The Analysis of The Economic-Financial Indicators of An Economic Entity in The Food Industry

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Abstract
Through this study, the author aims to reveal the importance of the analysis of economic and financial indicators within an economic entity in the food industry, they practically indicate both the company's current financial situation and its weak or strong points, depending on which will make the best decisions regarding the company's activity. The study was carried out during 2020-2022. Also, the economic-financial indicators contribute to the comparison of the company's situation, with that of other similar companies in the same field of activity or in the entire national economy and reporting to the direct, internal and external competition through the prism of sales, profitability, financial health or the company's position within the national economy. At the same time, the analysis of economic and financial indicators contributes to the control of the company's stability and the choice of an optimal commercial strategy, as well as to the measurement of the efficiency of the company's activity. Any indicator analysed in isolation conveys a small amount of information, and in order for an analysis based on indicators to be relevant and effective, it must be carried out by comparison with the previous evolution, with the established target as well as with the market on which the company operates. The paper ends with the author's conclusions regarding the significance of the analysis of economic-financial indicators within the company and all economic entities at the level of the entire economy.
Keywords: Analysis, Economic Entity, Indicators, Financial Statements

Introduction
The year 2020 can be considered an atypical year, considering the evolution of the COVID-19 pandemic, which had a drastic impact on economic activity in general, as well as on that of economic entities in the food industry. The latter recorded, as a whole, reductions in total revenues, turnover and gross added value. Therefore, the business environment continues to face numerous challenges that could have a major impact on the performance

of economic entities in all fields of activity. Financial markets are influenced by vectors of change such as: globalization, intense competition both horizontally and vertically, high costs, constantly changing legislative regulations, oscillating exchange ratios over short periods of time, interest ratio volatility, etc. All these changes amplified by the effects of the international financial crisis led managers to focus on value creation and earnings growth/profit maximization.

Proper financial management is essential in any business, allowing for timely and well-informed critical decisions in response to ever-changing economic conditions. The indicators that economic entities use to track, measure and analyse the financial health of the firm are key financial performance indicators, which fall into a variety of categories such as: profitability, liquidity, solvency, efficiency and evaluation.

In order to better understand how an economic entity works, the analysis of financial statements is the most conclusive, from it are extracted the indicators that indicate the financial position and stability of the company at a given moment (failure or success!). Basically, the financial statements are like a "scorecard" for the business, in the sense that they translate the company's business activities into a set of more or less objective figures, which, however, provide valuable information about the performance of the economic entity, about its possible problems, as well as about the future potential of the analysed company.

The objective of the annual financial statements is to provide the most accurate and timely information on the financial position, financial performance and cash flows of an economic entity, useful to a wide range of users. Depending on the interest of each economic entity, the analysis of economic-financial indicators can differ significantly. Customizing a financial indicator without a full verification of it, especially in terms of its real practical value, for economic-financial analysis can lead to problematic results. Such an indicator can distract the manager's attention from the evolution of a really important indicator for the evolution of the company and can lead to making completely wrong managerial decisions that have negative consequences on the performance of the company.

Key performance indicators of an economic entity are tools for measuring and monitoring the progress and performance of the business. These indicators reflect the results of the economic entity or its economic-financial situation at a given time. Therefore, periodic tracking and analysis of key performance indicators helps managers anticipate business growth and develop relationships with investors, customers, suppliers, and partners. The most easily identifiable aspects in the activity of an economic entity are planning flaws and human error.

Literature Review

The subject of economic-financial indicators analysis is covered by a wide range of authors, including financial analysts, university professors, experts in the field, both internationally and nationally. Certain concepts and methods related to economic-financial indicators can be associated with names such as: Graham (1937) who had a particular influence on the development of investment evaluation methods, as well as financial analysis; Drucker (2022) is one of the most well-known management theorists, contributing to the development of concepts for analysing the performance and efficiency of an economic entity's activity; Buffett & Clark (2011) stood out for his in-depth studies of financial indicators and the examples go on.

