

# **Summary thesis on "Analysis of asset management and their implications on the profitability of the enterprise"**

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The work which has the title "Analysis of asset management and their implications on the profitability of the company" aims its structure, compiling knowledge from several areas such as analysis, valuation, accounting, taxation, statistics. The results of this compilation is given the level of profitability of the enterprise, regardless of how it is expressed: absolute and relative. The central elements of the work are the two concepts still found in its title: active and profitability.

An enterprise asset turns from the beginning as the main means by which to obtain profitability. The aim of any asset in an enterprise, regardless of its form, is to benefit in the future.

The benefits in the future depend on the size of how assets and other resources of the company are managed. In other words asset management is a major factor influencing profitability.

These issues presented in few words are highlighted extensively in the four chapters that form the structure of this research theme embodied in the thesis.

So doctoral thesis which dealt with "Analysis of asset management and their implications for the profitability of the enterprise" consists of four chapters, each chapter in turn, its structure, contributing to the objectives of this work.

The first chapter has the title "Concepts and techniques on asset management in an enterprise." This chapter is structured in three chapters turn, each having a contribution in terms of defining and managing an enterprise asset.

In the first chapter we have defined asset both in terms of economic specialists in the country and abroad. Once the asset has been defined based on each form that it may have within a company, and from time proving its existence in the enterprise. So in this first chapter meet both the concept of asset (asset sustainability) and the concept of current asset (active current).

The second section has as main objective the presentation form and structure of financial-accounting documents as source of information in the analysis of asset management. In this section of the financial statements of an enterprise structure is reflected both by the international accounting standards (IAS 1, Directive IV of the EU Commission and the Financial Accounting Standards - FASB) and those at national level (OMPF 1802 / 2014 - former 3055/2009). Also in terms of OMPF 1802/2014 are set conditions that establish financial statements accounting structure by size of enterprise, namely: for micro-entities not exceeding EUR 350,000 Total assets; net turnover of EUR 700,000 and the annual average number of employees is 10; small entities that go beyond previous limits but do not exceed

the total assets of 4,000,000 euro 8,000,000 euro turnover and number of employees 50; and medium and large entities that exceed the thresholds referred to Small Entities.

Towards the end of this first chapter presents certain legal aspects on an enterprise asset management as well as addressing laws: Law 89/1991 updated in 2014 for the management of assets and property; GD 276/2013 on setting the input value of fixed assets; Law 15/1994 regarding the depreciation of assets and of course OMPF 1802/2014 which establishes a number of obligations on a company valuation of assets, starting point regarding the next chapter of the work.

So a firm obligation to assess or reassess assets to a maximum of three years has represented for us the main point of departure in addressing other issues related to asset management. Asset management module reflected by indicators of efficiency and those that reflect the intensive and extensive use of assets is an influential factor in the evaluation of the estimated value. Estimated value resulting from valuation compares with net book value, resulting differences between them being adjusted in the accounts thereby modifying the financial statements presented accounting. And as accounting financial statements are the "source" of information on economic and financial analysis, the change of accounting items presented in the financial statements directly contributes to influence the level of profitability of the company.

All those factors have been highlighted without having regard to the creation of a separate chapter outlining the main aspects of assessment, evaluation by type of asset custom evaluated.

So I made the second chapter, chapter which has the title "Methods and techniques for assessing the assets of an undertaking." The chapter is composed of six chapters each one complementing the other's coming.

As expected the first two chapters present the general aspects of evaluation. And concepts are defined herein as a value assessment and objective assessment and evaluation encountered three approaches: market approach; asset-based approach and income approach.

The three approaches are the starting point of the next chapter aimed at the main methods and techniques for valuation of assets and the main components. Depending on the type of asset being evaluated can meet the following methods of assessment:

1 - methods for intangible assets are divided into classical methods (method comparison, income-based method, method based on cost) and modern methods (through the performance evaluation method, the method Intangible Assets monitor - IAM and MERITUM method);

2 - if they are custom tangible assets according to asset type, its characteristics, so that:

- land we have: the method by comparison, allocation method, extraction method, plotting method, the method of land rent;

- Construction: comparison, cost method, income method

- mobile for fixed assets: comparison method, income method cost method;

3 - in the case of financial assets using the income method emulating the Gordon model and Shapiro;

4 - for stocks, debt and cash reserves assessment is performed taking into account several aspects such as price at the time of evaluation, production costs, their presence in the enterprise, etc.

The originality of the work taking shape in the third chapter which has the title "Return - economic category express synthetic asset efficiency". This chapter consists of seven chapters, each with a distinct theme aimed objectives of the work is being combined at a time specific methods and techniques of several disciplines such as analysis, evaluation, forecasting, accounting, taxation.

