CASE STUDY REGARDING THE CAUSES
OF A COMPANY'S INSOLVENCY STATE

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Abstract:_The main criteria underlying the determination of insolvency and therefore of bankruptcy are: lack of solvency and level of indebtedness._
In order to dertmine the causes of insolvency (insufficient monetary reserves to pay outstanding debts), an analysis shoudl be performed regarding the economic and financial situation of the company on several level, namely: Analysis of the patrimonial state based on the balance sheet; Analysis of the financial balance; Analysis of revenues, expenditures and results, based on the data from the profit and loss account.
Keywords: _insolvency, bankruptcy risk, financial balance, balance sheet, liquidity_

INTRODUCTION

"Insolvency is the state of the debtor's patrimony which is characterized by insufficiency of funds available for the payment of certain, liquid and outstanding debts" (Law no. 85/2014: Art. 5, pt. 29).

The degradation over time of a company's results and the difficulties it faces, that are not only financial, provides the financial analysis an investigation field particularly rich in order to find methods of early detection and forecasting consecutively bankruptcy risk (Petrescu, 2010: 260).

Specialized literature was, and still is interested in classical models of forecasting bankruptcy risk, therefore there are numerous studies that present comparative results obtained by applying classical models and illustrate the results of comparing several models acknowledged by the literature or proposing new models based on national peculiarities or variations of the models already validated in practice. There is also an extensive source of information embodied in articles that summarize the current state of research in the domain of forecasting models for bankruptcy risk, at international level. They inform the general public, as well as professionals, about the state of research in this area (Păvăloaia, 2013: 47).

ABC SRL (ABC LLC) is a private company which was established in 1998, having trade as main activity.

To determine the causes that lead to insolvency we perform an analysis of the economic and financial situation of ABC Company during the period 2013-2016.

1. Analysis of the patrimonial state of ABC Company

For the analysis of patrimony we used as an information source the balance sheets concluded at the end of years 2013, 2014, 2015 and 30.11.2016. Also we have obtained information (more detailed) from trial balances drawn up for this timeframe. This analysis of the patrimonial state was carried out separately on the three essential components, namely: analysis of the company's assets, analysis of the company's debts and analysis of the company's equity.

Evolution of the company's assets during the last four financial years is presented in Table 1.

The total assets of the company have a downward trend during the analyzed period. Thus, their value decreases in this period by 3.241.844 Lei, which represents 22.8% in relative values. This reduction of the total value of assets is due, primarily to the decrease of current assets by 2.382.386 Lei (28%) and second by the decrease of fixed assets by 875.437 Lei (15.3%).

In terms of the structure of ABC Company's assets, at 30.11.2016, these consist of current assets, with a share of 55.7%, fixed assets 44.1% and accrued expenditures 0.2%.

a. *The company's **fixed assets*** constitute the material basis of its activity. They consist of: intangible assets, tangible assets and financial assets. During the analyzed period, the reduction of the volume of fixed assets by 15.3% is caused by the registration of depreciation calculated as a result of their use.

Table 1 Assets of ABC Company

Indicators	31.12.2013	31.12.2014	31.12.2015	30.11.2016
Intangible assets	372	102	0	280.586
Tangible assets	5.719.789	5.671.866	4.633.233	4.566.666
Financial assets	2.678	3.788	165.124	150
Fixed assets - total	*5.722.839*	*5.675.756*	*4.798.357*	*4.847.402*
Inventories	6.680.817	6.973.425	6.134.178	4.678.190
Receivables	1.775.609	3.854.643	3.653.206	1.420.770
Petty Cash and bank accounts	58.137	34.421	54.004	33.217
Current assets - total	*8.514.563*	*10.862.489*	*9.841.388*	*6.132.177*
Accrued expenditures	*2.299*	*1.246*	*1.091*	*18.278*
TOTAL ASSETS	**14.239.701**	**16.539.491**	**14.640.836**	**10.997.857**

On 30.11.2016 the structure of the company's fixed assets consists of: intangible assets 5,8% and tangible assets 94,2%. So, tangible assets prevail in this structure.

