

# Analyzing the Changes of the Main Elements in the Financial Statements of Companies Registered in Constanța Municipality

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## Abstract

*Constanța is currently considered as one of the most important Romanian cities in economic and social terms.*

*Constanța's economic activity can be seen as the result of specific natural resources (direct access to the Black Sea, littoral strip, climate conditions), as well as of the efforts to capitalize its natural and anthropic resources.*

*This study is based on a meso-economic analysis of the evolution of several relevant indicators, which characterize the situation of the companies in Constanța (Romania).*

*The results obtained by data processing, representing the indicators from the financial and accounting balance sheets submitted by active companies in Constanța in 2016 and 2017 highlight the main short-term trends in the economic activity of this city.*

*In terms of data processing, quantitative statistical methods and the SPSS statistical software were used.*

**Key words:** analysis, evolution, indicators, balance sheets, Constanța

**J.E.L. classification:** C10, C40, M10, M20, M21, O11, O12

## 1. Introduction

In this study we quantified the changes registered by certain financial indicators from the financial accounting balances, indicators which are considered relevant for the analysis of the activity of the companies from Constanta, in the period 2016-2017 and, on this basis, we identified the positive and negative aspects of the evolution of the economic activity, at a meso-economic level. The results of the study refer only to the trends registered by the economic activity, without explaining the causes / factors underlying these changes.

## 2. Theoretical background

Constanța city, the largest Black Sea port, is the continuation of the ancient Greek city of Tomis, with more than 2,500 years of existence and more than 2,250 years of documentary attestation (Constanța Metropolitan Area Development Strategy 2020, p.10)

As early as the end of the 19<sup>th</sup> century, the economic activity of Constanța city was described as follows: "By its port, a real gateway of the European trade with the Orient, the town is still perceived in 1899 as a first-class spa resort; however, new industrial developments begin to hinder the traditional approach" (Tomis, 1899, p.2: in Pauleanu, 2006). A few years later, in 1903, in a report sent to the King, Constanța was described as "the first maritime port of the country and the most important spa resort" (Constanta, 1903, p.1, in Pauleanu, 2006).

The economy of Constanța municipality differs significantly from that of any other city or town in Romania. At present, in this Black Sea port city, as well as in the Danube river port, by the Danube-Black Sea Canal, companies from many economic fields carry out their activities; nevertheless, port activities and tourism remain the most emblematic.

### 3. Research method

This study is underlain by a quantitative research based on secondary data (Jugănaru, 1998; Jugănaru, 2000), represented by the values of some financial indicators from the financial and accounting balance sheets of active companies in Constanța city.

The selected and used indicators are: "Net Turnover", "Operating Profit", "Gross Profit", "Staff Expenses", "Average Number of Employees", "Equity", "Overdue debts related to the social insurance budget", "Taxes and duties not paid at the local budget deadline", "Number of companies". These indicators are part of the category of economic indicators that companies must submit (Accounting Law no. 82/1991 with subsequent amendments and completions, Official Gazette no. 902 of 11 December 2014, OMFP 1802/2014, Mătiș, Pop., 2007).

For data processing, we used the SPSS statistical software (Field. 2009) and we calculated the absolute and relative statistical indicators (Aivaz 2007, p. 329; Aivaz 2007, p. 99), whereby we conducted the meso-economical analysis on the evolution of the economic activity of companies in Constanța city, in 2016 and 2017.

### 4. Data, results and discussion

The research was carried out based on the data from the financial and accounting balance sheets submitted by companies in Constanța city, after removing from the total database the balance sheets of those companies that reported zero turnover and zero employees, in order not to influence the results of the analysis. Under these conditions, 11,538 companies remained in the study for 2016 and 11,982 companies - for 2017.

In the next stage, we capitalized the absolute values of the financial indicators from the financial and accounting balance sheets of the companies in Constanța City. On the one hand, we calculated their average values registered in 2016 and 2017, and, on the other hand, we calculated the rates of change, to highlight their evolution and, implicitly, the economic activities in the analyzed fields.