The first chapter is presented the concept of cost-effective enterprise, and this is evidenced by concepts more economic specialists from national and especially international. To present the concept of return was necessary presenting a concept upon which other forms certain profitability indicators (economic rate of return, financial rate of return, rate of return on sales, profitability rate of resource consumption rates management) namely efficiency. The form of expression efficiency is the basis for the formation of relative indicators of profitability.

Section of this chapter outlines two indicators measuring their profitability, according to the form of expression, being two categories: absolute and relative. In this subchapter absolute and relative indicators were presented by a panel of profitability, the idea made based on management intermediary balance board.

Also in this chapter were presented certain profitability related indicators and some indicators of an enterprise stock.

Analysis of economic and financial profitability are detailed in section three of this chapter. We chose two returns presentation based on information supplied by the utility. If economic profitability targeting global efficiency of the activity of the undertaking, cost only reflects the gain on the work performed by the enterprise generates current or potential investors of the company. So for a quick review of the state of return is recommended to use two returns: economic and financial. A more detailed analysis automatically involve the use of a series of indicators such as management indicators of assets of material, inductori of production and marketing activities, etc.

This chapter ends by reflecting the link between economic profitability, in terms of economic rate of return and financial profitability, in terms of rate of return on equity.

The third subchapter comes to complete the work outlined in the title of this subchapter idea namely that profitability is an expression of the efficiency of assets. This chapter highlights the importance of asset management as an influence profitability being created for this purpose a number of models of factor analysis of the four rates of return: the return on assets, financial rate of return, rate of return and the rate of income return on expenditure.

The novelty and originality is increasing with the start subchapter four, where from the title of this chapter, we are advised regarding asset valuation impact on profitability indicators. Starting from 1802/2014 OMPF and the various times the assets are valued within a company (at the entrance to heritage, to inventory and presentation in the balance sheet and from the assets), I noted that according to corrections needed to be made in the accounts as a result of the evaluation of the results by modifying the accounting and financial information, profitability indicators will change in terms of level and of course their meaning.

Forecasting makes its presence with the start subchapter five where are the main ways profitability indicators, based on the valuation methods applied, can be predicted. As evaluation methods covered in this chapter are income capitalization method and the DCF

method, each in turn presented in separate chapters. In section six of the paper it is shown the link between cash flow and return on the two concepts are necessary for existence, vitality and prosperity of businesses. The relationship between cash flow and profitability is evidenced by the existence of rates of return that are composed of cash-flow.

If we spoke of forecasting profitability based on valuation methods used, and of course speak cash-flow forecasting using these methods. Actually what we mean here is that both profitability and cash-flow as a condition of existence, strength and prosperity of a business, can be predicted using the yield assessment methods.

The last chapter of the book has the title "Evolution of profitability indicators for industrial enterprises and their implications on asset management" comes and argue theories presented in the previous chapter.

To demonstrate how an enterprise asset management influences the profitability of companies in the industry have turned to aliemntară of Dolj county and also taking advantage of the information provided by the University of Rioja SABI platform, and that the two regions are comparable in terms of economic , the number of population and size, we resorted to food industry companies Riojana.

In the first part of this chapter I made a comparative presentation of the two regions and also argued the choice through the food industry. So I chose this industry because the product aliemntară industry differs from other products by the high degree of perishability, asset management through the rotational speed, the duration in days of revolutions and not only play an important role in achieving results as good.

Also in the first part of the chapter, specifically in section two, we presented the food industry average level of profitability during the period 2010 - 2013 the two regions. I used the average whereas the number of firms considered is very high on the two regions and therefore very difficult to follow the entire period. So in the companies from Dolj there are a total of 250 companies in the industry and in the Rioja region of approximately 320 companies.

By analyzing the average level of profitability indicators we found that the level of companies in Dolj situation was not present at all satisfactory as one unlike firms throughout the Rioja region where we have results of the work carried out by these companies as a growing and positive value. So for profitability analysis we could say that firms from Dolj county would not be an example but too a primary objective of this paper is to analyze profitability but to examine the correlation between absolute and relative indicators of profitability and management indicators of assets .

Next section has as main objective the analysis results illustrate the correlation with SPSS, using Pearson correlation index between indicators of profitability and the management of the assets.

For this we removed from the total of 250 companies in the county of Dolj those considered unrepresentative in terms of turnover thus reaching a total of 198 companies in the region Rioja air from a number of 115 companies.

From correlation analysis carried out in Dolj County revealed that there is a strong correlation between the return on assets and indicators of asset management, among other profitability indicators correlation level is slow. Furthermore the notes an inverse correlation between the return on assets and asset efficiency through the operating profit.