Intangible assets consist of: E-commerce information system amounting 306.609 Lei, purchased in 12.12.2015, of which the registered depreciation amounts 26.023 Lei and Other intangible assets amounting 67.088 Lei, fully depreciated.

Tangible assets consist of:

- Land, amounting 2.248.295 Lei, Constructions amounting 2.342.098 Lei;
- Technical equipment amounting 1.010.524 Lei, consisting of technological equipment amounting 156.833 Lei, Software application equipment amounting 122.100 Lei, purchased on 12.12.2015 and Equipment and systems for measurement, control and adjustment, amounting 77.135 Lei;
- Means of transportation, amounting 654.456 Lei, respectively 10 cars;
- Furniture, office equipment, safety equipment, amounting 248.995 Lei;
- Tangible assets in progress, amounting 111.591 Lei.

Financial assets, amounting 150 Lei, consist of long term receivables.

b. **Current assets** represent the second component of assets, which is particularly important in obtaining liquidities required for the payment of outstanding debts. During the analyzed period, the volume of ABC Company's current assets is reduced by 22.8%, caused by the reduction of inventories' value. From a structural point of view, they consist of: inventories, receivables and monetary reserves (Petty cash and bank accounts). On 30.11.2016 the structure of current assets comprises the following elements: inventories 76.3%, receivables 23.2% and monetary reserves 0,5%. Therefore, in the structure of current assets, inventories are predominant. The value of inventories on 30.11.2016 is 5.678.190 Lei, and structurally they consist of the elements presented in Table 2.

From Table 2, it can be observed that Goods for resale at third parties prevail in the structure of inventories, with a share of 98% and a monthly average flow amounting 476.583 Lei.

Table 2 ABC Company's structure of inventories

Inventory elements	Account	Balance on 30.11.2016	Outputs flow 30.11.2016	Monthly average flow
Consumables	302	5.452	64.287	5.844
Materials in the form of small inventory	303	15.487	515	47
Goods for resale at third parties	357	86.785	1.665	151
Animals and poultry	361	1.573	0	0
Goods purchased for resale	371	5.568.893	5.242.413	476.583
Total inventories		**5.678.190**	**5.308.880**	**482.625**

ABC Company's *receivables* on 30.11.2016 amount 1.787.212 Lei, consisting of the elements presented in Table 3.

On 30.11.2016 the company's receivables consist of: customers, with a share of 38%, to which we add Doubtful customers or customers involved in litigation with a 20,5% share, resulting a share of 58,5% customer receivables. Regarding customers, during January-November 2016, was registered a monthly average flow of 538.887 Lei, for the same period, regarding doubtful customers or customers involved in litigation the flow was zero, which means that no amounts from this type of receivable was collected during this period.

Table 3 *Receivables of ABC Company*

Types of receivables	Account symbol	Balance on 30.11.2016	Flow during Jan. Nov. 2016	Monthly average flow
Advance payments to suppliers	409	28.512	22.231	2.021
Customers	4111	679.470	5.927.755	538.887
Doubtful customers or customers involved in litigation	4118	366.442	0	0
Bills of exchange receivable	413	100.330	1.245.903	113.264
Other personnel-related claims	438	21.231	25.158	2.287
VAT under settlement	4428	8.865	157.379	14.307
Subsidies	445	102.252	500.188	45.472
Sundry debtors	461	10.220	39.702	3.609
Suspense accounts	473	469.890	4.461.991	405.636
TOTAL RECEIVABLES		**1.787.212**	**12.380.307**	**1.125.482**

Another large share in total receivables is held by suspense accounts, respectively 26.3%. However, this receivables ha a monthly average flow of 405.636 Lei.