The results entailed by the calculation of statistical indicators (based on processing the data reported by the companies from Constanța Municipality at the end of the annual financial years, i.e. 2016 and 2017), are shown in Table no.1.

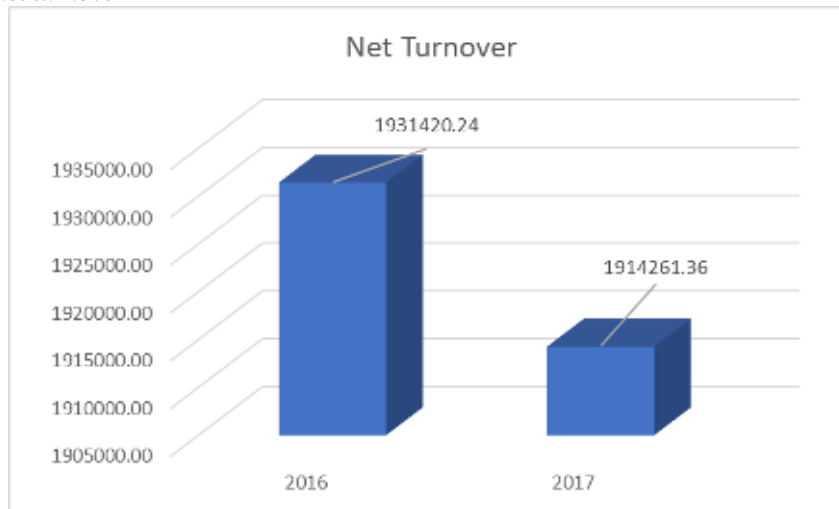
*Table no.1. The evolution of the main financial indicators from the financial and accounting balance sheets of companies in Constanța city, between 2016 and 2017*

Nr. crt.	Indicator in the balance sheet	Average value in 2016	Average value in 2017	Percentage evolution
1.	Net Turnover	1931420.24	1914261.36	-0.89%
2.	Operating Profit	137715.32	133645.70	-2.96%
3.	Gross Profit	116492.46	116394.03	-0.08%
4.	Staff Expenses	222404.26	241594.60	+8.63%
5.	Average Number of Employees	7.36	7.10	-3.53%
6.	Equity	705757.43	814877.89	+15.46%
7.	Overdue debts related to the social insurance budget	37549.36	35086.46	-6.56%
8.	Taxes and duties not paid at the local budget deadline	602.38	452.77	-24.84%
9.	Number of companies	11538	11982	+3.85%

*Source:* Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanța City

✓ Having in view the increase of the number of active companies (with a turnover higher than zero and with at least one employee) in Constanța municipality, it is noteworthy that their net turnover slightly decreased (by 0.89%) in 2017, compared to 2016, from an average value of 1,931,420.24 thousand RON in 2016 to an average value of 1,914,261.36 thousand RON in 2017 (Figure 1).

Figure no. 1 Net turnover



Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanța City

- ✓ The "Gross profit" indicator decreased from the average value of 116492.46 RON in 2016 to 116394.03 RON in 2017, with an index of 99.91%.
- ✓ Regarding the "Operating profit" indicator, the evolution was represented by a decrease of the average values from 137,715.32 RON in 2016 to 133,645.70 RON in 2017, with an index of 97.04%.
- ✓ If the decrease of the "Gross Profit" indicator was almost insignificant, i.e. 0.08%, the decrease by 2.96% of the "Operating Profit" was worrying (Figure 2).
- ✓ The "Average number of employees" indicator of active companies in Constanța decreased from 7.36 employees in 2016 to 7.10 employees in 2017, with an index of 96.47% (Figure 3).

Given the increase of the number of active companies from one year to the next, the reduction of the average number of employees is mainly explained by the fact that in Romania, in general, but also in Constanța municipality, the labor crisis is accentuated. Moreover, it is increasingly difficult for private entrepreneurs to find available labor force in the local community, which they can hire. The exodus of the skilled young labor force from Romania to Western European countries continues, mainly creating real difficulties in the functioning of the Romanian economy. Therefore, in the recent years, there has been an increasing concern to bring to Romania a growing number of skilled workers coming from non-European countries, especially from Asia, to supplement partially this lack of available local labor force.