On the national level, there are numerous authors who have made significant contributions regarding the analysis of economic-financial indicators, such as: Stancu (2002)

economist and university professor, who has made numerous contributions in the field of finance, investment evaluation and financial management; Ionescu (2007); Petrescu, 2008; Petcu (2009) etc. It is important to note that the development and application of economic-financial indicators is a collective effort that has evolved over time and continues to be influenced by the multiple contributions of financial professionals. These authors have influenced the financial field, both through their works and academic activity. Specialized books, scientific articles, financial reports, economic publications are common sources for relevant information in this field.

Methodology of Research

The consolidation and development of the economic activity of an economic operator involves the application of a research methodology that facilitates the identification of factors and causes that explain a certain economic-financial state of it. Thus, the prerequisites necessary for the implementation of the best decisions that lead to an increase in financial performance and, on this basis, to the sustainability of the functional state of the economic operator are ensured.

During the research, the author reviewed the specialized literature in the field, both domestic and international, processing a series of relevant data and information from the financial statements of an economic entity in the food industry, systematizing the theoretical aspects related to the analysis of economic indicators financial. In the research carried out, the author used specific research methods, such as: observation, statistical grouping, deduction and comparison, elaborating an empirical study whose results were interpreted. The entire research process was conducted in accordance with research rigors regarding its objectivity, honesty and probity, with the aim of obtaining valid and reproducible results. The method itself of the economic-financial analysis includes a set of methodological steps and technical calculation procedures for establishing and quantifying the causal relationships between the analysed indicators and the determining factors. Indicators are an indispensable working tool for financial activity and implicitly for the development of microeconomic decision-making.

Analysis of Economic and Financial Indicators

The respective indicators are expressed in the form of significant ratios between two measures or groups of measures from the balance sheet or profit and loss account of the economic entity. The respective reports allow making assessments of the financial situation and making decisions regarding the future activity of the company.

At the same time, knowing the level of economic-financial indicators allows comparisons to be made with other entities from similar sectors of activity, from the country or abroad. Economic-financial indicators facilitate working with a high volume of data in an organized manner. Therefore, table no. 1 presents a simplified centralized balance sheet containing data relating to the analysed period 2020 – 2022.

Table 1
Simplified Centralized Balance Sheet for the Period 2020 – 2022

Indicator Name	Year 2020	Year 2021	Year 2022
Fixed assets	495.639	561.935	2.082.942
Current assets, of which:	6.694.096	15.775.401	21.800.300
Stocks of: raw materials, materials, consumables, production in progress, semi-finished products, finished products, goods, etc.	8.810	33.217	1.118.529
Claims	4.691.677	10.622.709	13.711.139
Cashing and bank accounts	1.993.609	5.119.476	6.574.568
Prepayments	25.007	0	109.746
Liability	4.581.883	9.431.676	16.042.620
Capitals, of which:	2.632.860	6.905.660	7.950.369
Paid-up subscribed capital	1.943.260	1.943.260	1.943.260
Indicators from the Profit and Loss Account			
Net turnover	27.930.000	61.984.837	63.293.474
Total income	28.454.533	63.844.044	62.919.931
Total expenses	27.478.553	58.915.999	61.553.200
Gross profit	975.979	4.928.045	1.366.730
Profit net	874.725	4.272.800	1.154.708

Source: own processing based on the economic entity's financial statements

Liquidity Indicators

With the help of these indicators, the economic entity's ability to meet its short-term obligations is tested. Current and immediate liquidity are most frequently determined. The calculation relationship for current liquidity is:

$$Lc = \frac{\text{Curent Assets}}{\text{Current Liabilities}} \qquad (1)$$

and expresses the company's ability to meet current obligations on account of working capital. It is recommended that this indicator be greater than 1, and it shows the amount by which current assets exceed short-term liabilities and provides the guarantee of covering current liabilities from current assets.

