

THE FINANCIAL STATUS OF A COMPANY USING THE EVALUATION GRID OF THE MAIN INDICATORS OF THE FINANCIAL DIAGNOSTICS

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Abstract: The paper aims to carry out the financial diagnosis of a company of major strategic importance for the entire energy system of Romania, based on the evaluation grid of the main indicators of creditworthiness, structure, management, and yield. The highly competitive environment forces companies to monitor their financial performance constantly. That is why carrying out the financial diagnosis, which serves the company to evaluate its economic situation, both in the past and in the present, and to make future projections, comes to its aid to obtain an image of its financial health, at any time. The study helps researchers understand how a financial diagnosis can be used, based on identifying indicators that best express the company's financial situation. The results are based on a case study carried out on a company of national interest, being carried out for the first time in our country. This research reveals the fact that the analyzed company is characterized by good financial stability, having a positive self-financing capacity, good financial solvency, and adequate payment capacity, current liquidity and immediate liquidity are within normal limits, which demonstrates the efficient use of own resources, a rational attraction of additional resources, with the possibility of additional shareholder remuneration.

Keywords: financial stability, financial diagnosis, financial structure rates, liquidity, solvency

1 INTRODUCTION

For the management of a company, it is essential to know, permanently, its situation, is the only possibility to practice efficient management, which solves the problems that arise. For companies, annual financial statements that provide a true picture of the situation and financial performance are useful in making efficient economic decisions (Hosseinian and Ramzani, 2016). However, for most users of

financial statements, valuable information can be obtained through comparisons, evaluation, and trend analysis (Myšková and Hájek, 2017).

For any company, it is recommended to carry out investigations, and periodic analyses to determine if the company is operating normally or if there are problems in certain areas of activity to establish a diagnosis. Diagnosis means identifying problems, based on a complex analysis. Any diagnosis involves assessing the state of the company, and

identifying the possible problems it faces and the causes that led to that state (Feng Shen et al., 2019).

The purpose of the financial diagnosis is to investigate the company's situation, based on the information contained in a series of documents (balance sheet, profit and loss account, annexes) (Batrancea, 2021). For this, several aspects are analyzed, which refer to the financial structure of the company (the structure of the capital used), the structure of the assets, the financial balance, the way of collecting the receivables, the payment of the debts, the way of managing the resources, the efficiency with which the resources are used, economic profitability (the ability to obtain profit), the ability to self-finance the activity, etc (Maulydia et al., 2019). Through this analysis, the value of the financial indicators is followed, but also their evolution (Mihai et al, 1997).

A lot of analysis models are used in international practice for financial diagnosis. Each of these models has advantages and disadvantages. Among the most well-known models are the Conon-Holder and the Altman, which, applied to the specific conditions in Romania, lead to opposite results. The first model is optimistic and places Romanian companies in the minimum risk area, while the more pessimistic Altman model places them in the maximum risk area (Husein and Pambekti, 2014). Besides these two models, frequently used in international practice is the model of the Central Balance Sheet of the Bank of France, which, in the transitional conditions of our country, is not adapted to the analysis (Blancheton, 2012). More than that, all these models are used to assess the risk of bankruptcy and are created and tested for the existing conditions in countries with a developed market economy. These models, even if they lead to good results for the analysis of companies from developed countries, do not perform a correct evaluation in the case of companies from economies in transition, since they do not take

into account the specificities of these types of economies (Maulydia et al., 2019; Madaleno and Barbuta-Misu, 2019).

In Romania, a country with an economy in transition, many indicators lose their relevance, and certain aspects are better viewed with the help of other indicators. When a financial diagnosis is desired, several aspects must be presented, such as a complete analysis to identify the problems that have arisen and the causes that generated them.

When an analysis is carried out that aims at the financial status of a company, the starting point is the financial ratios. With the help of financial ratios, an analysis of the evolution of the financial situation (trend analysis) can be made, as well as a comparative analysis. Financial ratios help to assess financial aspects such as liquidity, solvency, financial structure, inventory management, and yield of used resources (Batrancea, 2021). Finally, based on the financial status of the company, its viability can be assessed (Mamo and Aliaz, 2014).

It can be appreciated that the company's activity is reflected in its financial situation, with quite high accuracy, which can be determined with the help of a financial diagnosis. The financial diagnosis can be mandatory for companies in difficulty and in the process of reorganization and liquidation, and it can be requested by banks when applying for loans (Batrancea, 2021). At the same time, this diagnosis can be requested by the management of the company, to better know its situation at the time, but also by persons external to the company (customers, shareholders, etc.). It is recommended that this diagnosis be carried out by external specialists or by internal and external specialists, the latter being considered the most advantageous option (Tudose et al., 2020).

