Scientific Papers (www.scientificpapers.org)
Journal of Knowledge Management, Economics and Information Technology

Vol. III, Issue 5
October 2013

Case Study on Analysis of Financial Statements at a Furniture Manufacturer

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Analysis of the financial statements of a company is an important means to obtain information about how the company operated in the previous period. Interpretation of the evolution of financial indicators does not always prove to be easy, requiring multiple calculations and combined approaches, while the knowledge and understanding of type of business reviewed are essential in the proper interpretation of the results. Thus, the conclusions of the analysis carried out in a professional manner will be able to correctly describe the evolution of the company and to substantiate the user's decisions.

Keywords: *financial statements; diagnosis analysis; profitability ratios; swot analysis; financial status; financial performance*

JEL classification*: H32 – Firm; O12 - Microeconomic Analyses of Economic Development*

Introduction

Economic and financial analysis of a company is a laborious trial requiring a quality professional training. Apparently paradoxically, despite the skills possessed by the analyst, the conclusions drawn up as a result of the analysis

may not be applicable or useful. This is possible for at least two reasons. The first one relates to the non-compliance with the accounting principles as regards the recording of business operations unintentionally or deliberately. This will lead to the preparation of financial statements that do not reflect the real situation of the company and, consequently, the financial analysis performed will describe a hypothetical company and in no circumstances the company in question. Auditing may be a handy solution for the company management in this situation.

The second reason may be the lack of information (Dragotă V. et al, 2003, pag.131-132). No matter how much you want to achieve a quality and representative work, unless you have the necessary information, the result is truncated or useless. If the analyst does not have access to the amount of data required, the usefulness of the analysis performed will be diminished or invalid.

Further, an analysis will be conducted using data from the financial statements of a real company, but, for reasons of confidentiality, it will be presented below under the generic name of SC Mobila SRL.

According to the typology of economic and financial analysis (Vâlceanu et. al, 2005, pp.15-19), the analysis conducted for the above-mentioned company is defined as a short-term, static, qualitative and quantitative financial review. Regarding the methodology used, specific methods have been merged both for qualitative, as well as quantitative analysis such as: comparison method, balance sheet method and ratio method. As sources of information, the following have been used: balance sheet, income statement and other accounting documents of the company.

Presentation of the company reviewed

S.C. Mobila S.R.L., founded in 2003, falls into the category of SMEs and conducts business in the production of furniture. Ownership is private, fully Romanian owned capital, with two shareholders holding equal contribution. The legal form is „limited liability Company", with 10 employees of which 7 are directly productive.

The company's activity is carried out according to two parts: one for production of furniture and the second dealing with furniture trade. The production of the company is focused on manufacturing solid wood garden furniture, furniture for chalets and cottages and, not least, the production of

prefabricated wooden structures. Such businesses are embodied in the following NACE codes: 1623, 3109.

For 2012, the company prepared short version financial statements, consisting in with three components (balance sheet, profit and loss account (income statement), explanatory notes to annual financial statements), due to the fact that - in two consecutive years – it did not exceed none of the size criteria set out in art. 3 first paragraph of Order 3055/2009:

Table no. 1: Establishing the type of annual financial statements

OMFP(Minister of Public Finance Order's) Indicators 3055/2009	Size criteria	Indicators 2011	Company indicators 2012	Type of financial statement submitted for 2012
Total assets (EUR)	3.650.000	47.197	41.370	Short versions
Net turnover (EUR)	7.300.000	228.987	276.409	
Average number of employees	50	12	15	

Asset structure analysis

„Assets of an entity are determined, on the one hand, by the property rights and the rights of claim and, on the other hand, by its obligations [Gherghina Duca, 2012, pp. 7]. The handiest analysis is that on the evolution of the absolute size of BSI. In table no. 2 are summarized the data corresponding to asset structure for 2011 and 2012, and in table no. 3 is shown the structure of liabilities and shareholders' equity.

