STUDY ON PERFORMANCE INDICATORS FOR DETERMINING THE CURRENT ASSETS A COMPANY PRODUCING SPORTS EQUIPMENT

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Abstract:
Cash management is of great importance to an enterprise; if availabilities are not sufficient at a time, this can lead to bankruptcy. Cash management involves providing sufficient funds for the company to be able to fulfill the requirements of cash at a time, these requirements consisting of repayment of bank loans, taxes, salaries, purchases of raw materials, etc. The purpose of this paper is to highlight practical issues concerning the determination of the current assets of the analyzed company performance, in order to reflect the importance of these assets in the entire business. The performance of current assets is given by their rate; structure and management indicators, like indicators of liquidity or leverage, rotation (in days and the number of circuits) profitability indicators of current assets, intensity indicators of using current assets, indicators of relative, absolute and total release of current assets and by indicators of working capital. For this article we chose to study only the rate of current assets.
Key words: *current assets, performance, economic*

INTRODUCTION

Operating cycle management is the most important section of the financial management of the company. This is due to the high percentage of current assets and liabilities in the total balance sheet of the enterprise (Creţu et all, 2011). The objective of operating cycle management is to increase profitability in terms of reducing business risk. Harmonization of the relationship between profitability and risk is performed mostly by the balance between the necessary assets and the resources mobilized to finance it (Militaru 2008, Achim & Borlea, 2009).

Thus, to reach the goal of increasing profitability, asset management aims to achieve current operating cycle with a minimum level of current assets, and current liabilities management aims to reduce the cost of purchasing required capital (Buglea 2005, Aven 2008).

Regarding the objective of mitigating risk, the management of current assets is aimed at eliminating breakage of stock, lack of liquidity, accidental interruptions of supply, operation, delivery, and current liabilities management aims temporary capital deficit reduction required by the operating cycle, increasing the financial autonomy of the operating cycle (Petrescu 2010). The management operating cycle includes two main activities: determining the requirements of current assets and determining the funding sources for the operating cycle.

Economic and financial performance is the superior quality level of financial-economic activity carried out by economic agents which is analyzed using several indicators, such as turnover, return on capital, return on equity, gross profit and net profit, effective use of fixed resources, etc. (Pripoaie 2007).

We analyze the performance of the current assets of the company by means of the indicator ratio of current assets.

In order to analyze the ratio of current assets in total assets, we compute the ratio of current assets of the company in Table 1, using the formula:

$$Ratio_{CurrentAssets} = \frac{Current \quad assets}{Total \quad assets} x100$$

Table 1. Ratio of current assets

Indicators	2009	2010	2011
Current assets	79 471 076	86 601 167	77 618 259
Total assets	213 782 441	253 613 207	237 775 772
Ratio of current assets	37%	34%	32%

Source: data collected and calculated by the author based on data from the balance sheet

According to Table 1.we see that the rate of current assets remained almost constant during the three years, with the highest value in 2009 when current assets represented around 37% of total assets. We also notice that the lowest percentage of current assets in total assets is recorded in 2011 when current assets occupy 32% of total assets. It follows that current assets play an important role in the assets with over one third of all business assets.

Also relevant in the analysis of the company are analytical ratios of current assets: rate of stocks, rate of trade receivables, rate of cash and short-term investments.

Thus we analyze the share of stocks in total assets based on:

- **the rate of stocks**, influenced by the nature of the activity of the analyzed company, namely specific and non-specific sports equipments, and the typical operating cycle of this activity, rate that we highlighted in Table 2, using the following formula:

$$Rate_{Stocks} = \frac{Stocks}{Total \quad assets} x100$$

(Vintilă 2000)

Table 2. Rate of stocks

Indicators	2009	2010	2011
Stocks	13 424 697	28 107 494	10 300 371
Total assets	213 782 441	253 613 207	237 775 772
Rate of stocks	6%	11%	4%

Source: data collected and calculated by the author based on data from the balance sheet

According to the table above, we see that the share of stocks in assets is significant, the highest value recorded in 2010 when stocks occupy 11% of total assets, and the lowest value is recorded in 2011 when stocks occupies only 4% of total assets.