The specialized literature proposes as methods of carrying out the financial diagnosis, successfully applied in the conditions of a transitional economy, the method of rates (for the assessment of liquidity and solvency, of the

financial structure, of the yield of the resources used and of the management of stocks) and the method of financial masses used especially for financial balance analysis (Andekina and Rakhmetova, 2013).

The objective of this paper is to present the way to select appropriate financial ratios that can be used to obtain relevant information that helps to establish the financial situation of a company, by interpreting the financial performances obtained, with the help of an evaluation grid of the main indicators of financial diagnosis (creditworthiness indicators, structure indicators, management indicators and yield indicators).

The analysis has been focused on the financial statements of a company that offers specialized oil transport services to ensure the supply of crude oil and derivatives to refineries, which is enjoying success in the Romanian economy, as a result of reaching the level of performance required by the energy market standards, carrying out an activity of major strategic importance for the entire national energy system. This company was the first in Romania, in the oil industry, that it became the operator of the National Transport System (NTS) for ethane, crude oil, gasoline, and condensate and is called CONPET S.A. It is a company that offers specialized oil transport services to ensure the supply of crude oil and derivatives to refineries.

All the aspects presented in the research give it a context of actuality and originality, valued theoretically and practically, due to the complexity of the topic addressed. The work aims to present: the financial structure, the state of solvency, liquidity, and financial autonomy of the company; the study of the structure of assets and equity and debts held by the company; assessing financial performance based on the determination of creditworthiness, structure, management and yield indicators, which indicate the company's ability to increase profitability.

The work is organized as follows. Section 2 includes the related specialized literature, followed by section 3 the research methodology. Section 4 presents the financial indicators used to make a financial diagnosis with the help of their evaluation grid, and section 5 presents the results and their interpretation followed by the conclusions.

2 LITERATURE REVIEW

The diagnosis, in general, involves a complex analysis of the investigated phenomenon that allows highlighting the positive and negative aspects regarding the activity of a company (Duran, 2000).

Hayes, (2002) presents three main aspects that are taken into account when pursuing the diagnosis of a company: 1. the development of organizational diagnosis models; 2. the choice of procedures and methods regarding the collection of data necessary for diagnosis; 3. data processing methods and techniques and conclusions.

The financial diagnosis is necessary to observe the company's ability to avoid the risk of bankruptcy, to be able to use its resources to achieve the desired performance, and to obtain financing that is adapted to its objectives.

Regardless of the reason underlying the decision to carry out the diagnosis, Vlachynský, (2009), considers that the goal is to identify the activity's positive and negative aspects, as well to establish strengths and weaknesses of the company. The financial diagnosis allows the assessment of the company's health, by measuring its performance and vulnerability, more precisely, measuring the return on capital, evaluating the degree of risk, and assessing the conditions of financial balance.

Janićijević (2010) considers that company analysis and diagnosis are closely related, they use similar or even identical techniques to collect and process data. It can be said that the diagnosis is a specific form of analysis of the

company, because of the changes required to improve the performance.

Andekina & Rakhmetova (2013), state that the economic diagnosis studies the deficiencies that may appear in the management of the activity, based on which the consequences can be predicted, to finally develop methods and means by which the anomalies and their impact can be identified.

Other studies (Kotane & Kuzmina-Merlino, 2012; Kovářík & Klímek, 2012; Kubenka, 2016) discuss the usefulness of financial analysis in evaluating the financial health and performance of the company.

Gowsalya and Mohammed Hasan (2017), referring to the analysis of financial performance, described this process as the process of evaluating the relationship established between the components of the financial statements to define the financial position of the company. The authors explain that the analysis and interpretation of financial performance is of interest to creditors, investors, and management, they aim to diagnose problems to find solutions and anticipate the financial consequences of the actions undertaken. The type of analysis differs depending on the interests of these groups.

Myšková & Hájek (2017) consider that the choice of financial performance evaluation methods is influenced by the purpose of use, the nature of the informational resources, and the time criterion.

Maulidya et al. (2019) have stated that the most powerful tool used in financial performance analysis is the financial ratios. Also, Ali et al. (2018) and Achim et al. (2016) discussed how the company's performance can be evaluated using financial indicators. In this sense, those indicators that best represent the company's situation are identified, to choose the most appropriate diagnostic method. In this sense, Mihai et al., (1997) proposed in their book, as the main indicators for carrying out a financial diagnosis for Romanian companies, four types

of indicators: creditworthiness indicators (solvency, payment capacity, liquidity and ability to self-financing and the trend of these indicators from one year to the next), structure indicators (the structure of the capital used and the structure of the company's assets), management indicators (the speed of stock turnover, the speed of customer credit turnover, the speed of supplier credit turnover and the trend of these indicators) and performance indicators (economic profitability, financial profitability and the trend of the two rates). For the evaluation of these indicators, an evaluation grid was proposed by assigning importance coefficients (Table 1).