Table no. 2: Asset structure at SC Mobila SRL

Crt. No.	Indicators	2011 (lei)	2012 (lei)	Absolute variation (lei)	Index (%)	Relative variation (%)
1.	**Fixed assets (AI) 2+3**	**69.476**	**54.915**	**-14.561**	**79,0**	**-21**
2.	Intangible fixed assets (AIn)	3.200	2.000	-1.200	62,5	-37,5

3.	Tangible fixed assets (AIc)	66.276	52.915	-13.361	79,8	-20,16
4.	**Current assets (AC) 5+6+7**	**134.406**	**128.321**	**-6.086**	**95,5**	**-4,5**
5.	Inventories (St)	38.757	31.215	-7.542	80,5	-19,5
6.	Receivables (Cr)	40.421	64.193	23.772	158,8	58,8
7.	Cash and short-term financial investments (ATZ)	55.228	32.912	-22.316	59,6	-40,4
	TOTAL ASSETS	**203.882**	**183.235**	**-20.647**	**89,8**	**-10,2**

Note shall be taken on the decrease in total assets due to a decrease in the fixed assets and current assets. In addition, there is an increase of 58,8% of the balance of outstanding trade receivables and decrease by more than 40% of cash assets.

Table no. 3: Structure of liabilities and equity at SC Mobila SRL

Crt. no.	Indicators	2011 (lei)	2012 (lei)	Absolute variation (lei)	Index (%)	Relative variation (%)
1.	**Equity capital (CP) 2+3+4+5**	**71.530**	**83.674**	**12.144**	**117**	**17**
2.	Share capital	20.200	20.200	0	100	0
3.	Reserves	21.180	21.180	0	100	0
4.	Current year profit	13.830	12.144	-1.686	87,80	-12,2
5.	Retained earnings	16.320	30.150	13.830	184,7	84,7
6.	**Current liabilities (DTS) 7+8+9+10**	**96.532**	**89.561**	**-6.971**	**92,8**	**-7,2**
7.	Suppliers	67.123	73.080	5.957	108,9	8,9
8.	Tax payable and social liabilities	14.662	3.175	-11.487	21,7	-78,3
9.	Salary arrears	2.747	1.306	-1.441	47,5	-52,5

10.	Short-term loans	12.000	12.000	0	100	0
11.	**Non-current liabilities (DTL)**	**35.820**	**10.000**	**-25.820**	**27,9**	**-72,1**
	Total liabilities and equity	**203.882**	**183.235**	**-20.647**	**89,8**	**-10,2**

It is to be noted that, although the current year profit decreased by over 12%, the company recorded an increase in shareholders' equity by 17% (generated exclusively by the policy of profit capitalization/carrying forward, as well as non-distribution of profits to dividends).

Regarding liabilities, it is found a reduction by more than 72% of liabilities with payment terms longer than one year (generated by repayment to bankers), at the same time with significant reducing of tax, social and salary liabilities.

More suggestive in an analysis of balance sheet items is the ratio method which involves the expression of that element as a percentage of the total value of assets. The method is also known as the percentage expression of the balance sheet. In this form, it is very easy to notice the developments of various active and passive positions and make appropriate correlations.

Table no. 4: Asset structure ratios

Crt. No.	Indicators	2010 (%)	2011 (%)	Absolute variation (pp)	Index (%)	Relative variation (%)
1.	**Fixed assets ratio 2+3**	**34,1**	**30**	**-4,1**	**87,9**	**-12,1**
2.	Intangible fixed assets ratio	1,6	1,1	-0,5	69,5	-30,5
3.	Tangible fixed assets ratio	32,5	28,9	-3,6	88,8	-11,2
4.	**Current assets ratio 5+6+7**	**65,9**	**70,0**	**4,1**	**106,2**	**6,2**
5.	Inventories ratio	19.0	17	-2	89,6	-10,4
6.	Receivables ratio	19.8	35	15,2	176,7	76,7
7.	Cash and short-term financial investments ratios	27.1	18	-9,1	66,3	-33,7
	Total	100	100			

„In practice, it is believed that a balanced inventory ratio would be about 30% in industries and 40-45% in construction and trade domains".

However, „interpretation of inventory ratio process requires the correlation with the turnover level, growth of inventories being justified only if there is an increase in the workload: ICA > IS" (Păvăloaia, 2009, pp. 403). In our specific case, this correlation is observed, because the turnover increased by 23,80%, while inventories decreased by 19,5%.