Table 2
Calculation of the Current Liquidity Ratio

Indicator name	u.m.	2020	2021	2022
Current assets	lei	6.694.096	15.775.401	21.800.300
Current liabilities	lei	4.581.883	9.431.676	16.042.620
Current liquidity	%	1,46%	1,67%	1,36%

Source: data processing taken from the financial statements
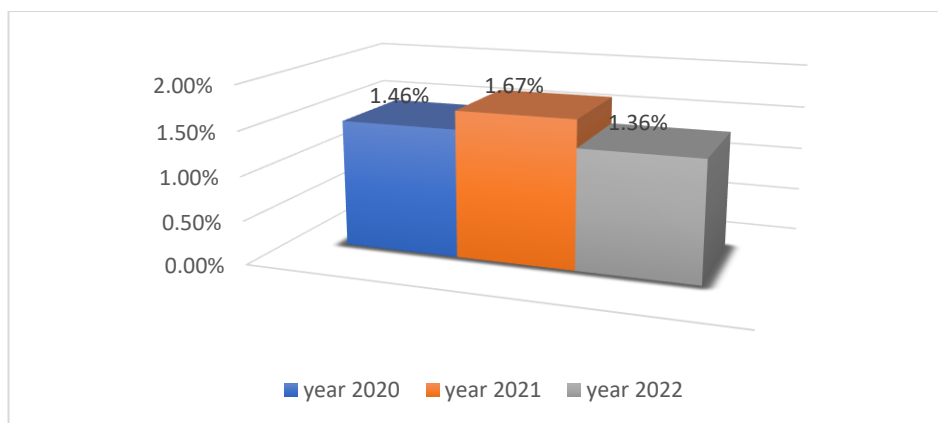
Chart 1. Current liquidity

The value of this indicator, as can be seen from the graph, fluctuates, namely in 2020 it was 1.46%, in 2021 it increased to 1.67%, in 2022 it decreased again to 1.36%, aspect due to the decrease in the ratio between current assets and short-term liabilities, as a result of the increase in the level of current liabilities by 3.5% in 2022 compared to 2020.

Immediate Liquidity
The calculation relationship for immediate liquidity is

$$Lc = \frac{Current\ Asstes - Stockes}{Current\ Liabilities} \qquad (2)$$

and expresses the capacity by which short-term liabilities can be covered by cash availability and short-term financial investments. The optimal value of this indicator is 1, but if it is sub-unit then a high share of stocks in total current assets is indicated.

Table 3
Calculation of the Immediate Liquidity Ratio

Indicator name	u.m.	2020	2021	2022
Current assets stocks	lei	6.685.286	15.742.185	20.681.771
Current liabilities	lei	4.581.883	9.431.676	16.042.620
Immediate liquidity	%	1,46%	1,67%	1,29%

Source: data processing taken from the financial statements
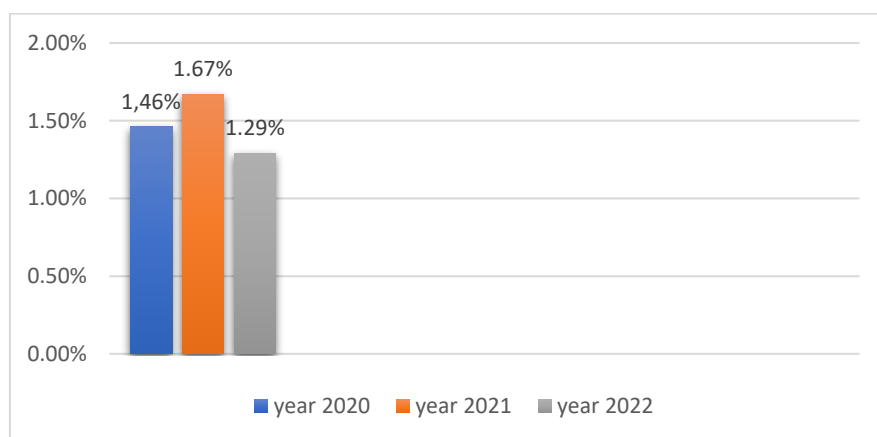

Chart 2. Immediate liquidity

As can be seen from the graph above, the immediate liquidity in 2020 is 1.46%, which is a good value, so that in 2021 it will increase and then in the following year it will decrease again, to 1.29%, fact what can indicate in the year 2021 a fortuitous success.

Risk Indicators
General Solvency Ratio

These indicators reflect the economic entity's ability to meet payment obligations. The calculation relationship for the general solvency ratio is:

$$\text{Rsg} = \frac{\text{Total Assets}}{\text{Total Debts}} \qquad\qquad (3)$$

and expresses the economic entity's ability to meet all maturities (both short-term and medium- and long-term). The value of this indicator must be between 1.5 and 3.