Based on the information in this evaluation grid, the average state of the company's financial potential can be determined. This is denoted by \bar{A}_{pf} and is calculated as the weighted arithmetic mean of the states of the considered indicators (Mihai et al., 1997):

$$\bar{A}_{pf} = \frac{\sum_{i=1}^n S_i \cdot K_i}{\sum_{i=1}^n K_i} \quad (1)$$

where: n-number of indicators taken into account

S_i - the state of the indicator i

K_i - coefficient of importance given to indicator i

3 RESEARCH METHOD

In the present work, an extensive bibliography has been used that includes specialized works from foreign and Romanian literature, analyses in the field of reference, financial statements and annual reports of the analyzed company, and data obtained based on information processing. The research strategy consisted of a case study, with the help of which the interactions between the elements subjected to the research were analyzed. Descriptive and explanatory studies for two years, diagnostic analysis, quantitative analysis, rate method, evaluation grid of the main indicators of the financial diagnosis, and tabular method were used to achieve this strategy.

The database used in this study was obtained based on the information taken from the analyzed company's balance sheet and income statement. The collected data were organized and systematized by centralizing and grouping them in tables, during the two years considered in the analysis. The information obtained from the processing of the collected

data was used to analyze and interpret the indicators of the financial equilibrium, solvency, liquidity, degree of indebtedness, rotation speeds, and profitability rates of the company for dynamic comparisons, to establish the financial status of the company, based on the evaluation grid.

Table 1. The grid necessary to assess the financial situation of a company

Criterion	$S_1 = \text{unsatisfactory for } 0 < S_1 \leq 0,25$	$S_2 = \text{satisfactory for } 0,26 < S_2 \leq 0,5$	$S_3 = \text{good condition for } 0,51 < S_3 \leq 0,75$	$S_4 = \text{the best condition for } 0,75 < S_4 \leq 1$	K_i
Credit indicators					4
Ability to pay	negative	close to zero	positive	positive and big	4
The tendency of the ability to pay	sudden decrease	slight decrease	maintenance	increase	4
Liquidity	very small	small	large	very large	1
The tendency of the liquidity	sudden decrease	slight decrease	maintenance	increase	4
Solvency	very small	small	large	very large	2
The tendency of the solvency	sudden decrease	slight decrease	maintenance	increase	4
Rate of self-financing capacity	very small	small	large	Very large	3
The tendency of the rate of self-financing capacity	sudden decrease	slight decrease	maintenance	increase	4
Structure indicators					1
Capital structure	poor	corresponding to a small extent	corresponding to a large extent	corresponding to the biggest extent	2
Asset structure	poor	corresponding to a small extent	corresponding to a large extent	corresponding to the biggest extent	1

Table 1. The grid necessary to assess the financial situation of a company (*continued*)

Management indicators					3
Stock turnover rate	very small	small	large	very large	3
Stock turnover rate trend	sudden decrease	slight decrease	maintenance	increase	4
Customer credit turnover rate	very small	small	large	very large	2
The tendency of the rotation speed of customer credit	sudden decrease	slight decrease	maintenance	increase	4
The speed of rotation of credit suppliers	very large	large	small	very small	2
The tendency of the rotation speed of suppliers' credit	increase	maintenance	slight decrease	sudden decrease	4
Performance indicators					2
Economic profitability	very small	small	large	very large	1
The trend of economic profitability	sudden decrease	slight decrease	menținere	increase	4
Financial profitability	very small	small	large	very large	2
The trend of financial profitability	sudden decrease	slight decrease	maintenance	increase	4

Source: Mihai et al. – *Analysis of the financial situation of economic agents*, Mirton Publishing House, Timisoara, 1997

4 THE FINANCIAL INDICATORS USED IN MAKING A FINANCIAL DIAGNOSIS

The financial indicators involved in carrying out the financial diagnosis using a grid for evaluating the company's situation are presented as follows:

4.1 *Financial balance indicators*

4.1.1 The working capital, the working capital requirement, and the company's net treasury

A series of authors Afza & Nazir, (2008), Ajibolade & Sankay, (2013), Rehana, (2017) define the notion of working capital. The working capital

can be obtained by grouping the positions within the financial balance sheet considering the criterion of permanence.

$$\text{FRN} = \text{Permanent capital} - \text{Permanent needs or} \quad (2)$$

$$\text{FRN} = \text{Current assets} - \text{Short-term liabilities} \quad (3)$$

To achieve the financial balance, observing two basic rules regarding funding, in the short, medium, and long term, is necessary:

a) financing permanent, stable needs (fixed assets) on account of permanent, stable sources (permanent capital);

b) financing temporary, cyclical needs (current assets) on account of temporary, cyclical sources available to the company in the short term, respectively short-term debts.