Table no. 5: Liability and equity structure ratios

Crt. No.	Indicators	2011 (%)	2012 (%)	Absolute variation (pp)	Index (%)	Relative variation (%)
1.	**CP ratio**	**35,1**	**45,7**	**10,6**	**130,2**	**30,2**
2.	**DTS ratio 3+4+5+6**	**47,3**	**48,9**	**1,6**	**103,2**	**3,2**
3.	Suppliers' ratio	32,9	39,9	7,0	121,1	21,1
4.	State budget debt ratio	7,2	1,7	-5,5	24,1	-75,9
5.	Salary arrear ratio	1,3	0,8	-0,6	52,9	-47,1
6.	Short-term loan ratio	5,9	6,5	0,7	111,3	11,3
7.	**DTL ratio**	**17,6**	**5,5**	**-12,1**	**31,1**	**-68,9**
	Total	100	100			

From the analysis conducted, we observed a decrease in the fixed assets, both in the absolute value, by 21%, and in relative value, by 12,1%. It is a sign of lack of investment or lower investments than the annual depreciation of existing ones. Current asset also decreases in their absolute value by 4,5%, but they have an increase in their share, in the total assets by 6,2%.

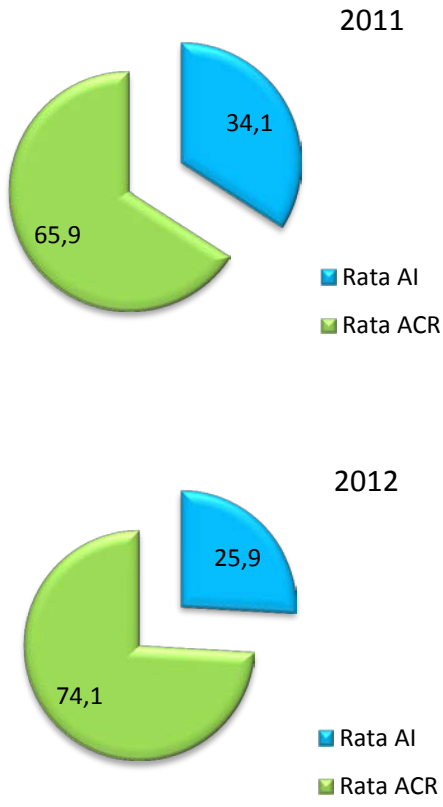

Figure no. 1: Graph representation of the asset structure ratios

With respect to liabilities and equity, it is to be noted the significant decrease of non-current liabilities by 72,1% in absolute value and by 68,9% in relative value. Non-current liabilities decreased and the share of equity increases by 30,2%, reaching the value of 45,7%.

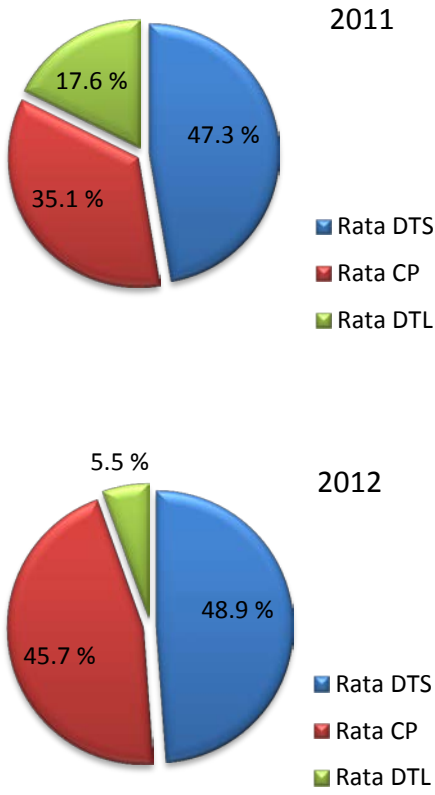

Figure no. 2: Graph representation of liabilities structure ratio

Repayment of non-current liabilities and increase in the equity is basically a sign of increase in the financial autonomy of the entity (Equity / Liabilities + Equity).

Current financial liabilities decrease in their absolute value, but have a slight increase in their relative value amid falling non-current liabilities. Among DTS components, suppliers are those who are characterized by growth, which situation is due to an increase in business.

Analysis of correlation between working capital, working capital need and net cash

Maintaining the financial stability of a company lies in the correlation of asset (need) liquidity with the chargeability of liabilities (resources).

Based on the financial statement may be calculated „three indicators expressing the balance between needs and resources and whose values should be interpreted correlatively: financial working capital, the need for working capital and net cash" [Gherghina, Duca, 2012, pp.13] .

