphically illustrated liquidity developments in the period 2004 - 2014 are in figure 1. The evolution of liquidity in the period 2004-2014 to the economic analysis shows an oscillating trend, with periods of ups and downs.

After the low evolution from the period 2005-2007, we are witnessing in 2008 to a value of current liquidity of 1.72%, value which is down to 1.42% in 2009 due to the negative influences of the economic and financial crisis.

The evolution of liquidity in the period 2010-2014 at the economic agent analyzed oscillates between values are increasing and decreasing from year to year. We note that are specific decreases of the years 2010 and 2012, similar values are 1.58 (2010) and 1.57 (2012).
Current liquidity growth periods differ in values 1, 72 (2008), 1.85 (2011) and 2.17 (2013) and 3.11 (2014), the main reason being the high values of current assets in these years. In 2014, current liquidity reaches 3.11, the expression of firm capacity to pay short-term debts on time. Next, I calculated the immediate liquidity. I present the values recorded for immediate liquidity developments in the period 2004-2014.

**Table 2. The evolution of immediate liquidity during 2004 – 2014**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year</th>
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</thead>
<tbody>
<tr>
<td>Immediate liquidity</td>
<td>2004</td>
<td>0,93</td>
<td>0,75</td>
<td>0,82</td>
<td>0,61</td>
<td>1,6</td>
<td>1,42</td>
<td>1,51</td>
<td>1,73</td>
<td>1,47</td>
</tr>
</tbody>
</table>

*Source:* Transgaz S.A. ([www.transgaz.ro](http://www.transgaz.ro))

Graphic representation of the immediate liquidity indicator values is of the form:

**Figure 2. The evolution of immediate liquidity during 2004 – 2014**
We observe from graphic illustration of the evolution of immediate liquidity in the period 2004-2014 we are witnessing oscillations of the value of the indicator over the entire period analyzed, when witnessing the ups and downs from year to year.

Since 2008, the recovery is established is a tendency to development of immediate liquidity when the indicator was 1.60%. In 2009, following a crisis occurs a slight decline, reaching 1.42%.

Low levels of immediate liquidity are recorded in the years 2010 and 2012 (1.51 and 1.47 respective), while the 2011 and 2013 record high (1.73 and 2.06) due also elevated assets in these two years.

The graph shows that, in 2014, immediate liquidity is increasing with the value of 2.99, due to the fact that the company takes to pay its short term debts on time.

Next, we highlight the evolution of financial return, calculated annually for 2004 - 2014. We want the pointer value recorded financial return we can shape an image of its evolution in the analyzed period.

For this we still play readings of ROE in the range 2004-2014 and we also realized a graphic representation of this rate.

Table 3. The evolution of financial profitability in the period 2004 – 2014

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</thead>
<tbody>
<tr>
<td>Financial profitability %</td>
<td>10,37</td>
<td>4,37</td>
<td>7,08</td>
<td>12,49</td>
<td>10,92</td>
<td>12,64</td>
<td>12,51</td>
<td>11,08</td>
<td>10,89</td>
<td>15,1</td>
<td></td>
</tr>
</tbody>
</table>

Source: Transgaz S.A. (www.transgaz.ro)

Financial return values recorded in the period 2004 - 2014 are illustrated in the following chart:

Figure 3. The evolution of financial profitability in the period 2004 – 2014

From the chart we see the financial return rate fluctuated, with low values in the years 2005 and 2006, and 4.37% (in 2005) and 7.08% (in 2006). In 2007, we are witnessing an increase of 12.49%, a value that diminishes in 2008, the year the financial crisis in our country, with more than 2%.

However, in 2009 the rate of financial return recovers a value of 12.64%, as an expression of the positive growth recorded by the economic analysis.

The graph shows the rate of financial return also elevated us in the years 2010 and 2011, respectively 12.51% (in 2010) and 12.93% (in 2011). In 2012, we are witnessing a sharp decline to 11.08%, value that continues to diminish in 2013, reaching 10.89%.

The reason for this deficit is due to produce lower values recorded net profit in 2012 and 2013.
In 2014, financial profitability rate is an increase of approximately 5%. In what follows we restore the profitability trend of the invested capital in the period 2004-2014, expressing percentage indicator efficient use of capital company investigated.