When these financing rules are or are not respected at the company level, this aspect can be reflected by two indicators: the working capital (FR) and the working capital requirement (NFR). In addition to these two indicators, the following can be calculated: net treasury, solvency, liquidity, and payment capacity of the company (Duran, 2000).

The working capital requirement (NFR) is calculated:

$$\text{NFR} = \text{ACR (current assets)} - \text{DTS (short-term non-bank liabilities)} \quad (4)$$

or

$$\text{NFR} = (\text{Short-term assets} - \text{Cash availability}) - (\text{Short-term liabilities} - \text{Short-term bank loans}) \quad (5)$$

The indicator used, which shows the relationship between FRN and NFR, is net treasury (TN).

$$\text{TN} = \text{FR} - \text{NFR} \quad (6)$$

The positive TN indicates a monetary surplus, while the negative TN indicates the existence of a monetary deficit at the end of the financial year.

TN = 0, reflects the fact that the treasury balance is perfectly ensured, the working capital

fully covering the need for working capital, without the company being dependent on treasury resources.

Another indicator can be used to assess the patrimonial situation, namely the net situation (SN). This expresses the value of the realizable asset at a given moment, which interests both shareholders and owners, but also creditors, the realizable asset representing the pledge of their claims.

$$\text{Accounting Net Assets} = \text{SN} = \text{Total Assets} - \text{Total Liabilities} - \text{Prepaid Income} = \text{Equity} \quad (7)$$

4.1.2 Indicators of solvency, liquidity, and payment capacity of the company

Any company that wants to obtain loans must prove that the economic situation is very good. This requires assessing creditworthiness with the help of indicators such as solvency, liquidity, and payment capacity. Another creditworthiness indicator is the company's self-financing capacity (CAF). This represents the monetary surplus obtained in a period, used for the self-financing of the activity, and shows the financial potential that the company has at the level of a financial year. CAF is obtained as the difference between receivables and payable expenses, thus reflecting much more faithfully the financial and monetary reality of the company compared to net profit. CAF is calculated (Achim & Borlea, 2017):

$$\text{CAF} = \text{Net result} + (\text{Expenses with Depreciation and provisions} + \text{Net accounting value of assets transferred}) - (\text{Income from provisions and investment subsidies} + \text{Income from asset transfer}) \quad (8)$$

Effective self-financing is obtained by subtracting the dividends paid and the profit shares from CAF.

a) Equity solvency or financial autonomy ratio (RSP) shows the extent to which the equity

covers the medium and long-term debts of the company.

$$RSP = (\text{Own capital}) / (\text{Own capital} + \text{Medium and long-term debts}) \times 100 \quad (9)$$

The company's situation is considered good when the RSP indicator takes values between 40% and 60%, the minimum value of this indicator being 30%. This solvency rate shows a good long-term financial balance when the values are above the admissible limits, which means the possibility of covering long-term debts on account of own capital (Achim & Borlea, 2017).

b) The general solvency ratio (RSG) must be >100%. It shows the extent to which the total liabilities are covered by total assets.

$$R_{SG} = (\text{Total asset}) / (\text{Total debts}) \times 100 \quad (10)$$

Another indicator to assess the financial balance is liquidity (Mironiuc, 2006).

a) General liquidity (RLG) shows the extent to which the company faces short-term payment obligations and it must be supra-unitary.

$$R_{LG} = (\text{Current assets}) / (\text{Current liabilities}) \times 100 \quad (11)$$

b) Immediate liquidity (RLI) shows the ability of current assets with the highest degree of liquidity to finance short-term debts and it has values between 0.65 and 1:

$$R_{LI} = (\text{Current assets} - \text{Inventories}) / (\text{Current liabilities}) \times 100 \quad (12)$$

The payment capacity (Cp) expresses the relationships established regarding the money ratios between various economic agents, such as customers, creditors, suppliers, and debtors, and it can be calculated in absolute or relative size.

a) The payment capacity (Cp), in absolute terms, is determined as follows:

$$Cp = \text{Cash availability} - \text{short-term obligations} \quad (13)$$

b) The coefficient of payment capacity (Kp), in relative size, is determined as follows:

$$Kp = (\text{Available cash}) / (\text{Short-term obligations}) \quad (14)$$

From the point of view of solvency, the company's situation is considered good, when Cp is positive and Kp is above unity. Otherwise, at the company's level, there are difficulties regarding the repayment of short-term debts, due to insufficient cash availability.