Figure no. 2 Gross profit



Figure no.3 Operating profit



Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanța City

Figure no.4 Average number of employees

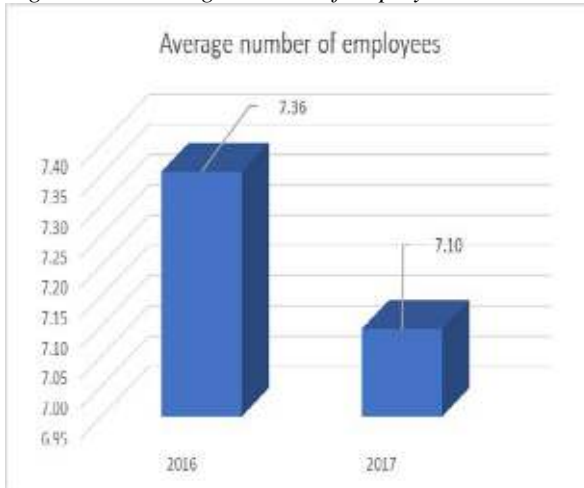
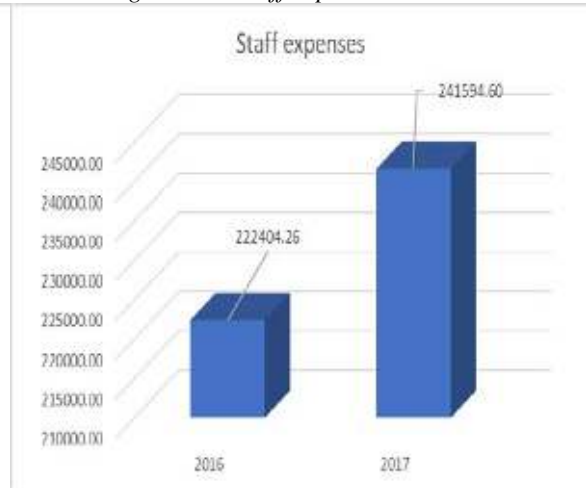


Figure no.5 Staff expenses



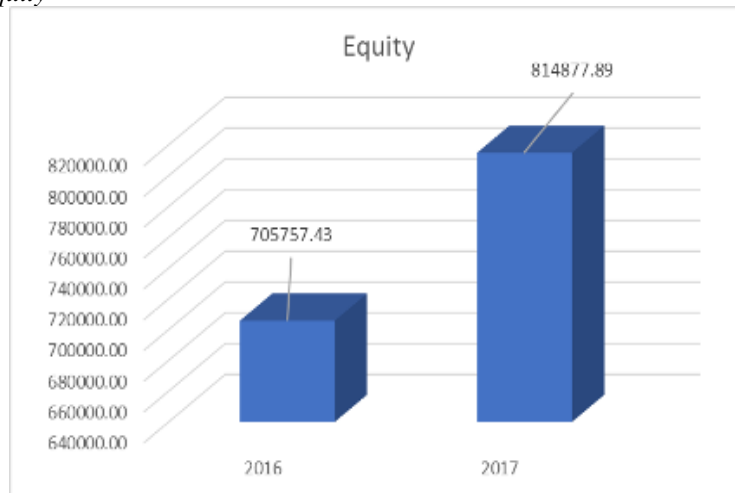
Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanța City

✓ The "Staff Expenses" indicator showed a contrary trend compared to the number of employees. There was an increase in staff expenses from 222,404.26 thousand RON in 2016 to 241,594.60 thousand RON in 2017, which meant an index of 108.62%.

These salary increases are due, in part, to the gradual increase imposed by the Romanian Government on the minimum compulsory salary level (Figure 4).

The analysis of these two indicators shows that while the "Average Number of Employees" dropped at an average annual rate of 3.53%, the "Staff expenses" increased by 8.63% over the analyzed period. The decrease of the number of employees occurred, however, mainly due to the lack of additional persons available for employment.

