



IMPORTANCE OF CURRENT ASSETS IN MANAGEMENT DECISIONS OF ROMANIAN ENTITIES

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Abstract

Manager with strong personality, personal capacity for action, with their knowledge, competence and experience is manager of solutions for efficient management of current assets. In assessing strategies entity, innovational strategies and management decisions have an important role on current items (assets), because it requires analyzing variables such as the number of investments and innovations, customer relations, cash flow evolution, evolution inventory, configuration productive, quality, cost and structure of production, etc.. In the SME spectrum is very broad managerial decision making, it is difficult to manage, has many deficiencies and can always be improved.

Keyword: manager, current assets, inventories, receivables, cash

JEL Classification: M41

I. Introduction

Management, modern concept, but still old. Although man without recognizing manage their family as he knew better. First the claims were modest to ensure subsistence, then man emancipates, and the demands of the family, its manager, are larger, permanently increasing.

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At the beginning of mankind household was perceived as an isolated entity, productive type, in which each individual was only interested in their own consumption. Such as head of the family may well organize their own entity, depending on the skills of each member, but often its own production proved to be insufficient to entity needs. Organization Manager always take into account the needs of their own entity and past events so that management decisions were always based on the analysis of previous activity and needs, more numerous and more emancipated.

In the context of increasing needs, the most important care of the ancient family manager, is the stock, namely storage of enough food to fully meet the needs of his family.

Therefore, we believe that the concept of management is as old as man and even if he does not realize the first time he managed the current assets, namely stocks, the basis component of current assets

II. OUTLOOK ASSETS ITEMS MADE BY MANAGEMENT ENTITY

Economic entity between their financial business objectives, are concerned about investing capital available manufacturing processes and marketing goods and services. Efficient production of goods and services requires the establishment, for starters, of stock necessary equipment, machinery and technology, along with natural and material resources, enabling increased productivity and enjoyment of their money invested in resources.

"Sailing" of any entity depends on the organization ability of the manager to obtain a desired minimum

Since the existence of the exchange economy, specifically the agrarian economy, the leaders were based on renewable resources ie the stock of grains, vegetables, etc that would recover in the next crop.

The transition to the industrial economy based more on non-renewable resources, not neglected the importance of current assets. Maybe to a monopoly or oligopoly competition the importance of receivables was lower, though stocks and availability are concepts that give trouble to the organizers of entities.

The period after the Second World War put more emphasis on entity-client relationship, the manager becoming more interested in the concept of debt, neglected so far, in current assets.



In assessing the entity strategies and management decisions, an important role has elements of current assets (assets) (Imbrescu C., Moraru M., 2006), because it requires analyzing variables such as number of investment and innovation, relationship with customers, cash flow evolution, the evolution of inventory, configuration productive, quality, cost and structure of production, etc..

Accounting function was and is closely related to management entities, taking its toll on the environment the decision.

To lead means as Fayol said "to provide, organize, command, coordinate and control" (Oprea D., Oprea V., 1988).

In this respect, as in ancient homestead, each entity, no matter how large, should pay particular importance to periodic forecasting the amount of materials, raw materials, and in general the amount of current assets, including cash flow, in purpose of maintaining or increasing turnover.

In general working capital requirements of the management entity involves estimating current assets and also current liabilities. This estimate takes into account the period for which various materials, raw materials, etc.. remain in stock, the structure of production costs and annual production.

Starting from this point can predict to some extent, using relatively simple mathematical calculations, the final cost of the product with the following aspects:

- a. Raw material cost = amount of product sales projected annual x raw material cost per piece x raw storage period.
- b. Labor cost = quantity of products expected for the annual sale x labor cost per product per day x during of production
- c. Production Cost = the expected products for sale annually x cost per piece (other costs) per day x during of production
- d. Cost of sales = the predicted products for sale annually x cost of sales per piece per day x retention period

Total cost of finished products= $a+b+c+d$

To overcome unexpected some entity adjusts forecasts by about 10%.

There are simple principles that can help the decision-making information translated into greatly.

Projections of this type have done a good job until the development of complex economies where the crisis is difficult to determine how, who and where they will sell even the



Whichever option is necessary to analyze issues related to stocks and their rotation, storage, storage cost, transportation cost, product ordering, receipt, payment, etc..