By comparing the monthly average flows with the final balance on 30.11.2016, we observe the following:

- In the case of customers, bills of exchange receivable, VAT under settlement and suspense accounts, have monthly average flow approximately equal with the final balance on 30.11.2016. If the same trend is maintained, results that in the following month these amount will be collected;

- In the case of advanced payments to suppliers and sundry debtors, the monthly average flows are lower than the balance on 30.11.2016, so there are still problems with the collection of these amounts;

- Regarding doubtful customers or customers involved in litigation, the monthly average flow is zero, so the collection of these amounts remains a problem.

Monetary reserves available and bank account and in the company's Petty cash represent the assets with the highest liquidity, but they have a small share in total current assets of only 0.5%.

c. **Accrued expenditures** have a low value of only 18.278 Lei, and a negligible share in total assets, respectively only 0.001%.

Debts represent the sources borrowed to cover the company's assets (needs). They consist of short time debts, with chargeability (payment due date) up to a year, and of medium and long term debts, with chargeability higher than a year. The evolution of debts within ABC Company, during the analyzed period, is presented in Table 4.

Table 4 Structure of ABC Company's debts

Indicators	31.12.2013	31.12.2014	31.12.2015	30.11.2016
Short term debts - total	5.893.279	7.822.045	5.107.282	5.159.114
Long term debts - total	2.830.438	3.040.465	4.314.990	1.252.287
Total debts	8.723.717	10.862.510	9.422.272	6.411.401

Total debts increase in 2014, and then they have a downward trend, so at 30.11.2016 they register a decrease of 2.312.316 Lei than in the first year of the analyzed period, meaning 26.5%.

The structure of debts on 30.11.2016 includes: short term debts 5.159.114 Lei *80.5%) and medium and long term debts 1.252.287 Lei (19.5%).

a. **Short term debts.** On 30.11.2016, short time debts of ABC Company are structured as presented in Tables 5.

Table 5 Structure of short term debts in ABC Company

Elements of short time debts	Balance on 30.11.2016	%
Suppliers	1.036.350	20,0
Short term bank loans	1.206.166	23,2
- of which leasing	35.489	0,7
VAT payable	430.545	8,3
Income tax	115.122	2,2
Tax on salaries	7.590	0,1
Other debts to the state budget	544.613	10,5
Social security contributions	22.902	0,4
Personnel related debts	27.033	0,5
Sundry creditors	1.390.422	26,8
Other debts – investment subsidies	378.371	7,3
Total short-time debts	5.194.603	100,0

By analyzing the structure of short term debts, it can be observed that on 30.11.2016 prevail debts to sundry creditors with a share of 26.8%, followed

by short term bank accounts 23,2% (of which Leasing 0,7%), debts to the state budget with a share of 21,1% (VAT, income tax, tax on salaries and other debts to the state budget) and debts to suppliers, with a 20% share.

b. *Analysis of medium and long term debts*. Medium and long term debts presents the following structure, on 30.11.2016:

- Long term bank loans, amounting 1.755.967 Lei (396.855,71 Euro);
- Leasing contracts totaling 75.991 Lei (17.265,12 Euro).

The following table (Table 6) presents the *evolution of equity* during the analyzed period.

The company's equity registers a positive value throughout the analyzed period, but declining by 929.528 Lei, namely 16.85%. The main cause of the decrease in equity is represented by the unfavorable financial results (loss) obtained in 2015 and on 30.11.2016.

Table 6 *Evolution in equity*

Elements of equity	31.12.2013	31.12.2014	31.12.2015	30.11.2016	Differences
Subscribed and paid capital	1.300.000	1.300.000	1.300.000	1.300.000	0
Revaluation reserve	669.579	901.696	729.577	729.577	59.998
Reserves	314.156	83.920	256.040	256.040	-58.116
Own shares	-130.000	0	0	0	130.000
Retained earnings	3.008.606	3.351.300	3.391.365	2.932.947	-75.659
Result for the period	377.061	43.637	-458.418	-632.108	-1.009.169
Profit appropriation	-23.418	-3.572	0	0	23.418
Equity - total	**5.515.984**	**5.676.981**	**5.218.564**	**4.586.456**	**-929.528**

Structurally, the company's equity on 30.11.2016 is presented in the following table (Table 7).