Figure no. 6 Equity



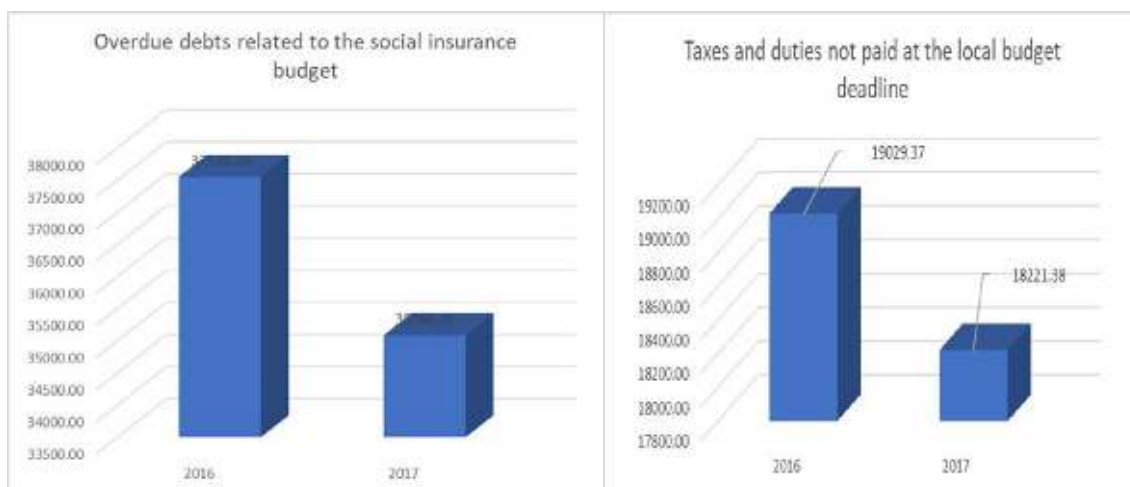
Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanța City

A positive evolution is noticed in the other three analyzed indicators.

✓ Thus, the "Equity" indicator increased, on average, from 705,757.43 thousand RON in 2016 to 814,877.89 thousand RON in 2017, which meant an average annual growth rate of 15.46%.

Figure no. 7 no. Overdue debts related to the social insurance budget

Figure no. 8 Taxes and duties not paid at the local budget deadline



Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanța City

✓ As regards the "Overdue debts related to the social insurance budget" indicator, it is noticed that from an average value of 37,549.36 thousand RON, registered in 2016, it reached 35,086.46 thousand RON in 2017. This evolution highlights a decline rate of -6.56%.

✓ The last analyzed indicator, i.e. "Taxes and duties not paid at the local budget deadline", highlights a decrease from 602.38 thousand RON in 2016 to 452.77 thousand RON in 2017 (Figure no. 8). The evolution of this indicator is also emphasized by the calculated values of the index (75.16%) and decrease rate (-24.84%).

#### 4. Conclusion

The changes in the financial indicators from the financial and accounting balance sheets of the companies in Constanța municipality between 2016 and 2017 show that, at a meso-economic level, the economic activity presents, on the one hand, negative aspects and, on the other hand, positive aspects.

The negative aspects are mainly related to lower revenues. In this regard, we mention the decrease by 0.89% of the "Net Turnover", by 2.96% of the "Operating profit", by 0.08% of the "Gross Profit". Another negative aspect is related to the increase by 8.63% of "Staff Expenditures", while the "Average Number of Employees" decreased by 3.53%.

Among the positive aspects, we mention the increase by 3.85% of the number of companies, accompanied by the increase by 15.46% of "Equity", while "Overdue debts related to the social insurance budget" decreased by -6.56%, and "Taxes and duties not paid at the local budget deadline" decreased by -24.84%.

It can be concluded that the decreasing trend of the indicators related to the debts, taxes and fees paid at (central and local) budgets could reflect the increasingly responsible behavior of most companies in Constanța municipality.

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