Table no. 6: Financial balance indicators

Crt. No.	Indicators	2011 (lei)	2012 (lei)	Absolute variation (lei)	Index (%)	Relative variation (%)
1.	Working capital (FR) (Current assets – Current liabilities)	37.872	38.760	888	102,3	2,3
2.	Working capital need [NFR = (Inventories + Receivables) – (Current liabilities – Short-term bank loans)	-5.354	17.848	23.202	-333,3	-433,3
3.	Net cash (TN = Cash assets – Cash liabilities)	43.228	20.912	-22.316	48,3	-51,7

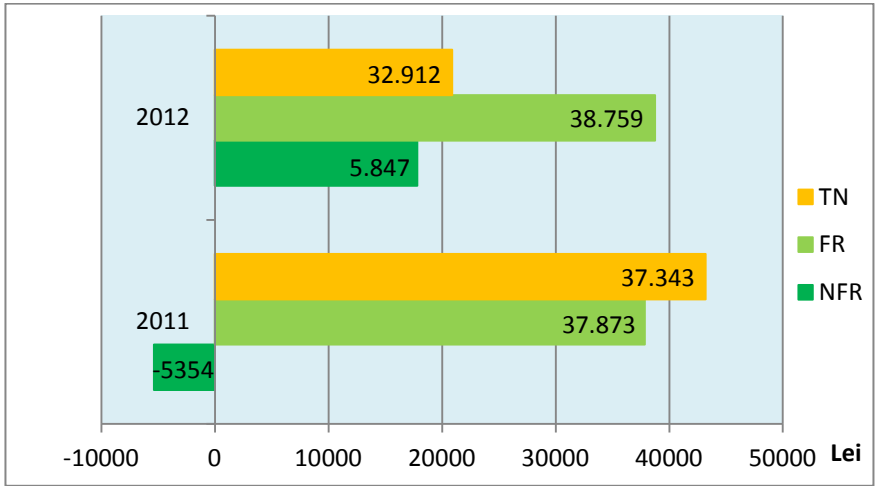

Figure no. 3: Evolution of financial balance indicators

FR is positive in both analyzed periods, with a slight increase of 2,3% during this year, as revolving working capital (Equity + Liabilities longer than one year) decreased more slowly than the decrease of assets.

Increase in NFR is generated by the decrease in the ratio of debt collection and non-bank debt payment acceleration, with direct consequences on net cash (cash assets diminished while short-term bank debts have ceased). Precarious balance of the analyzed entity may be also caused by the fact that SC Mobila SRL is a small enterprise and, in this position, it did not succeed to contract bank loans.

Analysis of solvency and degree of indebtedness

The solvency ratio expresses the degree to which the company copes with total liabilities, the way its assets are able to deal with the liabilities incurred. A solvent entity is able to pay its creditors.

The risk of company economic imbalance depends on the size and structure of its indebtedness. Indebtedness provides information on enterprise autonomy towards its creditors.

Table no. 7: Solvency and indebtedness ratios

Crt. No.	Indicators	2011 (%)	2012 (%)	Absolute variation (pp)	Index (%)	Relative variation (%)
1.	Overall solvency ratio (Total assets/Total liabilities)*100	154	184	30	119,5	19,5
2.	Overall indebtedness ratio (Total liabilities/Equity)*100	185	119	-66	64,3	-35,7
3.	Term indebtedness ratio (Average and long-term liabilities/Equity*100	50,1	12	-38,1	23,9	-76,1

A solvency ratio value higher than 150% proves that the company is solvent, meaning that it is able to pay its debts by capitalization of its available assets.

Both overall indebtedness ratio and term indebtedness ratio have substantially decreased (generated by accelerating of payments / reimbursements of debts and also by an increase in equity). This evolution is the effect of (i) the entity's financial policy aimed at improving its financial autonomy and (ii) capitalization of profits in terms of growing of outstanding trade receivables, as well as a higher growth of receivables towards the growth in turnover.

Analysis of performance indicators

The results of the company are the indicators aimed by the company management, shareholders and, last, but not least, by the competition and profit is the key to any business. For a more relevant expression of the structure and trends, we shall present the key indicators in the profit and loss account (CPP) in absolute value.