Table 7 **Equity of ABC Company**

Elements of equity	Account symbol	Balance at 30.11.2016	%
Subscribed and paid capital	1011	1.300.000	28,34
Revaluation reserve	105	729.577	15,91
Reserves	106	256.040	5,58
Retained earnings	117	2.932.947	63,95
Result for the period	121	-632.108	-13,78
Equity - total		**4.586.456**	**100,00**

So, in the equity structure we can observe that retained earnings (profit) prevail with a share of 63.95%, followed by subscribed and paid capital, with a

share of 28.34%. Revaluation reserves and reserves hold together a share of 21.49%. The result for the period (loss) has a negative share, of minus 13.78%.

2. Analysis of the financial balance of ABC Company

If the analysis of the patrimonial state requires a separate analysis of the company's assets and liabilities, financial balance analysis involves the study of correlations between assets and liabilities. In this regard, a several indicators will be calculated regarding working capital, level of indebtedness, solvency and liquidity of the company.

2.1. Analysis of working capital indicators

Working capital is the indicator that expresses in absolute value short term liquidity of a company. (Robu, Anghel, Șerban, 2014: 439)

Working capital is calculated based on the financial balance sheet in which assets presented grouped in strict order of liquidity, meaning of the possibility of transforming them into cash, and liabilities in the strict order of chargeability, meaning their payment due date. Based on these two rules, assets are grouped in fixed assets (FA), which have liquidity higher than a year, and current assets (CA), which have liquidity up to a year. Liabilities are grouped in permanent capital (PC), which has a payment due date higher than one year, and short term debts (StD), which have due date of payment up to a year.

Financial balance requires fixed assets to be financed from permanent capital, and current assets from short time debts. But, because the liquidity of assets (which are achieved with a series of obstacles) and chargeability of debts (which are required imperative), there isn't an accordance, financial balance cannot be achieved by following these equalities between assets and liabilities, meaning FA = PC and CA = StD. Thus, in order to ensure long term financing the inequality PC > FA should be complied, and to ensure short term financing the inequality CA > StD should be complied (the relationship below). Therefore, working capital can be determined in two ways, namely: by using the upper part of the balance sheet, working capital (WC) is calculated using the relationship WC = PC - FA, or by using the lower part of the balance sheet WC = CA - StD (Untaru 2013: 73).

The required working capital (RWC) of a company must cover the disparity between cyclical needs (inventories and receivables) and cyclical resources (suppliers and other short term debts, excluding short term bank loans). It is determined using the relationship RWC (CA - MR) - (StD - Stbl), in which MR - represent monetary reserves and Stbl - short term bank loans (Sabău, Uher, Nagy 2015: 143).

Net treasury (NT) represents the monetary reserves that are left to the company, resulting from the activity carried out during a financial year. It represents the surplus of liquidities that remains after covering redundancies

cyclical needs (left uncovered) by redundancies of permanent resources (Untaru 2013: 82).

Net treasury is the indicator which expresses the correlation between working capital and required working capital, reflecting the financial situation of a company, both medium and long term, as well and short term and is generally calculated as a difference between working capital, or net global working capital and the required working capital: T = WC - RWC. (Costea 2009, 49).

The evolution of working capital indicators is presented in the following table (Table 8).