4.2 Financial rates

The financial ratios are useful for assessing the company's dynamics, providing information necessary for the internal management and orientation of the company in the short term and the medium and long term. The most frequently used financial ratios are financial structure ratios, inventory management ratios, and ratios regarding the return on resources used (Petrescu, 2008).

4.2.1 Financial structure rates

a) The global financial autonomy rate (Rafg) shows the share of equity in total debts, its value must be above unity for the company's situation to be considered risk-free, the minimum acceptable value being 50% (Mihai et al., 1997):

$$R_{afg} = (\text{Own capital}) / (\text{Total own capital} + \text{liabilities}) \times 100 \quad (15)$$

b) The ratio of current liabilities (Rdc) shows the share of current liabilities in total equity and liabilities:

$$R_{dc} = (\text{Current liabilities}) / (\text{Total own capital} + \text{liabilities}) \times 100 \quad (16)$$

c) The global debt ratio (Rîg), shows the share of total debt in total assets and reflects the company's dependence degree on external financial resources and must be below 50%. As the rate falls more and more below 50%, the

financial autonomy increases, the degree of insolvency is lower, and the company has the possibility of going into debt (Petrescu, 2008).

$$R_{ig} = \frac{\text{Total liabilities}}{\text{Total own capital} + \text{liabilities}} \times 100 \quad (17)$$

d) The financial stability ratio (R_{sf}) shows the weight that the permanent sources of financing have in the total assets, which the company has in a year. A value of this rate between 50%-66% demonstrates a favorable situation, which means safety in the performance of the activity.

$$R_{sf} = \frac{\text{Permanent capital}}{\text{Total own capital} + \text{liabilities}} \times 100 \quad (18)$$

Asset structure ratios provide relevant information regarding the company's financial situation, particularly useful for dynamic comparisons (Mironiuc, 2006)).

The ratio of fixed assets (R_{ai}), shows the share of stable uses in total assets and measures the degree to which the capital is invested within the company (Mitrica, 2009).

$$R_{ai} = \frac{\text{Fixed assets}}{\text{Total assets}} \times 100 \quad (19)$$

b) The ratio of current assets (R_{ac}), shows the share of current assets in total assets (Mironiuc, 2006).

$$R_{ac} = \frac{\text{Current assets}}{\text{Total assets}} \times 100 \quad (20)$$

4.2.2 Resource Management Rates

Resource management rates refer in particular to the turnover speed of stocks, customer and supplier credits, but can also be calculated for total assets, fixed assets, current assets, permanent capital, equity, total liabilities, medium-term liabilities, and long, short-term debts) (Petrescu, 2008).

The rotation's speed is measured using the number of rotations performed by an element

under analysis (k) and the duration in days of a rotation (Dz).

$$k = \text{Turnover} / (\text{Analysed element}) \quad (21)$$

$$Dz = 365 / k = 365 \times (\text{Analysed element}) / \text{Turnover} \quad (22)$$

The following financial indicators were considered as turnover rates:

a) Stock rotation speed (S), which is determined:

$$k_s = \text{Turnover} / S \quad (23)$$

$$Dz_s = 365 / k = 365 \times S / \text{Turnover} \quad (24)$$

b) Supplier credit turnover rate (CFz), calculated using the following relationships:

$$KCfz = \text{Turnover} / Cfz \quad (25)$$

$$DzCfz = 365 / k = 365 \times Cfz / \text{Turnover} \quad (26)$$

The speed of rotation of customer debits (DCI), calculated with the help of the following relationships:

$$KCfz = \text{Turnover} / DCI \quad (27)$$

$$DzDCI = 365 / k = 365 \times DCI / (\text{Turnover}) \quad (28)$$

A company that, following negotiations with suppliers to obtain longer payment terms, has a lower turnover rate of supplier credits than the turnover rate of customer credits, and has good financial management.

The company's objectives regarding the speed of rotation are that the assets have a speed of rotation as high as possible, and capitals and liabilities have a speed of rotation as low as possible.

4.2.3 The rates regarding the yield of the resources used

The yield of the used resources aims at the profitability of the company's activity and the financial results it has obtained (Mironiuc, 2006).