Table 4. The evolution of return on equity advanced during the period 2004 – 2014

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Anul</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Return on equity advanced %</td>
<td>2004</td>
<td>2005</td>
<td>2006</td>
<td>2007</td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
<td>2011</td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>X</td>
<td>8,52</td>
<td>6,10</td>
<td>9,85</td>
<td>10,32</td>
<td>8,69</td>
<td>10,52</td>
<td>24,10</td>
<td>11,62</td>
<td>10,06</td>
<td>10,93</td>
</tr>
</tbody>
</table>

Source: Transgaz S.A. (www.transgaz.ro)

In terms of graphics, the return on capital advanced trader studied is shown as follows:

Figure 4. The evolution of return on equity advanced during the period 2004 – 2014

The evolution of return on equity advanced during the period 2004 - 2014 is another indicator percentage point efficiency with which capital is used firm.

Notice that the indicator has an oscillating course, registering growth periods alternated with periods of decline.

The only year that distinction in the analyzed period is 2010, when the return on capital registers the highest value of all the analyzed period, 24.10% respectively.

The explanation is the economic capital usage efficiency analysis, which utilized funds regardless of how production financing and tax system.

Thus, the amount of 8.52% of the invested capital recorded profitability in 2004, witnessing a decline of 6.10% in 2005. Since 2006, there is a continuous increase in capital values the company until 2007 including 9.85 % in 2006, 10.32% in 2007.

In 2008, the year when the financial crisis, there was a decrease of almost 2% of company capital values. After this period, there is an increase in return on equity of 10.52% advance payment in 2009, recovering practically two percent loss due to the imbalance caused by the financial crisis.

In 2010 is recorded the highest value of the invested capital rate of return of 24.10%.

In 2011 there is a sharp decline of 12 percent (11.62%), the decline deepens in 2012 it reaches 10.06%. In 2013 a slight increase (10.93%). These values express a major deficit in the proper use of capital in the analyzed period. Another strong influence factor is related to the deepening financial crisis.
Since 2014, there is an efficient use of capital at the analyzed company, whose profitability rate of invested capital was 12.92%.

To highlight the economic profitability investigated, we analyzed for the period 2004 - 2014 recorded profit rate in order to analyze its evolution.

Table 5. The evolution of profit during the period 2004 – 2014

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Anul</th>
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</thead>
<tbody>
<tr>
<td>Profit rate %</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>29.14</td>
</tr>
<tr>
<td>2005</td>
<td>12.51</td>
</tr>
<tr>
<td>2006</td>
<td>17.84</td>
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<tr>
<td>2007</td>
<td>25.93</td>
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<tr>
<td>2008</td>
<td>21.52</td>
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<tr>
<td>2009</td>
<td>25.15</td>
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<tr>
<td>2010</td>
<td>28.31</td>
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<tr>
<td>2011</td>
<td>29.09</td>
</tr>
<tr>
<td>2012</td>
<td>24.92</td>
</tr>
<tr>
<td>2013</td>
<td>22.53</td>
</tr>
<tr>
<td>2014</td>
<td>31.05</td>
</tr>
</tbody>
</table>

Source: Transgaz S.A. (www.transgaz.ro)

Graphically, these percentage values are as follows:

Figure 5. The evolution of profit during the period 2004 – 2014

Note that 2005 recorded the lowest rate of profit in the period analyzed, namely 12.51%. After this period, we are witnessing a continued increase in profitability analyzed company from 17.84% in 2006 to 25.15% in 2009. Note that the impact of the financial crisis does not affect the company’s profitability, which may be located in a growing percentage after 2005.

The rate of profit entity analyzed a significant decrease in 2012 (24.92%) and in 2013 (22.53%) after previous values increased in 2010 (28.31%) and 2011 (29.09%). As in the previous case, the decrease is due to shrinking net profit of the company.

In 2014 we are witnessing a growth of about 9 percent growth compared to 2013, for 31.05% profit rate. This emphasizes that the trader investigated increasing its profit compared with previous periods.

4. Conclusions and recommendations

The evolution of liquidity in the period 2004-2014 to the economic analysis shows an oscillating trend, with periods of ups and downs.

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References