Table 8 Evolution of working capital indicators

Crt. no.	Indicators	31.12.2013	31.12.2014	31.12.2015	30.11.2016
1.	Working capital (WC =PC - FA)	2.623.583	3.041.690	4.735.197	991.341
2.	Working capital (WC =CA - StD)	2.623.583	3.041.690	4.735.197	991.341
3.	Required working capital (RWC)	5.777.013	5.751.624	7.397.192	2.164.290
4.	Net treasury (NT= WC - RWC)	-3.153.430	-2.709.934	-2.661.995	-1.172.949

From the data presented in the table above, it can be observed that the *working capital* has positive values throughout the analyzed period, calculated both the upper part and of the below part of the balance sheet. The *required working capital* has also positive values during the analyzed period, but much higher than the working capital available to the company. Because of this correlation between working capital (lower) and the required working capital (higher) results a net treasury with negative values throughout the analyzed period. This means that the monetary reserves of the company are lower than its contracted short term bank loans.

2.2. Analysis of indebtedness level

Indebtedness level expresses the ration between borrowed capital and equity. It can be calculated using the following indicators: *Global indebtedness coefficient (Rig),* as a ratio between short term debt and permanent capital that must be ≤ 0.5, and *indebtedness coefficient on term (Rit),* as a ration between long term debts and permanent capital, which must be ≤0.5. (Untaru 2013: 36-37).

According to some authors "from an accounting perspective, the minimum level that can be registered by global indebtedness coefficient is 0%, characterizing a situation where the entire asset is financed from equity and deferred revenues (in the present research, provisions were treated as equity)". (Brîndescu-Olariu, 2014: 29)

The evolution of the indebtedness level is presented in the table below (Table 9).

The indebtedness coefficient on term is sub unitary throughout the analyzed period and it's below 0.5. So, the indebtedness rate on term is within the level considered optimal (≤0.5).

The global indebtedness coefficient has subunit values during the analyzed period, exceeding the permitted value of 0.5, each year. This is caused by the fact that short term debts are higher than the company's permanent capital.

Table 9. Evolution of indebtedness level

Crt. no.	Indicators	31.12.2013	31.12.2014	31.12.2015	30.11.2016
1	Indebtedness coefficients on term (Rit=StD/PC)	0,34	0,35	0,45	0,21
2	Global indebtedness coefficients (Rig=LtD/P)	0,71	0,90	0,54	0,88

2.3. Analysis of solvency and liquidity indicators

The purpose of the analysis of liquidity and solvency is to identify the company's state at a given time, to prevent its insolvency and take the necessary measures to ensure that such obligations are met and restore *financial balance (Iosif, 2013: 123).*

The company's *solvency* is given by the possibility to pay all debts as a result of the capitalization of all its real assets. It is expressed with the help of net accounting asset (NAA), calculated as a difference between Total assets and Total debts, which must be greater than zero.

Liquidity implies the company's possibility to quickly capitalize its real assets and transform them in Lei. To determine the company's liquidity, the following liquidity coefficients are calculated: *general liquidity coefficient (Lg),* calculated as a ratio between total current assets and short term debts; *reduced liquidity coefficient (Lr),* calculated as a ratio between current assets, except inventories and short term debts; *immediate liquidity coefficient,* calculated as a ratio between monetary reserves and short term debts. In order to have a good liquidity position all these coefficients must have values greater or at least equal to 1.

The evolution of solvency and liquidity indicators is presented in the following table (Table 10).

Table 10 Evolution of solvency and liquidity

Crt. no.	Indicators	31.12.2013	31.12.2014	31.12.2015	30.11.2016
1.	Net accounting asset (NAA=TA-TD)	5.515.984	5.676.981	5.218.560	4.586.456
2.	General Liquidity (Lg=CA/StD)	1,45	1,39	1,93	1,19
3.	Reduced Liquidity [Lr=(CA+I)/StD]	0,31	0,50	0,73	0,29
4.	Immediate liquidity (Li= MR/StD)	0,01	0,00	0,01	0,01

The company's *solvency,* expressed through the net asset indicator, has positive values each year of the analyzed period, but with a downward trend. This is due to the faster decrease of total assets than the decrease of the company's debts, which leads to a diminished property for shareholders.

The company's *liquidity,* expressed through the general liquidity coefficient, has sub unitary values throughout the analyzed period. Therefore, the company has sufficient liquidities to pay current debts only if it would capitalize all its inventories and would collect all receivables.