III. MANAGER - STRATEGIST ORGANIZING, COORDINATING AND CONTROLLING CURRENT ASSETS

Since the location of the entity the manager problem constitute optimization calculations of purchase and sales costs to customers and suppliers, as well as transportation costs. Proper management of stocks includes:

1. Manager involvement in direct relation with suppliers,
2. Tracking by them to supply graphics,
3. Reducing Crashes in stock liquidity,
4. Manager involvement in improvement of storage and transport.

Entity manager is considering finding a solution to ensure a permanent minimum stock to ensure business continuity, especially determining the optimal level of the stock level to ensure minimal cost of supply, storage and delivery. In this respect management strategies adopted by the manager, may be to common supply in short intervals (high shipping charges) or supply to large intervals (large storage costs). Through a comparative calculation of costs, the manager decides which strategy to adopt.

Analysis of operational management requires diagnosis, especially analysis of issues such as the structure of suppliers, dependence on certain suppliers, quality of raw materials purchased, transport and market conditions, bonus, discounts, contractual coverage necessary products, achieving supply program total and by main material resources, reserve stocks, slow moving inventory, inventory utilization efficiency.

In a market in constant change and evolution of consumer demands foresight elements of debt is hard to do. From this point of view in many cases the roles are reversed, namely customers become managers entity, them "wishes" becoming the first priority of their rulers.

It requires an "appreciation of market evolution" by obtaining information on entities competing offers, customer expectations and developing a consultation documentation on the market for finding commercial opportunities.

Unfortunately the manager's interest in receivables, namely commercial relationships with customers, is low, which should be improved.

Manager can establish a direct relationship with customers to better understand their needs, but it can also delegate this attribute. Knowing global client activity allows



the manager, finding significant issues on which they will develop an action plan in the future.

Commercial diagnosis, namely the analysis of issues such as: market position, competition structure, customer characteristics, the degree of product differentiation, customer loyalty, price – quality report, etc. is needed in any entity.

Other acute problems of the manager is to ensure they carry out business cash flow and streamline relationships with suppliers and customers.

Poor investment performance could affect sales or reduce the level of assets under management, with a negative impact on revenue. Entities may suffer loss of income that their reputation could be harmed.

In this managerial decision involves formulating the problem like the current trend of decreasing sales due to lower purchasing power.

Decision making involves halting sales tracking internal factors, analyzing training costs. Reduced sales will reduce profits. One reason may be the current trend of increasing product prices which reduce customers. Another daily cause of shrinking profit is the increase in receivables (unpaid bills). The decision managers must consider reducing stocks of raw materials in production and this by not disturbing limits and insurance contracts meet. Also it is necessary to conclude the contracts with new customers, contracts to head off any damage. Actually manager must be alert to a simple principle metaphorically said "holding money when you need them".

Management decisions (Artene A., 2012) are usually taken after the analysis, which involves the study of several existing alternatives. Alternatives are established from existing data collection and synthesis. This is done in current modern entities using advanced computer systems.

The situation is still fragile for entities in the current context of volatile international markets and adverse changes in the global economy, which could significantly affect economic and financial results.

IV. STUDY ON THE IMPORTANCE GIVEN TO CURRENT ASSETS BY ROMANIAN MANAGERS IN DECISION MAKING AT THE LEVEL OF SME'S

Our study takes into account the interest of the Romanian managers in terms of current assets. To this end, we proceeded to distribute among small and medium-sized

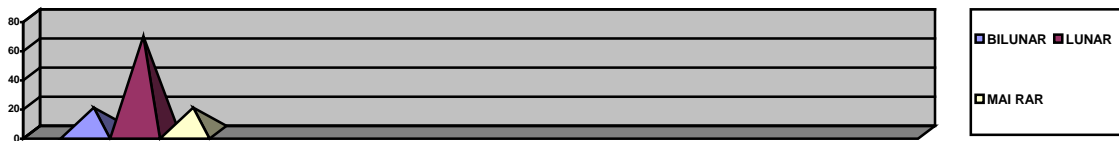


entities in the western region of Romania, a set of nine questions related to aspects of current assets management review.

The selection of respondents was determined that this type of entities dominated the Romanian economy are often most affected by the changes and also because they represent 89.5% of the total number of economic agents in the Western region, region comprising four counties: Timis, Caras-Severin, Arad and Hunedoara.

