

ANALYSIS OF THE FINANCIAL PERFORMANCE ON THE BASIS OF THE PROFIT AND LOSS ACCOUNT, EXAMPLE SC DANONE PRODUCTION AND DISTRIBUTION OF FOOD PRODUCTS SRL BUCHAREST

ILIE RĂSCOLEAN, ILEANA- SORINA RAKOS *

ABSTRACT: *Through this article the authors intend to show that the summary accounting documents reflect the level of performance of an economic entity over a certain period of time, usually during a financial year. Unlike the balance sheet that presents the assets and liabilities of a company, the profit and loss account is a dynamic report that highlights the total flows of income and expenses in a given period. Regardless of the level of complexity of the profit and loss account it contains three important parts based on which an analysis of the financial situation of an economic entity can be made. Thus, the authors considered eloquent, the example of the company SCDanone PDPA Bucharest, a company with a strong reputation in the world, being the market leader of dairy products. The period taken into account is three years, respectively the years 2017 - 2019. The objective of the study is to show that, the analysis of the situation The profit and loss account is important for the financial manager, it shows practically the way in which the profit of the company is formed and the possible difficulties. financial from the level of the economic entity, as well as the reasons that were the basis of their appearance. Also, depending on the results obtained from the analysis, managers are able to make the best business decisions. The paper concludes with a brief presentation of the results of the study undertaken and of the conclusions obtained as a result of the research carried out.*

KEY WORDS: *analysis, financial performance, profit, loss.*

JEL CLASSIFICATION: *M41.*

1. INTRODUCTION

In 1919, in Barcelona (Spain), the company Danone was created, the first to produce yoghurt as a cure for intestinal infections that mainly affected children. Founded

* Assoc. Prof., Ph.D., University of Petroșani, Romania, ilierascolean@yahoo.com
Lecturer, Ph.D., University of Petroșani, Romania, nihilsinedeo_68@yahoo.com

by Isaac Carasso, he names the first product after the diminutive name of his son Daniel, respectively Danone. During World War II the headquarters were in New York, and in 1958 the company headquarters moved to Paris, merging in 1967 with Gervais, and in 1973 with Boussois-Souchon-Neuvesel (BSN). Danone is part of the Danone Group, which owns 100% of the capital of the Romanian branch, being active in 150 countries. The mission of this company was and is to manufacture and sell products that improve the health of people. The company arrived in Romania in 1996, when through the acquisition of the assets of the former dairy factory Miorița, in Bucharest, and through investments in re-technology to ensure the hygiene, safety and quality of the products, with a number of 21 employees opened the doors in 1997 for distribution of imported products from Poland and Hungary. The actual production of yogurt in Romania began in 1999, when the first batch of yogurt weighing 10 tons was produced. If in 2001 Danone had in Romania approx. 300 employees, in 2019 Danone had over 500 employees. If in 1999 there was a single packing machine for large glasses, which filled two glasses once, today with an impressive investment (over 300 million lei), the most modern packaging line produces 7 tonnes per hour. There are six packing lines that work for both Romanian consumers and consumers from other European countries. All factory processes are computer controlled and each product is monitored.

In 2011, Danone, using the know-how acquired as a market leader in the fresh dairy industry, partnered with Norbert Dentressangle Romania and launched NDL FRIGO Logistic on the refrigerated goods market, with a national network covering 20,000 points of sale. Since 2013, Romania has become the headquarters for the area of Southeast Europe, which includes Romania, Bulgaria, Greece, the Republic of Moldova and the countries of the Adriatic Sea (Bosnia-Herzegovina, Montenegro, Albania, Serbia), serving over 60 million. of consumers. Manufacturing practices are audited frequently, at the level of the highest international requirements. For the food safety management system, Danone has the highest standard in the field, respectively FSSC 22000. The production is about 1 million yogurts daily. In Romania, the market share is occupied by two brands of Activia and Danone natural yogurt, but 10 brands are sold with over 100 assortments.