The reduced liquidity coefficient has subunit values, unfavorable aspect because the company does not have sufficient liquidities to pay short term debts, considering the collection of receivables and monetary reserves at its disposal.

The immediate liquidity coefficient has also subunit values, but almost equal to zero. This means that the company does not have sufficient monetary reserves to pay debts with immediate enforceability.

3. Analysis of revenues, expenditures and results of the financial and economic activity

For the analysis of the economic and financial results are used as source of information the profit and loss account, part of the annual financial statements drawn up at the end of 2013, 2014, 2015 and on 30.11.2016. The table below presents synthetically the indicators extracted from these statements.

3.1. Analysis of the operating activities

Operating activity has the largest share both in the company's revenues, as well as in its expenditures, this being the core business of any company, regardless of its activity. Therefore, the analysis of operating activities is particularly important in the analysis of revenues, expenditures and results.

The evolution and structure of operating revenues during the analyzed period is presented in the following table (Table 11).

Table 11 Evolution and structure of operating revenues

Indicators	31.12.2013	31.12.2014	31.12.2015	30.11.2016
Sold Production	405.709	205.860	76.658	55.635
Revenue from sale of goods	6.817.727	7.228.440	4.792.668	4.452.172
Commercial discounts granted	-3.633	-6.389	-11.595	-179
Net turnover	*7.219.803*	*7.427.911*	*4.857.731*	*4.507.628*
Other operating revenues	*64.178*	*-4.852*	*590.789*	*157.395*
Total operating revenues	**7.283.981**	**7.423.059**	**5.448.520**	**4.665.023**

Operating revenues have a descending evolution during the analyzed period. Thus, their total volume decreases by 2.618.958 Lei (36%). Their structure contains turnover and other operating revenues.

a. Turnover on 30.11.2016 is presented in the following table.

Table 12 Structure of turnover

Indicators	30.11.2016	%
Sold Production	55.635	1,23
Revenues from sale of goods	4.452.172	98,77
Commercial discounts granted	-179	0,00
Turnover	**4.507.628**	**100,00**

If we analyze Table 12 it can be noted that turnover is composed almost exclusively from revenues from sale of goods (98,77%), which is also the core business of the company.

The structure of *operating expenditures* on 30.11.2016 in ABC Company is presented in Table 13.

Table 13 *Structure of operating expenditures*

Expenditure groups	Value on 30.11.2016	%
Material expenditures	146.453	2,91
Expenditure on goods	3.708.998	73,67
Personnel expenditures	476.961	9,47
Value adjustments on assets	174.024	3,46
Other operating expenditures	528.151	10,49
Total operating expenditures	**5.034.587**	**100,00**

It is noted that the largest share in the structure of operating expenditures is held by expenditures on goods, with a share of 73,67%, followed by other operating expenditures with 10,49% and personnel expenditures with a share of 9,47%.

b. Operating result for the analyzed period is presented in Table 14.

The operating result is profit for the first two years of the period under analysis and loss in 2015 and on 30.11.2016. This is due to the decrease of operating revenues (36) that was faster than of operating expenditures (22,8%).

Table 14 Operating result

Indicators	31.12.2013	31.12.2014	31.12.2015	30.11.2016
Operating revenues	7.283.981	7.423.059	5.448.520	4.665.023
Operating expenditures	6.523.723	6.909.038	5.539.562	5.034.587
Operating result (profit/ loss) (+/-)	760.258	514.021	-91.042	-369.564

3.2. Analysis of the financial activity of the company

The financial activity of the company is represented by revenues and expenditures from interests and other financial revenues and expenditures. The evolution of revenues, expenditures and result of the financial activity is represented in the following table (Table 15).