Profitability includes economic profitability, commercial profitability, and financial profitability and can be expressed with the help of the following indicators:

a) The rate of economic return (ROA) is important when assessing management performance, as it ensures the growth of assets in a short time if it is higher than the inflation rate. This rate expresses the remuneration of the invested capital (Mironiuc, 2006). If this rate exceeds the interest rate (R_{dob}), it proves that the borrowed resources have been used efficiently, which means a return that will cover the cost of debt and additionally remunerate the shareholders (through the leverage effect) (Duran, 2000). In this way, indebtedness has a positive effect on the financial rate of return (ROE) leading to its increase, and shareholders are remunerated above the average level of economic return. If the rate of economic return is lower than the interest rate the company does not obtain a sufficient return to pay its debts, and the financial return rate is situated below the economic return, in which case the shareholders are remunerated below the average level of return (Mitrica, 2009). In this situation, the increase in the degree of indebtedness (leverage) will create a more pronounced decrease in the rate of financial return.

$$ROA = (\text{Net profit}) / (\text{Economic asset}) \times 100 \quad (29)$$

ROA can be evaluated as follows: ROA > 15% shows an excellent company's position, ROA = 12% ÷ 15% shows a good position, ROA = 8% ÷ 12% shows a moderate position, ROA < 8% shows a weak position, and at ROA = 0% it shows that the company is in danger.

b) The rate of financial return (ROE) is a key indicator, through which the efficiency of the

investments done is appreciated. If this rate has a high value, there is a balance between the self-financing rate and the dividend distribution rate, the shareholders' expectations are thus satisfied, and at the same time the company's growth requirements, respecting the financial balance (Mitrica, 2009).

$$ROE = (\text{Net profit}) / (\text{Own capital}) \times 100 \quad (30)$$

According to Mihai et al. (1997), the company's financial situation is good if the ROA is at least 20%.

5 RESULTS AND DISCUSSIONS

Considering the balance sheet of the analyzed company (from the company's reports), Table 2 presents the financial balance sheet, obtained by regrouping the elements, taking into account the years 2022 and 2023 (***)The situation of the financial position of the company CONPET SA, 2024).

The net situation is calculated in Table 3.

The company has no subsidies for investments, and neither regulated provisions, which means that the net situation is equal to the net accounting assets, these being positive and increasing in 2023 compared to 2022. The positive value of the net situation of the CONPET SA company expresses efficient economic management, and its increase means the increase of shareholders' wealth. (Table 4)

The company's financial structure reveals a favorable situation (Table 4). The low share of current liabilities in total equity and liabilities (around 10%), demonstrates the possibility of the company to pay its debts when due. At the same time, the low share of total debts (14% ÷ 15%), shows a low share of external financing sources.

Table 2. The financial balance of the company
CONPET SA

Indicators (Lei)	2022	2023
Fixed assets		
Tangible assets		
	607025461	670831075
Intangible assets	6854793	5559573
Financial assets	2537045	2522803
Receivables regarding deferred profit tax	6153054	-
Total fixed assets (1)	622570353	678913451
Current assets		
Stocks	6867083	6519564
Trade receivables and other receivables	49186760	52981332
Cash and cash equivalents	127672452	107742173
Expenses in advance	1252288	697600
Total Current Assets (2)	184978583	167940669
Total Assets (1) + (2)	807548936	846854120
Equity and liabilities		
Equity		
Subscribed and paid-up capital	28569842	28569842
Legal reserves	5713968	5713968
Reserves from revaluation	17101648	49838300
Other reservations	533897764	547585477
Reported result	37149214	36970805
The result of the exercise	61663616	61616539
Total Equity (3)	684096052	730294931
Long-term debt		
Debts to employees	23069134	25764827
Other long-term liabilities	2749112	2792606
Deferred tax debt	-	901503
Total long-term liabilities (4)	25818246	29458936
Current liabilities		
Trade debts	43914968	33091805
Current profit tax	1997414	1807695
Short term loans	27567948	28764158
Debts to employees	14364317	14143449
Short-term provisions	9789991	9293146
Total current liabilities (5)	97634638	87100253
Total debts	123452884	116559189
Total Equity + Liabilities = (3) + (4) + (5)	807548936	846854120

Table 3. The patrimonial situation of the
company CONPET SA

Indicators (thousand lei)	2022	2023
1. Total assets	807.5	846.8
2. Total debts	123.5	116.5
3. Net accounting assets (1-2)	684	730.3
4. Subsidies for investments	0	0
5. Regulated provisions	0	0
Net situation (3-(4 +5))	684	730.3

Table 4. Financial structure and financial
stability rate at CONPET SA

Indicators (thousand lei)	2022	2023
0. Current liabilities	97.6	87.1
1. Medium and long-term debts	25.8	29.4
2. Equity	684	730.3
3. Total debts	123.4	116.5
4. Permanent capital (1 +2)	709.8	759.7
5. Total equity and debts	807.5	846.8
6. Financial structure (3/2)	0.18	0.16
7. Financial stability rate (4/5)	0.88	0.9
8. Global autonomy rate (2/5)	0.85	0.86
9. Current debt ratio (0/5)	0.12	0.1
10. Global debt ratio (3/5)	0.15	0.14

The global autonomy rate (85%+86%) demonstrates the financial independence of the company, which proves its financial autonomy.