In the Rioja region significance level is higher unlike that existing in the companies in Dolj, settling here if strong correlations direct economic rate of return, rate of return on expenditure and revenue and the assets management indicators. At the same time it notes that there are significant correlations between the value and financial return and indicators of asset management.

Based on the results achieved by SPSS to analyze the correlation between indicators of profitability and the management of the assets we decided that modeling econometrică only be achieved if existing relationship established between the return on assets and indicators of asset management. The modeling was conducted during 2012 - 2013, the number of variables being considered 58. To obtain regression model we conducted a series of tests using SPSS, the results of which are reflected in the model summary, ANOVA table reflects coefficients regression model.

If Rioja firms have made several regression models, in this case being obtained correlations among several indicators of profitability and the management of the assets. The first models were made as dependent variables total result and the return on sales, which were made as in the case of companies from Dolj using SPSS and the next two models were made using SABI platform and I had as dependent variables the return on assets and return on equity rate.

Penultimate two chapters are designed to demonstrate how specific evaluation methods can influence the profitability of a company. For this I used the sheet fixed assets of a company in the agri-alimentară of Dolj county, to which I applied for measuring these assets direct capitalization method and cost method segregated.

Direct capitalization method applies when revenues are constant importance in estimating fair value with this method having a capitalization rate. It is determined as the ratio between profit and capital invested. To demonstrate this method we laut in cazul useful surfaces of existing buildings on the property and we pulled from the market rents applied to these buildings. At an occupancy rate set at 85% for these properties we may have obtained thus estimated annual income. This income capitalized with a capitalization rate of 12% in our case yields estimated value using the yield method. The resulting value for each building is compared to that of such accounts, according to the results obtained, we can increase or decrease of assets and liabilities. These changes of asset and d EPAS will automatically lead to the level of profitability of businesses.

As regards cost method we left the construction costs presented by Eng. Corneliu Şchiopu applying for each building and we took into account to determine wear and tear of life estimates for each building separately. The resulting gross value assessed for each asset is adjusted by the amount of wear results, so the end obținând net replacement cost of the asset.

Due to improper use of the assets we obtained from the evaluation in most asset values lower than those shown accounting, these values resulting in increased spending on the one hand and falling asset values on the other hand, which automatically leads to amend the company's profitability .

In turning both low part of four subchapter I presented how it can be forecasted cash-flow and a series of indicators of profitability using the yield method. To this we left the level of tariffs on the market for individual asset and also for each operation carried out by it. To

update proceeds we used the CAPM model. If its base rate without risk model was given the yield to maturity of bonds issued by the US with a level of maturity of 10 years and yield to maturity of bonds in the Eurozone maturity Emid all 10 years. In the first case the yield is 3.10% and the valuation date in the latter of 2.25%. For these low yields we've added the rate of inflation and expected inflation rate, the values expressed in lei.

The risk premium for a mature market estimated for 2013 according to Duff & Phelps study conducted is 5.50% plus the risk premium in Romania which is 3.60% according to the results of material A. Damoradan.

Beta ratio was estimated using the database Reutes, which is 0.36, and the coefficient alpha of 0.5%. The cost of equity was estimated by reference to the two models the values obtained were 9.44% and 10.42% of the value used is the maximum 10.42%.

To estimate the weighted average cost of capital have picked up on site bnr.ro cost of capital, which is 9.19% of loans of EUR 1 million. Raprotul debt / invested capital was extracted from the Reuters database which is 41%. Fijnd weighted average cost of capital thus established at a level of 9.63%. Thus ținân account these results we have achieved an estimate value of cash-flow and profitability indicators using the yield method.

At the end of this chapter I came up with a series of solutions and processes for improving asset management and profitability of the enterprise. For this we randomly selected a firm that Doljani food industry, based on a factor analysis model of economic rate of return by the method chain substiturii I reflected how profitability is influenced by management of the assets indiactorilor outlet. The same thing I've done and if the rate of financial return.

The paper ends with some concluding and representative conclusions refer to the existence of a good correlation between indicators of profitability and the management of assets across an enterprise. We have demonstrated not only in terms of mathematical statistic that asset management can infleunța profitability but also through the evaluation as a means of estimating the value of assets and its comparison with the value reflected in the firm's accounts.

So how managed assets of an enterprise may influence the estimated value after evaluation, which once worth compared to the accounting leads to changes in value of assets and that of liabilities.

As economic and financial analysis used financial information presented in the documents accounting firm's profitability level changes as a result of adjustments made during valuation and revaluation of assets. Pein structure and especially through case studies we can say that the work has successfully fulfilled its objectives, managed to capture the link between profitability and indicators of asset management.