Table 15 Outcome from financial activity

Indicators	31.12.2013	31.12.2014	31.12.2015	30.11.2016
Interest revenues	4.214	26	36	99
Other financial revenues	443.067	401.425	345.494	78.966
Total financial revenues	**447.281**	**401.451**	**345.530**	**79.065**
Interest expenditures	231.229	306.476	325.566	267.229
Other financial expenditures	507.957	537.565	387.340	59.286
Total financial expenditures	**739.186**	**844.041**	**712.906**	**326.515**
Financial loss	**-291.905**	**-442.590**	**-367.376**	**-247.450**

During the analyzed period the financial outcomes of the company decrease by 368.216 Lei (82%), and financial expenditures by 412.672 (55,8%). So, the decrease of financial revenues surpasses the decrease of financial expenditures.

Financial revenues are lower than the financial expenditures of the company in each year of the analyzed period. Consequently, the result of the financial activity is loss every year, more pronounced in 2015 and 2016.

3.3. Analysis of financial results for the period

Table 16 presents the evolution of the financial results obtained by the company during the analyzed period.

Table 16 Evolution of financial results for the period

Indicators	31.12.2013	31.12.2014	31.12.2015	30.11.2016
Operating profit/ loss (+/-)	760.258	514.021	-91.042	-369.564
Financial profit/ loss	-291.905	-442.590	-367.376	-247.450
Current profit or loss	468.353	71.431	-458.418	-617.014
Total revenues	7.731.262	7.824.510	5.794.050	4.744.088
Total expenditures	7.262.909	7.753.079	6.252.468	5.361.102
Gross profit or loss	**468.353**	**71.431**	**-458.418**	**-617.014**
Income tax	91.292	27.794	0	15.094
Net profit or loss	**377.061**	**43.637**	**-458.418**	**-632.108**

After analyzing the data presented in the table above it can be observed that the current result (operating result + financial results) of the company is profit in the first two years of the analyzed period and loss in 2015 and on 30.11.2016. The same trend is encountered in the net profit/ loss of the company (gross profit or loss - income tax).

CONCLUSIONS

From the economic and financial analysis conducted regarding the causes that led to the cessation of payments, the following were noted:

- *Existence of an inadequate structure of tangible assets, so of the total amount of 4.566.666 Lei, lands have a value of 2.248.295 Lei, representing 49% of the total.* We consider this high share of lands inappropriate for the functioning of the company, unrelated to its core business, thus being only an immobilization of funds. Also, we find a large value of constructions, respectively 2.140.819 Lei, which represents 47%. Hence, lands plus buildings hold together 96% of total tangible assets, and the assets involved in carrying out the current activity (technical equipment, vehicles, furniture, office equipment) have a share of only 4%. This burdens the company's activity by providing inadequate endowment, on the one hand, and by immobilizing significant funds in assets that do not contribute to the core business of the company, on the other hand.

- *The large volume of the company's debts*, which are higher than equity, every year during the analyzed period. The large share of short term debts (80.5% of total debts) creates serious problems in timely payment of outstanding debts.

- *Equity* registered a downward trend, which, correlated with the large volume of debts leads to a decrease of the net property of shareholders, expressed by the net asset value.

- *Net treasury* has negative values for the entire analyzed period, because the monetary reserves of the company are lower that current bank loans (short term).

- *Global indebtedness coefficient* has subunit values throughout the analyzed period, exceeding the admissible value of 0.5%, each year. This is because short time debts are higher than the company's permanent capital.

- *The company's solvency,* expressed by the net asset indicator, registers a downward trend due to the decrease of total assets, which is more rapid than the decrease of the company's debts.

- The company has a disadvantage in terms of liquidity, expressed through reduce liquidity and the immediate liquidity coefficients, which have subunit values throughout the analyzed period, thus not having sufficient liquidity to pay current debts due to receipt of receivables and monetary reserves available.

- *Operating revenues* decrease faster (36%) than operating expenditures (28.8%) this adversely affects the evolution of operating profit/ loss, which during the last two years is loss.

- *Revenues from financial activities* are lower than the company's financial expenditures, the result from financial activities being loss every year.

Biblioghraphy

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