Table no. 8: CPP main indicators (in absolute value)

Crt. No.	Indicators	2011 (lei)	2012 (lei)	Absolute variation (lei)	Index (%)	Relative variation (%)
1.	Turnover	989.154	1.224.244	235.090	123,8	23,8
2.	Operating income	989.154	1.224.244	235.090	123,8	23,8
3.	Operating expenses	918.774	1.199.434	280.660	130,5	30,5
4.	Operating results	70.380	24.810	-45.570	35,3	-64,7
5.	Financial income	142	1.754	1.612	1.235,2	1.135,2
6.	Financial expenses	53.838	11.510	-42.328	21,4	-78,6
7.	Financial result	-53.696	-9.756	43.940	18,2	-81,8
8.	Current result	16.684	15.054	-1.630	90,2	-9,8
9.	Total income	989.296	1.225.998	236.702	123,9	23,9
10.	Total expenses	972.612	1.210.944	238.332	124,5	24,5
11.	Gross result	16.684	15.054	-1.630	90,2	-9,8
12.	Income tax	2.854	2.910	56	102	2
13.	Net result	13.830	12.144	-1.686	87,8	-12,2

It is also useful for analyzing the „highlighting of structure of operating income and expenses, expressed in absolute values and relative to turnover" [Gherghina, Duca, 2008].

Table no. 9: Structure of operating income and expenses (in absolute values)

Crt. No.	Indicators	2011 (lei)	2012 (lei)	Absolute variation (lei)	Index (%)	Relative variation (%)
A	**Operating income**	**989.154**	**1.224.244**	**235.090**	**123,8**	**23,8**
1.	Turnover	989.154	1.224.244	235.090	123,8	23,8
1.1	Production sold	400.702	158.245	-242.457	39,5	-60,5
1.2	Merchandise sale income	588.452	1.065.999	477.547	181,2	81,2
B	**Operating expenses**	**918.774**	**1.199.434**	**280.660**	**130,5**	**30,5**
1.	Raw materials and consumables expenses	258.152	180.009	-78.143	69,7	-30,3
2.	Merchandise expenses	380.035	717.998	337.963	188,9	88,9
3.	Staff expenses	48.547	61.865	13.318	127,4	27,4
4.	Depreciation expenses	22.595	24.562	1967	108,7	8,7
5.	External services expenses	207.122	207.637	515	100,2	0,2
6.	Other expenses	2.323	7.363	5.040	317	217

It is noted a decrease of production sold, offset by an increase in the sales of goods. However, the commercial margin is decreasing, as the delivered goods cost index is higher than the index of merchandise sale income (189% > 180%). Moreover, labor costs grew faster than the operating income growth (27,4% > 23,8%).

Table no. 10: Structure of operating income and expenses (percentages of CA)

Crt. No.	Indicators	2011 (%)	2012 (%)	Absolute variation (pp)	Index (%)	Relative variation (%)
A	**Operating income**	**100**	**100**	**0**	**100**	**0**
1.	Turnover	100	100	0	100	0
1.1	Production sold	40,5	12,9	-27,6	31,9	-68,1
1.2	Merchandise sale income	59,5	87,1	27.6	146,4	46,4
B	**Operating expenses**	**92.9**	**98**	**5,1**	**105,5**	**5,5**
1.	Raw materials and consumables expenses	26,1	14,7	-11,4	56,3	-43,7
2.	Merchandise expenses	38,4	58,6	20,2	152,6	52,6
3.	Staff expenses	4,9	5,1	0,1	103,0	3
4.	Depreciation expenses	2,3	2	-0,3	87,8	-12,2
5.	External services expenses	20,9	17	-4	81	-19
6.	Other expenses	0,2	0,6	0,4	256,1	156,1

The first CPP indicator is the net turnover and this position is not accidental, because CA determines the company's position and market share. Turnover increased by 23,8%. For a proper assessment of this situation, this value should be compared with the turnover index of the main competitors and the national average value in the field.

Furthermore, we also have to take into account the fact that the turnover is made up of two components: production sold (furniture production) and merchandise sale income from sale of goods (trade of furniture).