Table 4
Calculation of the General Solvency Ratio

Indicator name	u.m.	2020	2021	2022
Total assets	lei	7.214.743	16.337.336	23.992.989
Total debts	lei	4.581.883	9.431.676	16.042.620
General solvency ratio	%	1,57%	1,73%	1,50%

Source: data processing taken from the financial statements
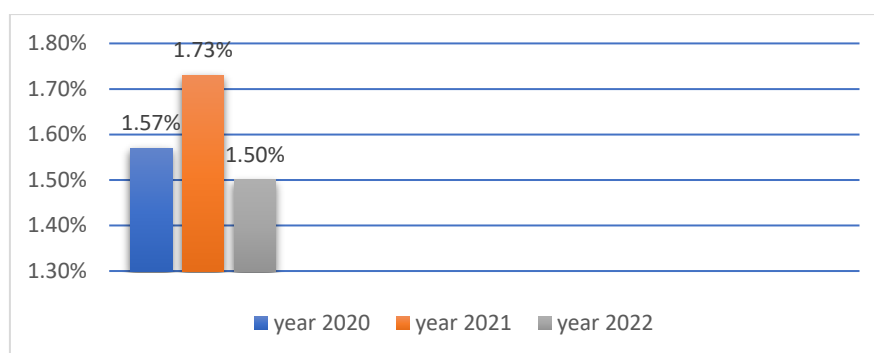

Chart 3. General solvency ratio

The general solvency ratio is a positive value, which means that the economic entity has sufficient material and monetary means to pay its obligations. Although in 2020 and 2022, the value of this ratio is close to the minimum threshold of 1.50%, the results obtained represent a good level of the entity's solvency, but solutions to increase it can be identified.

The degree of indebtedness

The calculation relationship for the debt ratio is:

$$\text{Rgî} = \frac{\text{Total Debts}}{\text{Total Assets}} \, x \, 100$$
(4)

and expresses the proportion in which the total asset is financed from sources other than its own, such as: loans, suppliers, debts to the state, etc.

The value of this indicator, under normal conditions, should be around 50%, a limit below 30% indicates a reserve in applying for credits and loans, and above 80% an alarming situation, dependent on credits, is predicted.

Table 5
Calculation of the debt ratio

Indicator name	u.m.	2020	2021	2022
Total assets	lei	7.214.743	16.337.336	23.992.989
Total debts	lei	4.581.883	9.431.676	16.042.620
Debt ratio	%	63,51%	57,73%	68,86%

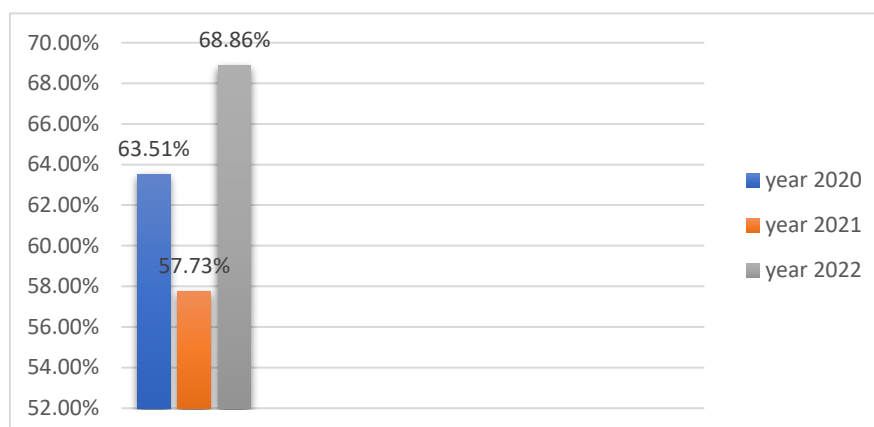*Source: data processing taken from the financial statements*

Chart 4. Debt ratio

The year 2021 was a year in which the economic entity recorded major increases for other indicators, being reserved in contracting loans or credits, and the year 2022 was a year in which the degree of indebtedness increased towards the upper limit of 80% of this indicator, which indicates a delicate situation of the company, if this percentage will increase in the coming years.