2. SPECIALIZED LITERATURE

About the financial analysis of an economic entity, based on the profit and loss account, over time, several specialists from the country and abroad have written. At the national level, several authors have been noted (Călin O. and Ristea M., 2000; Munteanu V., 2001; Feleagă N. and Malciu L, 2002; Niculescu M., 2002, 2003; Lezeu D., 2004; Staicu C-tin, 2005; Vâlceanu Gh., Robu V., Georgescu N, 2005, Berheci M., 2010; Pinteia MO, 2011), and on the inter-national level, a significant contribution was made by Bernard Colasse, 2004. All these specialists are of the opinion that the financial performance of an economic entity is measured through its profit and its elements, which the entity obtains based on the resources available to it during a certain period. The evaluation of the potential variation of the controllable economic resources and the ability of the economic entity to generate cash flows are based on information on the performance of the respective entity. Profit represents the starting point for a financial

analysis based on the profit and loss account. Therefore, the analysis of the evolution of the profit and loss account is very important in determining the profitability or non-performance of an entity. Profitability is similar in importance to liquidity, as it represents the premise of business continuity by the entity.

3. RESEARCH METHODOLOGY

The analysis of the financial performance based on the profit and loss account is an interesting topic, considering the fact that it involves a decision-oriented research, combining elements of theoretical and descriptive research with elements of empirical research, fructified by conclusive ideas. In the research approach, various methods, techniques and processes were applied, theoretical and practical data were used, carrying out a quantitative and qualitative analysis of the data used, being an interdisciplinary research based on knowledge in the financial, accounting, mathematical and computer fields. The empirical study was carried out on S.C. Danone PDPA Bucharest. In general, the notion of performance is an inexhaustible subject due to the complexity and importance it represents in the eyes of the various users of the information provided by the profit and loss account.

4. SWOT ANALYSIS OF THE COMPANY SC DANONE PDPA BUCHAREST

In order to understand the strategic position of an economic entity, SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) is the most important management technique, on the left being the opportunities and strengths of the entity, reflecting the situation of the entity, and on the right the weaknesses and threats presented in table 1.

Strong points	Weaknesses
Danone Group is a market leader in dairy products and bottled water; Large number of employees: about 88,000 in 80 offices worldwide; Spectacular financial results - \$ 1.58 billion; Diversified product range; The quality of products; Company name; 100 years of experience; Capacity of innovation and development, in accordance with the satisfaction of the taste of the consumers; The policy of healthy eating.	High concentration on the European market; Lack of experience in politics of Asian retail chains; Dependence on milk suppliers.
Opportunities	Threats
China's high birth rate - potential retail market; Cheap labour force in China;	The emergence of new competitors in the children's food market, following the globalization process;

<p>Danone's pre-acquisition of the Numico brand, experience and success in the Chinese children's food industry; Rapid expansion of world trade, hence low import tariffs and rising profit margins; Increased consumption of yogurt per capita.</p>	<p>Cultural differences - the European origins and values of Danone and of the target market, that of China; The possibility of rising labour prices in Asia and a loss of profit margin in a new Chinese factory; Increase in milk price - basic raw material; Increased competition.</p>
--	---

As a result of those presented in the SWOT analysis, it turns out that the Maxi-Max type strategy is best suited to the implementation of the strategic objectives proposed by the Danone Group. Taking into account the leading position in the European market, Danone has tried to maximize the opportunities to gain a new market segment, respectively in China.

5. FINANCIAL PERFORMANCE ANALYSIS BASED ON PROFIT AND LOSS ACCOUNT

The profit and loss account is a summary accounting document that summarizes the formation of the result and helps to determine the performance of an economic entity, as well as to evaluate its profitability. The profit and loss account is drawn up based on the data recorded in the income and expenditure classes. Revenue represents the amounts received or receivable, and the expenses represent the amounts paid or payable for the consumption recorded by the activity. As a result of the grouping of income and expenses by their nature, the financial result of the economic entity can be calculated separately and grouped as follows: the result from the operating activity; the result from the financial activity and the result from the exceptional activity. The profit and loss account is the financial situation that allows both the partial results of the three activities and the global results to be highlighted. For the calculation and analysis of the progressive formation of the result of the exercise, the indicators are used the intermediate management balances that highlight the stages of the formation of the result of the exercise.