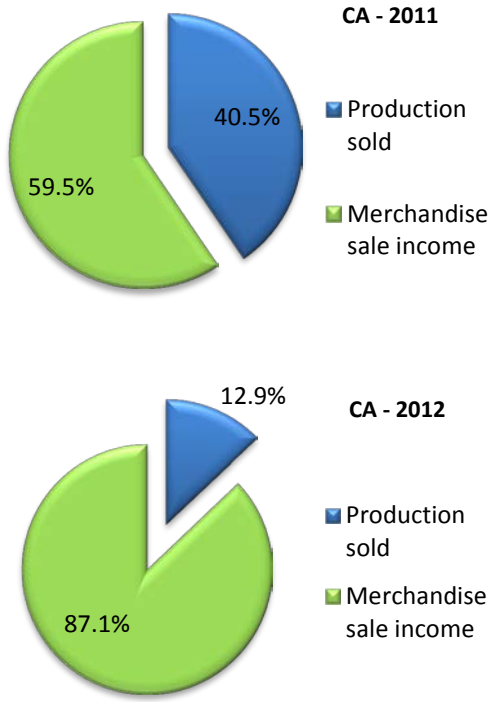

Figure no. 4: Turnover item share

Analyzing according to the components, there has been noted a decrease in the production of furniture by 60,5% in absolute value and 68,1% relative to turnover and an increase in trade of furniture by 81,2% in absolute value and by 46,4 % relative to turnover.

In conclusion, in terms of turnover, local market position of the furniture production deteriorates; instead it is found an improvement on the furniture trade position, on an ascending trend of intra-Community furniture supplies.

If we move from the early CPP to its end, to the gross / net fiscal year result, we notice that these indicators are declining. From this point of view, the company's situation worsened in 2012 when both gross profit and net profit decreased by 9,8%, respectively 12,2%. In absolute values, it is not a significant amount, about 1.600 lei, but there is still a decrease.

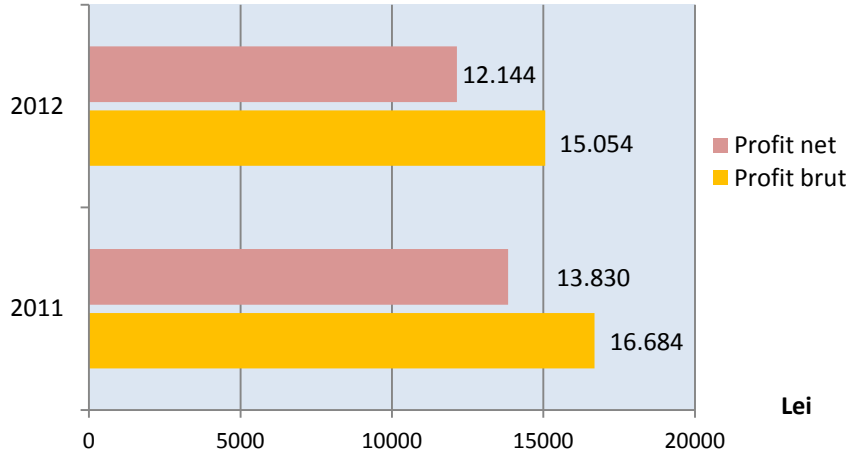

Figure no. 5: Result indicators evolution

We now turn to the middle of CPP in the „core" of the problem, where we find the causes of worsening profit indicators, increase in operating expenses by 30,5%, higher than the increase in operating income, of 23,8%.

This situation is also extended to the general level, because the company obtains higher total income by 23,9%, but fails to maintain total expenses growth below that level.

Analyzing in detail the structure of operating expenses, we find that, although production decreased by about 60%, costs of raw materials and supplies decreased by only 30%, being known the strong proportional dependence of these indicators. Explanation may be the manufacture of products with a very little added value due to market prices or to some very high production costs.

Liquidity ratios analysis

The liquidity of an entity can make the difference between success and mediocrity. Liquidity ratios compare the potential liquidity in various components of current assets to current liabilities potential chargeability.

Table no. 11: Liquidity ratios

Crt. No.	Indicators	2011 (%)	2012 (%)	Absolute variation (pp)	Index (%)	Relative variation (%)
1.	Overall liquidity ratio (Current assets/Current liabilities)*100	1,39	1,43	0,04	102,9	2,9
2.	Partial liquidity ratio (Current assets-Inventories/Current liabilities)*100	0,99	1,08	0,09	109,4	9,4
3.	Immediate liquidity ratio (Cash flows/Current liabilities)*100	0,6	0,4	-0,2	64,2	-35,8

Overall liquidity improper ratio value (RLG) shows that the company has the ability to pay off its short-term debt payable from current assets available. RLG recorded a slight increase in 2012, but it does not reach the optimal size of such ratio which is between 2 and 2,5.