Management Indicators
These indicators are also called efficiency or management indicators in the specialized literature and they provide information about the speed of rotation of fixed assets, current assets, respectively of total assets. The value of this indicator must be greater than 1.

Fixed Asset Turnover Ratio
The calculation relationship for the turnover ratio of fixed assets is

$$\text{Vrai} = \frac{\text{Fiscal Value}}{\text{Fixed Assets}} \; x \; 100 \qquad\qquad (5)$$

and evaluates the effectiveness of fixed assets by turnover relative to fixed assets.

Table 6
Calculation of the turnover ratio of fixed assets

Indicator name	u.m.	2020	2021	2022
Fiscal value	lei	27.930.000	61.984.837	63.293.474
Fixed assets	lei	495.639	561.935	2.082.942
Fixed assets turnover ratio	rotations/year	56,35	110,30	30,38

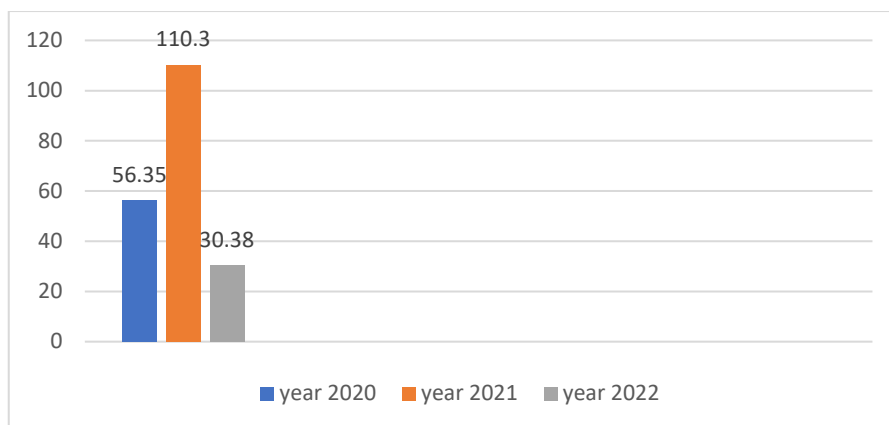*Source: data processing taken from the financial statements*

Chart 5. Fixed assets turnover ratio

From the graph above, it is found every year, values much higher than the value 1, which denotes the fact that the economic entity has a favourable situation determined by the turnover compared to the value of fixed assets.

Current Assets Turnover Ratio

The calculation relationship for the turnover ratio of current assets is

$$\text{Vrac} = \frac{\text{Cifra de afaceri}}{\text{Active circulante}} \; x \; 100 \tag{6}$$

and is a significant indicator that characterizes the efficiency with which the current assets of the economic entity are used.

Table 7

Calculation of the rotation speed of current assets

Indicator name	u.m.	2020	2021	2022
Fiscal value	lei	27.930.000	61.984.837	63.293.474
Current assets	lei	6.694.096	15.775.401	21.800.300
Current assets turnover ratio	rotations/year	4,17	3,93	2,90

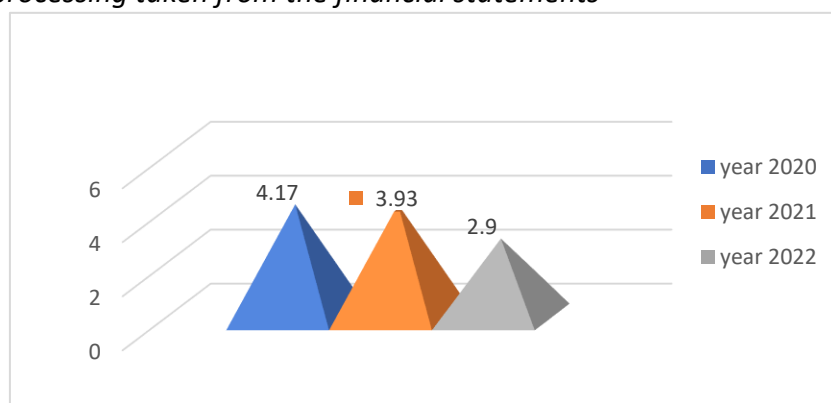*Source: data processing taken from the financial statements*

Chart 6. Rotation speed of current assets

From the graph above, it can be seen that the turnover ratio of current assets has decreased every year, which indicates an alarm signal, as it is necessary to analyse the stocks, so that the turnover increases and the stocks decrease.