The financial performance of an economic entity is characterized by two dimensions:

- a quantitative dimension that refers to the absolute levels of the financial returns of the resources allocated to the activity carried out by the entity answering the question: What percentage was achieved from the performance objectives that the entity has planned for a certain period ?;
- a qualitative dimension that refers to the relative effort or cost assumed by the entity to achieve the absolute performance obtained and which answers the question: What are the specific resource consumptions (money, materials, time, labor, etc.) involved in reaching the maximum level? possible performance?

Table 1 presents the simplified statement of the Profit and Loss Account for the period 2017-2019, based on which the level of Danone's financial performance is determined.

	Item name	Period - thousands lei -		
		2017	2018	2019
1	Net turnover	498.052	553.734	562.531
2	Production sold	24.062	22.587	33.022
3	Income from sale of goods	473.990	531.147	529.509
4	The production realized by the entity for its own purposes and capitalized	24.062	22.587	-
5	Other operating income (ct.758 + 7417 + 7815)	1429	233	-
6	Operating income - total	523.543	576.554	562.531
7	Expenditure on raw materials and materials	13.039	7019	4939
8	Other material expenses (ct.603 + 604 + 606 + 608)	993	617	1780
9	Other external expenses (with energy and water) (ct.605-7413)	6892	11.741	14.219
10	Expenditure on goods (ct.607)	363.233	469.792	428.730
11	Staff costs	55.522	93.188	88.111
12	a) Salaries and allowances (ct.641 + 642 + 643 + 644-7414)	38.795	68.162	65.223
13	b) Expenses with insurance and social protection (ct.645-7415)	16.727	25.026	22.888
14	Expenses (ct.6811 + 6813)	20.938	19.377	449.668
15	Expenditure on external benefits	24.831	40.356	28.839
16	Expenses with other taxes, taxes and assimilated payments (ct.635)	17.613	20.115	12.983
17	Operating expenses - total	431.794	569.999	521.780
18	Profit from operations	6540	21.469	2047
19	Interest income (ct.766 *)	28.616	21.217	10
20	Financial income - total	28.616	21.217	10
21	Interest expenses (ct.666 * -7418)	-	-	3
22	Other financial expenses (ct.663 + 664 + 665 + 667 + 668)	-	231	1
2. 3	Financial expenses - total	-	231	4
24	Financial profit:	29	21.679	6
25	Current profit:	121	27.541	40.757
26	Extraordinary income (ct.771)	1469	1795	7553
27	Extraordinary expenses (ct.671)	726	534	1748
28	The profit from the activity is extraordinary	743	1261	5805
29	Total revenue (rd. 12 + 45 + 57)	553.628	599.566	570.094
30	Total expenses (rd. 35 + 52 + 58)	432.520	570.764	523.532
31	Gross profit	121.108	28.802	46.562
32	Profit tax (ct.691)	19.377	4608	7450
33	Net profit for the financial year	101.731	24.194	39.112

In order to determine the financial performance of the economic entity subject to the analysis, the intermediate management balances are determined in the first phase, as follows:

1. Turnover = production sold + sales of goods
 $CA0 = 24.062 + 473.990 = 498.052$

$$CA1 = 22,587 + 531,147 = 553,734$$

$$CA2 = 33.022 + 529.509 = 562.531$$

2. Trade margin

Trade margin = Sales of goods - Expenditure on the supply of goods

$$MC_{2017} = 473.990 + 363.233 = 837.223$$

$$MC_{2018} = 531.147 + 469.792 = 1.000.939$$

$$MC_{2019} = 529.509 + 428.730 = 958.239$$

$$IMC = \frac{MC_{2018}}{MC_{2017}} \times 100 = \frac{1.000.939}{837.223} \times 100 = 119,55\%;$$

$$IMC = \frac{MC_{2019}}{MC_{2018}} \times 100 = \frac{959.239}{1000.939} \times 100 = 95,83\%$$