Partial liquidity ratio (RLP) increased by 9,4% in 2012 as compared to the previous year, surpassing the maximum of optimal range between 0,8 and 1. However the company is able to pay its current liabilities from receivables, short-term financial investments and availability.

Immediate liquidity ratio (RLI) decreased by 35,8% but kept above the minimum optimum of 0,3 which indicates that the company is able at any time to pay at least 30% of the immediately eligible debts, from available cash.

Turnover speed analysis

„For the company business, it is important to know the evolution of the correlation between receivables and liabilities, as they influence the payment ability" (Işfănescu et. al, 1999, pp. 239).

In addition, the significant deficiencies of above described liquidity ratios aimed (i) measuring the static conditions of business, (ii) asset liquidity terms usually differ from the terms of payment of current liabilities.

Therefore, in analyzing the financial balance and especially in the net cash analysis, it is very helpful to determine the turnover speed for customer debit items, for suppliers' liabilities and inventory turnover.

Table no. 12: Average balance accounts for suppliers, customers and inventories

Crt. No.	Indicators	2011 (lei)	2012 (lei)	Absolute variation (lei)	Index (%)	Relative variation (%)
1.	Suppliers' average balance account	60.525	71.963	11.438	118,9	18,9
2.	Customers' average balance account	64.470	58.821	-5.649	91,2	-8,8
3.	Inventories' average balance account	20.846	25.158	4.312	120,7	20,7

„The turnover speed of current assets correlates the turnover or a component thereof to the total of current assets or to a certain element thereof" (Vâlceanu et. al, 2005, pp.378).

Table no. 13: Turnover speed evolution

Crt. No.	Indicators	2011 (days)	2012 (days)	Absolute variation (days)	Index (%)	Relative variation (%)
0.	Turnover	989.154	1.224.244	235.090	123,8	23,8
1.	Suppliers' turnover (Suppliers' average balance account * 365/ CA)	22,3	21,5	-0,9	96,1	-3,9
2.	Customers' turnover (Customers' average balance account * 365/ CA)	23,8	17,5	-6,3	73,7	-26,3
3.	Inventory turnover (Inventory average balance account * 365/ CA)	7,7	7,5	-0,2	97,5	-2,5

Globally, it is noticed that the average length of collecting receivables is less than the days of trade credit received from its suppliers, something that can be considered as favorable. However, a closer analysis

enabled to find out that there is an increase in the number of days of collection of trade receivables.

Profitability ratio based analysis

„To measure profitability, two categories of indicators are used: profits and profitability ratios. Profitability absolute value is reflected in the profit and the degree to which equity or usage of enterprise resources yield profit is reflected in the profitability ratio" (Vâlceanu et. al, 2005, pp. 236).

Profitability ratio expresses the relation between a result (effect) and capital (effort) invested to get it. We associated result indicators, gross profit and net profit, capital indicators, total assets and equity, as well as a trade indicator, turnover, resulting in economic profitability ratio (ERR), financial profitability ratio (FRR) and commercial profitability ratio (RRC).
RRE expresses results released by equity engaged in the conducting of an activity, RRF measures the equity yield, i.e. the degree of compensation of investment made by the enterprise owners and RRC measures the yield of various stages of the enterprise business and their contribution to the formation of the final result.

Table no. 14: Profitability ratios

Crt. No.	Indicators	2011 (%)	2012 (%)	Absolute variation (pp)	Index (%)	Relative variation (%)
1.	Economic profitability ratio (Gross profit/Total assets)*100	8,2	8,2	0	100	0
2.	Financial profitability ratio (Net profit/Equity)*100	19,3	14,5	-5,8	75,1	-24,9
3.	Trade profitability ratio (Net profit/ Turnover)*100	1,4	1,0	-0,4	70,9	-29,1

Except economic profitability ratio, which is kept at about the same level, the other two ratios have a considerable decrease, something expectable, given the evolution of profits.

Financial profitability ratio is, however, maintained above the interest rate on term deposits that was 6,5%.

Trade profitability ratio is below the area average and this can cause problems in coping with the competition.