Turnover Ratio of Total Assets
The calculation relationship for the turnover ratio of total assets is

$$\text{Vrat} = \frac{\text{Fiscal Value}}{\text{Total Assets}} \, x \, 100 \qquad\qquad (7)$$

and the indicator evaluates the efficiency of total asset management by examining the turnover value generated by the economic entity's assets.

Table 8
Calculation of the turnover ratio of total assets

Indicator name	u.m.	2020	2021	2022
Fiscal value	lei	27.930.000	61.984.837	63.293.474
Total assets	lei	7.214.743	16.337.336	23.992.989
Turnover ratio of total assets	rotations/year	3,87	3,79	2,63

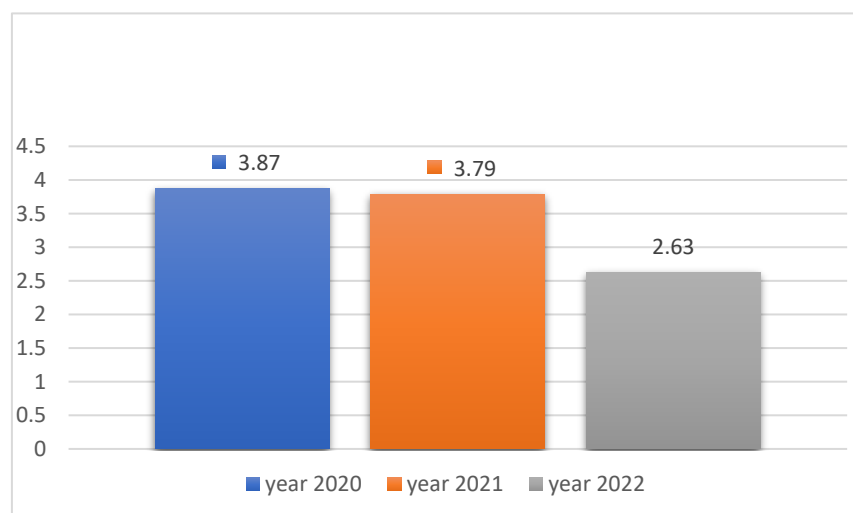*Source: data processing taken from the financial statements*

Chart 7. Turnover speed of total assets

From the graph above, it can be seen that a high turnover ratio allows the business of the economic entity to do more operations without necessarily increasing the assets, and the stock turnover ratio signifies a reasonable amount of money locked up in stocks, determining a liquidity good of the company, but it is good to keep an eye on the turnover ratio of total assets each year.

Conclusions
The importance of calculating and analysing economic-financial indicators consists in knowing their evolution and in comparing previous financial years in order to offer management the best solutions in making optimal decisions.
As a result of the increase in receivables and operating expenses, the analysed indicators indicated a good level for the economic entity analysed in the year 2022, compared

to the years 2020 and 2021, the values obtained in the year 2022 being accepted for normal conditions of the entity's activity, but per overall, the best year for the analysed entity was 2021 and even if the performance of the economic indicators decreased in 2022, the economic entity registers, we can say, an upward trend. Also, as a result of the analysis of all these presented indicators, it can be stated that, the erroneous use of financial indicators can lead to unclear business strategies, with an agglomeration of meeting some objectives and improving some operational aspects, a disorientation of the top management, with negative effects on the activity of the economic entity.

Analysing these indicators in a timely manner, the lack of availability can be avoided, the investment recovery period can be correctly estimated, the most correct financial decisions can be made, etc. All these indicators must be analysed in the context of the food industry, the economic cycle and the specific strategies of the economic entity. It is also relevant to perform a comparison with the competition and monitor the evolution of these indicators over time to identify trends and potential risks. The detailed analysis of economic-financial indicators helps managers, investors and other interested parties to make informed decisions for the future of the economic entity.

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