The company's financial stability is good, having a financial stability ratio greater than 0.5 (0.88 in 2022 and 0.9 in 2023, respectively).

A positive net working capital demonstrates the long-term independence of the company, the financing of the fixed asset needs to be realized based on its resources.

Table 5. Financial balance at CONPET SA

Indicators (thousand lei)	2022	2023
1. Net working capital	87.2	80.7
2. Working capital requirement	-12.9	1.9
3. Net treasury	100.1	79

The negative value of the company's working capital requirement in 2022 (-12.9 thousand lei), indicates a short-term surplus of resources, which means a fast business cycle. The positive value of this indicator in 2023 (1.9 thousand lei) means additional short-term allocations compared to the resources attracted.

The positive net treasury shows a monetary surplus for the period under study (2022-2023).

Table 6. Evolution of financial and operating results in the period 2022-2023

Indicators (thousand lei)	2022	2023
1. Turnover	472.2	485.1
2. EBITDA (earnings before interest, taxes, depreciation and amortization)	115.844	127.848
3. EBT (gross profit)	72.139	72.8
4. Net profit	61.7	61.6
5. CAF (self-financing capacity)	102.83	102.67

The self-financing capacity of the company CONPET SA has been positive during the two years of study, expressing the monetary surplus obtained during this period by the company, which means that the activity can be self-financed (own source of financing). The company can use capital efficiently, having sufficient liquidity for repaying loans, financing investments, and increasing the working capital.

General solvency is >1, which shows that total assets cover total liabilities and long-term liabilities are covered by equity, which reveals a good long-term financial balance.

Table 7. Solvency indicators

Solvency indicators	2022	2023
General solvency $S_G = \frac{\text{Total assets}}{\text{Total liabilities}} \times 100$	6.54	7.26
Equity solvency $S_p = \frac{\text{Equity}}{\text{Equity} + \text{long-term liabilities}} \times 100$	0.963	0.961
Payment capacity = Availabilities - short-term obligations	30	20.6
Solvency ratio = $\frac{\text{Cash availability}}{\text{Short-term obligations}}$	1.3	1.23

The payment capacity, although it registers a decrease in the year 2023 compared to 2022, is considered adequate because the cash availability covers the due payments, which proves that the company can cope with the payments due in the short term.

The general liquidity rate, which registers a value above unity, demonstrates the fact that the company is able to pay its short-term obligations.

The financial return rate (ROE) expresses the return on equity or the company's ability to use it to obtain profit. This rate (situated in the range of 8.4%÷9%) demonstrates the company's potential to obtain dividends and increase its reserves, which is on a downward trend, in the period 2022-2023. The economic return (ROA) is located in the range of 7.3%÷7.6%, which means a moderate position of the company, being higher than the interest rate on the market, which means that, attracting additional resources is rational, the shareholders being additionally remunerated. This rate can be improved if the turnover grows at a faster rate than the rate of cost growth, and if the speed of the asset rotation increases (the number of rotations/year increases).

Table 8. The indicators of profitability, liquidity and return in the period 2022-2023

Name of the indicator	Calculation formula	2023	2022
Profitability indicators			
Gross margin on sales	EBIT (operating profit)	13.7%	13.3%
	Turnover		
Operating profit margin	EBIT (operating profit)	12.3%	12%
	Operating income		
EBITDA in total sales	EBITDA	26.4%	24.5%
	Turnover		
EBITDA adjusted in total sales	EBITDA adjusted	27.8%	28.2%
	Turnover		
EBITDA in equity	EBITDA	17.5%	16.9%
	Total Equity		
EBITDA adjusted in equity	EBITDA adjusted	18.4%	19.5%
	Total Equity		
Gross profit rate	Gross result	15%	15.3%
	Turnover		
Liquidity indicators			
Current liquidity indicator	Current assets	1.9	1.9
	Current liabilities		
Immediate liquidity indicator (acid test)	Current assets- Inventories	1.9	1.8
	Current liabilities		
Indicators of return			
Economic rate of return (ROA)	Net results	7.3%	7.6%
	Total assets		
Financial return rate (ROE)	Net result	8.4%	9%
	Total Equity		
Commercial Rate of Return (ROS)	Net result	12.7%	13.1%
	Turnover		
Stock turnover rate (days)	Average stock X 360	367.1	316
	Cost sales		