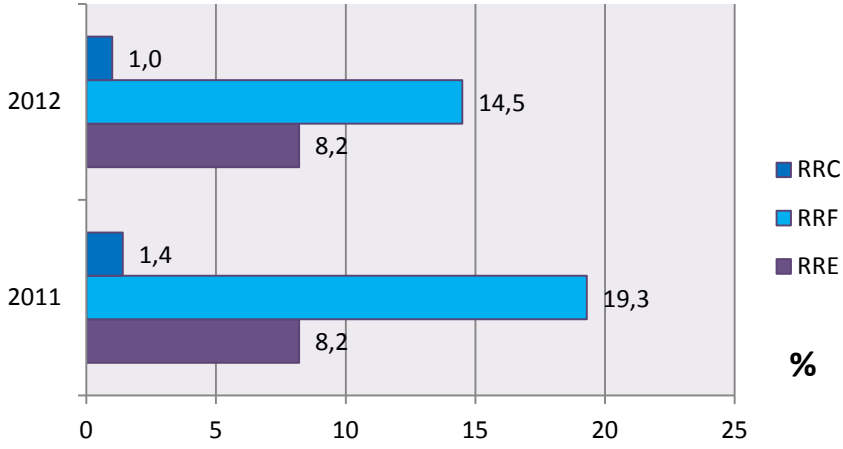

Figure no. 6: Profitability ratio evolution

Labor productivity analysis

We may also extract information about costs and efficiency from the labor productivity analysis. It appears from Table 15 that, indeed, the situation is not very well in the manufacturing area, because the average labor productivity decreased by 53,9%. The management did not notice this problem or, if it did, it did not find any solutions, new products, new markets, a more aggressive marketing, to increase production, combined measures or measures for staff reduction until the optimum sales level.

Table no. 15: Evolution of annual labor productivity

Crt. No.	Indicators	2011	2012	Absolute variation	Index (%)	Relative variation (%)
1.	Total number of employees	10	10	0	100	0
2.	Number of productive employees	7	7	0	100	0
3.	Number of non-productive employees	3	3	0	100	0
4.	Number of production employees	7	6	-1	85,7	-14,3
5.	Number of employees in the trade area	3	4	1	133,3	33,3
6.	Average annual labor productivity (lei/person)	98.915	122.424	23.509	123,8	23,8
7.	Average annual labor productivity in the production area (lei/person)	57.243	26.374	-30.869	46,1	-53,9
8.	Average annual labor productivity in the trade area (lei/person)	196.151	266.500	70.349	135,9	35,9

Swot Analysis

Any financial analysis may suffer from a kind of „slight deviation from reality" if it does not remain strongly linked to real facts. The role of anchor fixed into reality within the economic and financial analysis is attributable to SWOT. All plans, strategies and targets outlined for the company must be sorted by this kind of analysis, showing the company's positioning in the real world, beyond math.

Success of this analysis lies in the very good knowledge of the business and the market where it takes place, in which situation the analyst must possess the „capacities of a surgeon", being able to distinguish healthy from diseased parts.

Table no. 16: SWOT analysis

Strengths fairness and fulfillment of promises; low response time to market changes due to the size of the company; reduced bureaucracy due to a short chain of decision; customer portfolio in the EU area; young management, motivated by a strong affirmation desire.	Weaknesses high competition; company fragility, due to its reduced size; lack of a show room; less performant equipment and fragile investment policy; share of qualified personnel below 50%; relatively large distance from the source of wood.
Opportunities stabilization of domestic furniture sales; existence nearby of many fishing and hunting areas with a potential for the development of holiday homes; tendency of changing purchasing behavior, supported by choosing organic and natural products; ascending trend of furniture export.	Threats declining purchasing power of the population due to the prolonged financial crisis; low financing possibilities considering the poor sales; plastic or composite furniture; wood price increase; higher growth rate of domestic and foreign competition.

Conclusions

Analysis of financial statements, such as any other financial and economic analysis is an activity to be performed consistently by any company wishing to develop.

As mentioned at the beginning, the study can be complicated and laborious, requiring many calculations, interpretations, replays until some conclusions may be drawn. This is what happened in the case presented, when several types of indicators must have been analyzed in order to draw a valid conclusion. Thus, a seemingly stable situation with an increasing turnover was actually hiding serious problems in the production area.

Therefore, the analyst must also demonstrate, in addition to his professional skills, patience and perseverance, without having to rush to the

final findings. Capacity of analysis, understanding, predicting and controlling of risks will lead the company business to success.

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