To prepare survey questionnaires were distributed among managers, administrators, and business managers and chief accountants. Being small and medium-sized entities can not speak of a large number of employees and many economic analysts among staff.

Figure 1 - Frequency analysis of current assets to SME's in the West region



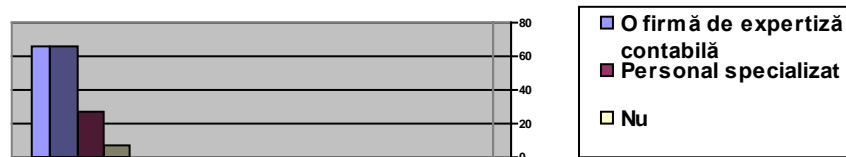
Responses show a relatively low frequency in the use of information on current assets. Most interested comes from economic managers, specifically in the economic connoisseurs, those who are aware of the impact on business assets such entities.

In the small and medium sized entities low level of experts in economic analysis makes the interest in this type of information to be low.

These findings are made in an environment where analysis of the use of specialized people observe their own accounting department outsourcing accounting work increasingly common in most small and medium sized entities. By outsourcing these types of services, the analysis is based on data provided from outside.



Figure 2 - The organizations of accounting department to SMEs in the West region



In terms of frequency of use of financial information relating to current assets, was found among those surveyed, less than half that responded affirmative, saying that using financial accounting information related to current assets. The rest, especially administrators managers do not seem interested in such information analysis of economic, guiding their work more on "personal intuition". Regarding the frequency of such an analysis, those who use it seem to do this at the end of month , not often.

In the opinion of managers and administrators the responsibility for providing and analyzing financial information relating to the current economic directors is exclusively or bookkeepers. Business executives, most say that a full analysis can not be done without driver input entity.

Most respondents use financial information relating to the current in planning future activity, specifically in planning current assets. The second place is occupied by those who use this kind of information for verification.

In an economy where most entities crisis facing financial problems, decision makers are interested in the cost and then the stocks in their correct order dimensioning without high costs.

The data analysis results that the most study report is the profit or loss, which is the foundation document decisions in small and medium-sized entities, followed by balance. Standardized reports remain as the top choice decision-making environment of small and medium-sized entities, non-standardized reports are not being used.

Aiming to achieve a ranking of the indicators used in the analysis revealed a preference for prioritizing followed by profitability and solvency. Being small and medium entities for acquiring immediate liquidity concerns of decision makers is a priority.

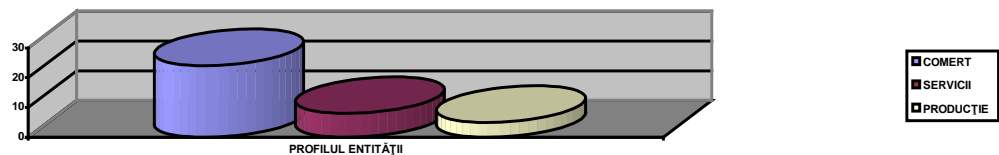
Inflation is considered by most respondents as the major factor affecting the quality of accounting information on current assets and not the least influence is generated by the human factor also.



Predicting current assets in the small and medium-sized entities is treated with importance but it is not a priority, they are entities with relatively low and constant activity without large fluctuations, which gives the opportunity to maintain a constant level of this category of assets.

It is worth mentioning that prevailed in all those interviewed are tutors commercial sector followed by the service sector.

Figure 3 - SME's activity sectors structure



V. Conclusion

General way of managing entity requires a detailed knowledge of the movement of current assets, their constant analysis, and direct involvement in their management. Making Success managers in the current crisis depends on their rapid analysis, coordination and control of current assets, the handy resources of entities.

Economic development in recent years cumulative globalization have increased the need for information, including the terms of current assets, namely assets with the highest liquidity of the entities.

It is trying to determine the importance of accounting and financial information necessary to establish current assets, forecasting them and their optimization.

It noted the need for environmental orientation to decision analysis and forecasting of current assets in the current context is a prerequisite to efficiency and optimization of business entities. However the decision to the small and medium sized entities has not have a clear orientation toward analysis of current assets as a determinant of activity

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