Stock turnover time	Cost sales	1	1.1
	Average stock		
Turnover speed of customer debits (days)	Average customer stock X 360	28	29
	Turnover		
Turnover period of customer debits	Turnover	13	12.6
	Average customer stock		
Turnover speed of supplier credits (days)	Average supplier balance X 360	29	26
	Purchases from suppliers of goods and services		
The rotation period of supplier credits	Purchases from suppliers of goods and services	12.4%	13.6%
	Average supplier balance		

6 CONCLUSIONS

The application of the assessment grid of the company's financial situation assumes four states and their associated values: S1 = unsatisfactory (for $0 \leq S1 \leq 0.25$); S2 = satisfactory (for $0.26 \leq S2 \leq 0.5$); S3 = good condition (for $0.51 \leq S3 \leq 0.75$); S4 = very good condition (for $0.75 \leq S4 \leq 1$); For simplification, it was chosen to associate a single value for each state - the middle of the proposed interval; thus, for S1 the value 0.125 has been associated; S2 has the value 0.375 associated; S3 has the value 0.625 associated and S4 has the value 0.875 associated. The financial indicators that were calculated, based on the financial-accounting data for the company CONPET SA, were placed in the corresponding states, based on their value. Table 9 presents the assessment grid of the company's financial situation.

Table 9. Assessment grid of the financial situation of the company CONPET SA

Criterion	Value	S ₁ = unsatisfactory for 0<S ₁ <0,25	S ₂ = satisfactory for 0,26<S ₂ <0,5	S ₃ = good condition for 0,51<S ₃ <0,75	S ₄ = the best condition for 0,75 < S ₄ <1	K _i
Credit indicators						4
Ability to pay	20.6			0.625		4
The tendency of the ability to pay	1.3 → 1.23		0.375			4
Liquidity	1.9			0.625		1
The tendency of the liquidity	1.9 → 1.9			0.625		4
Solvency	7.26			0.625		2
The tendency of the solvency	6.54 → 7.26				0.875	4
Rate of self- financing capacity	102.67			0.625		3
The tendency of the rate of self- financing capacity	102.83 → 102.67			0.625		4
Structure indicators						1
Capital structure					0.875	2
Asset structure					0.875	1
Management indicators						3
Stock turnover rate	367.1		0.375			3
Stock turnover rate trend	316 → 367.1				0.875	4
Customer credit turnover rate	29			0.625		2
The tendency of the rotation speed of customer credit	28 → 29				0.875	4
The speed of rotation of credit suppliers	29			0.625		2

The tendency of the rotation speed of suppliers' credit	26 → 29	0.125				4
Performance indicators						2
Economic profitability	7,3%		0.375			1
The trend of economic profitability	7.6% → 7.3%		0.375			4
Financial profitability	8.4%			0.625		2
The trend of financial profitability	9% → 8.4%		0.375			4

The average state of the financial potential of the company CONPET SA was calculated as a weighted arithmetic mean of the considered indicators:

For creditworthiness indicators, $\bar{A}pf1$ is:

$$\bar{A}pf1 = (0.625 \times 4 + 0.375 \times 4 + 0.625 \times 1 + 0.625 \times 4 + 0.625 \times 2 + 0.875 \times 4 + 0.625 \times 3 + 0.625 \times 4) / 26 = 0.625$$

For structure indicators, $\bar{A}pf2$ is:

$$\bar{A}pf2 = (0.875 \times 2 + 0.875 \times 1) / 3 = 0.875$$

For management indicators, $\bar{A}pf3$ is:

$$\bar{A}pf3 = (0.375 \times 3 + 0.875 \times 4 + 0.625 \times 2 + 0.875 \times 4 + 0.625 \times 2 + 0.125 \times 4) / 19 = 0.585$$

For yield indicators, $\bar{A}pf4$ is:

$$\bar{A}pf4 = (0.375 \times 1 + 0.375 \times 4 + 0.625 \times 2 + 0.375 \times 4) / 11 = 0.420$$

$$\bar{A}pf = (\bar{A}pf1 \times 4 + \bar{A}pf2 \times 1 + \bar{A}pf3 \times 3 + \bar{A}pf4 \times 2) / 10 \times 100$$

$$\bar{A}pf = (0.625 \times 4 + 0.875 \times 1 + 0.585 \times 3 + 0.42 \times 2) / 10 \times 100 = 60\%$$

This value of 60% demonstrates a very good financial condition of the analyzed company.

From the analysis of the indicators calculated for the CONPET SA company, the following aspects regarding the financial situation are noted: a positive self-financing capacity, good financial solvency, an adequate payment capacity, current liquidity, and immediate liquidity within normal limits, net accounting asset and a net situation much higher than the share capital; good financial stability; increasing the speed of rotation of customer credits and falling within the limits considered normal in 2023; the company uses its resources efficiently and rationally attracts additional resources, having the possibility to remunerate the shareholders additionally.

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