These weights are important and are influenced by the fact that the company operates in the sphere of production, unlike those working in the services sector, while their share in total assets is influenced by the length of the operating cycle for the business enterprise.

However, stock levels are amended under the influence of incidental factors and market influence, and therefore the interpretation of the time evolution of stocks requires correlation with the turnover. Next we analyze the analytical ratios in stocks, arising from the decomposition of stocks relative to the constitutive nature of stocks, the rates that we have summarized in Table 3:

Table 3. Analytic rates of stocks

Indicators	2009	2010	2011
Raw materials	6 981 276	18 951 227	7 126 396
Production in progress	5 698 505	8 279 031	2 778 366
Finished products	28 218	18 651	1 618
Total assets	213 782 411	253 613 207	237 775 772
Rate of raw materials $R_{rm} = \frac{Raw \quad materials}{Total \quad assets} x100$	3.3%	7.6%	3%
Rate of production in progress $R_{pp} = \frac{Production \quad in \quad progress}{Total \quad assets} x100$	2.7%	3.4%	1%
Rate of finished products $R_{fp} = \frac{Finished \quad products}{Total \quad assets} x100$	0.01%	0.0007%	0.0006%

Source: data collected and calculated by the author based on data from the balance sheet

According to the table above, we see that in the three years under analysis the rate of raw materials had the highest values, so the share of raw materials in total assets is significant among stock components, they are followed by production in progress and finally the rate of finite products, with a lower rank in total assets, which is beneficial to the company because it means that it has valued goods production.

- **the rate of trade receivables** captures their share in total company assets, reflecting the commercial policy of the company and being influenced by the nature of the firm's clients. We analyze the rate of trade receivables using the following formula:

$$R_{TC} = \frac{Trade \quad receivables}{Total \quad assets} x100$$

Table 4. Rate of trade receivables

Indicators	2009	2010	2011
Trade receivables	22 086 981	26 520 158	38 583 112
Total assets	213 782 441	253 613 207	237 775 772
Rate of trade receivables	10.3%	10.4%	16.2%

Source: data collected and calculated by the author based on data from the balance sheet

According to Table 4 we see that the rate of trade receivables has significant values in the total assets of the company analyzed, the highest rate recorded it in 2011 when trade receivables occupies about 16.2% of total assets, in 2009 and 2010 their percentage being almost equal, occupying about 10% of the company's assets.

These significant amounts of rate trade receivables are due to the company's relations with enterprises cashless unlike companies whose customers make payments in cash, and who have little or no value for this rate.

- **the rate of cash and short-term investments** reflects the share of cash availabilities and short-term investments in total assets, and in order to analyze this we use the following formula:

$$R_{CSTI} = \frac{Cash \quad and \quad short-term \quad investments}{Total \quad assets} x100$$

Table 5. Rate of cash and short-term investments

Indicators	2009	2010	2011
Cash availabilities	33 815 222	12 683 586	4 770 502
Short-term investments	3 191 869	3 191 869	183 334
Cash availabilities + short-term investments	37 007 091	15 875 455	4 953 836
Total assets	213 782 441	253 613 207	237 775 772
Rate of cash and short-term investments	17.3%	6.2%	2.08%

Source: data collected and calculated by the author based on data from the balance sheet

Using Table 5 we see that the rate of cash and short-term investments is downward, the highest value recorded was in 2009, when the availabilities and short-term investments occupies about 17.3% of total assets, a high value that reflects a situation favorable to financial balance since the company does not need to resort to bank loans to finance current operating needs.

On the other hand, in the next two years, namely 2010 and 2011, when the share of cash and short-term investment is low, 6% and 2%, which is considered unfavorable for the company because it is forced to turn to credits.

CONCLUSION

Regarding the evolution of current assets, if they show an increase in 2010 as compared to 2009 by 8%, in 2011 there is a negative trend in current assets, evidenced by a decrease of 11%.

If we analyze the evolution of the components of these assets from 2009 to 2011, there is a gradual decline in cash availabilities, reaching from about 33 million to 4 million in the most affected year by the crisis, i.e. 2011. The same thing happens on short-term investments.

Thus, the deterioration of assets in 2011 is affected by the decrease in cash availability, but also by the considerable increase in receivables from 20 million in 2009 to about 60 million in 2011.

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