During the period under review, the activity of the economic entity generated an increase of the commercial margin with 19.55% in 2018, as a result of the increase of the revenues from the sale of goods, at a higher rate of the increase of the expenses on the goods, and in 2019, the commercial margin 1 registered a decrease of 4.17% as a result of the decrease in revenues from 2019, compared to 2018. The increase in the value of the commercial margin represents the increase of the efficiency of the commercial activity, respectively a slight decrease in 2019, compared to the previous year.

3. Production of the exercise = Production sold + Production stored + Production of fixed assets

$$PE_{2017} = 24.062$$

$$PE_{2018} = 22.587$$

$$PE_{2019} = 33.022$$

$$IPE_{2017} = \frac{22.587}{24.062} \times 100 = 93,87; \quad IPE_{2018} = \frac{33.022}{22.587} \times 100 = 146,20$$

In 2018, the production of the year decreased by 6.13% as a result of the decrease of the sold production, and in 2019 it increases due to the increase of the sold production. The decrease in production in 2018 was offset by a 46.20% increase in 2019 of the production sold.

4. Added value = Production of the year + Trade margin - Consumption from third parties

$$VA_{2017} = 24.062 + 837.223 - 20.924 = 840.361$$

$$VA_{2018} = 22.587 + 1.000.939 - 19.377 = 1.004.149$$

$$VA_{2019} = 33.022 + 958.239 - 20.938 = 970.323$$

$$IVA_{2018} = \frac{1.004.149}{840.361} \times 100 = 119,49\%; \quad IVA_{2019} = \frac{970.323}{1.004.149} \times 100 = 96,63\%$$

The added value registered an increase in 2018 with 19.49% due to the increase of the commercial margin and the reduction of the consumption from third parties, and

in 2019 the added value was 3.37% lower, although the production of the year increased compared to 2018 with 10,435 thousand lei, against the background of the decrease of the commercial margin and the increase of the consumption from third parties.

5. Gross operating surplus = Value added + Operating subsidies -
- Personnel expenses - Taxes and taxes

$$EBE_{2017} = 840.361 + 0 - 55.522 - 17.613 = 767.226$$

$$EBE_{2018} = 1.004.149 + 0 - 93.188 - 12.983 = 897.978$$

$$EBE_{2019} = 970.323 + 0 - 88.111 - 12.983 = 877.229$$

$$IEBE_{2018} = \frac{897.978}{767.226} \times 100 = 117,04\%; \quad IEBE_{2019} = \frac{877.229}{897.978} \times 100 = 97,69\%.$$

The increase of the gross operating surplus registered on account of the added value, in 2018 is 17.04%, and in 2019 it was weaker by 2.31% as a result of the lower value added compared to 2018.

6. Result of the exercise = Gross operating income + Resumption of provisions
+ Other operating income - Depreciation and provisions - Other operating expenses

$$Rex_{2017} = 767.226 + 1.429 - 24.831 = 743.824$$

$$Rex_{2018} = 897.978 + 233 - 40.356 = 857.855$$

$$Rex_{2019} = 877.229 + 343 - 28.839 = 848.733$$

$$IR_{ex2018} = \frac{857.855}{743.824} \times 100 = 115,33\%; \quad IR_{ex2019} = \frac{848.733}{857.855} \times 100 = 98,94\%$$

7. Current result = Financial result + Financial income - Financial expenses

$$RC_{2017} = 743.824 + 28.616 - 0 = 772.440$$

$$RC_{2018} = 857.855 + 21.217 - 231 = 878.541$$

$$RC_{2019} = 848.733 + 10 - 4 = 848.739$$

$$IRC_{2018} = \frac{878.541}{772.440} \times 100 = 113,74\%; \quad IRC_{2019} = \frac{848.739}{878.541} \times 100 = 96,61$$

The current result of the year registered an increase of 13.74% in 2018, and in 2019 a slight decrease of 3.39%, due to the decrease of the result of the year of 2019.

8. Extraordinary income = Extraordinary income - Extraordinary expenses

$$REX_{2017} = 1.469 - 726 = 743$$

$$REX_{2018} = 1.795 - 534 = 1.261$$

$$REX_{2019} = 7.553 - 1.748 = 7.551$$

The extraordinary result is more than 10.16 times in 2019, compared to 2017, and in 2018 1.69 times higher than in 2017.

9. Net result = Current result + Exceptional result - Income tax

$$RN_{2017} = 772.440 + 743 - 19.377 = 753.806$$

$$RN_{2018} = 878.541 + 1.262 - 4.608 = 875.195$$

$$RN_{2019} = 848.739 + 7.551 - 7.450 = 848.840$$

$$IRN_{2018} = \frac{875.195}{735.806} \times 100 = 118,94\%; \quad IRN_{2019} = \frac{848.840}{875.195} \times 100 = 96,99\%$$

Between 2017 and 2019, the net result of the financial year increased by 18.94% in 2018, and in 2019 there was a decrease compared to the previous year by 3.01%, due to the increase of the exceptional result and the income tax.

7. CONCLUSIONS AND PROPOSALS

The economic entities are born to carry out a concrete activity, in which the material resources are harmoniously combined with the human and financial ones, the final result tending to satisfy the demand of a market segment of the consumers. For each financial year, the entity sets certain objectives that it is trained to meet, the most important of them being the profit and survival in an increasingly competitive market, under the conditions of accelerated development of the society and globalization. During the activity, an important role is played by the financial department, in order to maintain a permanent financial balance.

Thus, the financial analysis involves studying in detail the situation and the evolution of the entity, both in terms of profitability and its financial structure, in order to maximize the value of the shares on the market, to minimize the risk and to ensure the financial balance, using the synthesis documents. During the analysed period, due to the increase of the production sold, the activity of the entity subjected to the analysis generated an increase of the commercial margin with 19.55% in 2018 compared to the previous year and with 14.45% in 2019 compared to 2017. It can be stated that , the economic entity during the analysed period had an upward trend, a considerable increase of the net profit being obtained in 2018. Therefore, the profit and loss account situation contributes to a significant extent to the analysis of the financial performance of an economic entity.

REFERENCES:

- [1]. **Anghelache, C.** (2015). *Previziune economică. Note de curs, electronic copy*, Artifex, Bucharest
- [2]. **Anghelache, C., Anghel, M.G.** (2015). *Statistică. Teorie, concepte, indicatori și studii de caz*, Artifex, Bucharest
- [3]. **Anghelache, C. (coordinator)** (2007). *Analiza macroeconomică - Sinteze și studii de caz*, Economica, Bucharest
- [4]. **Avram, V.** (2003), *Managementul procesului de creare a valorii în contextul guvernării întreprinderii*, Economică, Bucharest
- [5]. **Bărbulescu, C.** (2000), *Pilotaajul performant al întreprinderii*, Editura Economică, Bucharest
- [6]. **Brezeanu P.**,(2003) *Diagnostic financiar: Instrumente de analiza financiară*, Editura Economică, Bucharest
- [7]. **Lezeu, D.N.**, (2004), *Analiza situațiilor financiare ale întreprinderii*, Economică, Bucharest
- [8]. **Pintea, M.O.** (2011), *Abordări financiare și non-financiare privind creșterea performanțelor entităților economice, teză de doctorat*, Universitatea „Babeș-Bolyai”, Cluj-Napoca
- [9]. **Răscolean I.**, (2014) *Economics and business management*, SITECH Craiova Publishing House
- [10]. **Răscolean I., Dura C., Isac C.**, (2014) *Economy and management of the company. Theoretical foundations and case studies* (Economy and Enterprise Management. Theoretical Bases and Case Studies), STECH Publishing House, Craiova