

## **THE EVALUATION OF THE FINANCIAL POSITION ON THE BALANCE SHEET IN THE FURNITURE INDUSTRY**

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*ABSTRACT: The financial ratios provide in the economic and financial analysis very important synthesis information for analyzing a company, especially with regard to the financial position through the Balance Sheet analysis and to the performance in the multitude of existing issues, through the Profit and Loss Account analysis. In the context of the significant geo-strategic challenges of the XXI century, still marked by the imprint of the global financial crisis, the financial analysis can be a very useful tool in the complex process of making management decisions. The financial position of the company fairly represents the background of the entity, in terms of financial stability and less in terms of economic and financial performance. In this study, based on real financial data extracted from a major company from the furniture industry in Romania, we performed a dynamic analysis of a complex system of financial ratios, which can be calculated from the Balance Sheet. The paper is useful both for theoreticians and for practitioners, because the results position the company in the complexity of industry parameters, under the patrimonial structure of assets and liabilities and in terms of financial solvability.*

*Keywords: Balance Sheet analysis, financial position, financial ratios, the furniture industry.*

*JEL Codes: M41, G01.*

### **1. Introduction**

According to the European Furniture Industries Confederation, EU-27 has 27 % world furniture production, 28 % world furniture consumption, 45 % world furniture exports and 46 % world furniture imports. Romania has a diversified forestry fond, important production capacities and long-standing traditions in furniture manufacturing, which constitutes a competitive advantage in the development of this economic sector. The development of the furniture industry in Romania constitutes today a priority due to the social needs satisfied by this product, the revenue generated by sector, the contribution to employment and higher capitalization of wood in accordance with the principles of sustainable development. Furniture consumption in Romania is more than four times lower than the EU average due to low purchasing power, therefore over 60% of production is exported (Burja Vasile, Mărginean Radu, p. 107).

In Romania, the furniture industry benefits from of tradition and at the moment comprises about 4000 firms, of which 100 are big companies, whilst majority of them are small and medium-sized enterprises. The main advantages of the sector which may be considered are: availability of resources, low labour costs and high level of technical qualifications. The weak points are: outdated production technologies, low energy efficiency and poor environmental performance (FRD, 2011).

According to professor Burja Vasile, „Furniture production adapts to market requirements which in turn are influenced by national particularities and specific local factors. Thus in Italy and Belgium furniture dimension is larger than in other countries, since houses in these countries are typically more spacious. In France there is higher request for rustic furniture and in Sweden the

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replacement period for furniture is two times lower than in Belgium due to the higher purchasing power" (Burja Vasile, 1997).

The main objective of this paper is to evaluate the financial position in a large company from the furniture industry in Romania, because we think that this issue is poorly studied in the specialised literature. Thus, we analysed the Balance Sheet of a large company from Târgu-Mureş city, with about 700 employees, and we discovered that the company has difficulties with liquidity, and good values for indebtedness rate, less than specified limits. This approach can be useful both for analysts and for practitioners due to its comparable method to the industry average ratios.

Items of interest in the field of company finances generally focus on the consideration of the best measures that can be taken in order to maximize profit. In this respect, a parallel has to be made between the ability of companies to generate profit, however in counterpart to their state of "health" in terms of financial equilibrium.

The study of the financial position constitutes a key element in the economic and financial analysis, by the fact that it underlies strategic decisions for the enterprises. The complexity of the economic and financial analysis is apparent from the multitude of possible approaches in practice, on at least two strategic directions of financial statements analysis: analysis of the economical performance and analysis of the financial position.

The study of economic and financial performance, despite constituting particular interest for company management and for reports which interest the shareholders of major companies, does not synthesize important aspects such as the financial stability, the financial structure or the financing of the company, etc. Thus, these issues are highlighted by our study, about the financial position.

The financial ratios constitute an important source of information in the financial analysis having the property to synthesize and present financial information in a comparable shape, very useful to the analysis. Raw financial data, processed by the the rates of patrimonial structure instruments, allow ranking the companies by reference to some standard indicators in the industry and by considering the hierarchy of companies among themselves.

The study of the financial position in the furniture industry represents a challenge for specialists, while the geopolitical situation of 2014 greatly complicates the exports to the Eastern Europe market. The entire furniture market in Romania will have to consider new opportunities in service, with a particular emphasis on the Western markets. In this framework, the utility of the financial position approach is implicit, serving particular interests of managers and shareholders, in the purpose of an accurate evaluation of the company, in terms of financial stability and business risk management.

## **2. Literature Review**

In the view of the author A. Popa (2011, p. 36), the financial position "represents the financial situation of an entity at a time, represented by assets, liabilities and equity. It shows the company's ability to adapt to the changing environment in which the businesses operate. The information on the financial position of the company is given first by the Balance sheet".

The same author reminds, relating to financial ratios, that they, along with the balance sheet, the profit and loss account and the cash flow statement, provide important information about the activity of the company "being a useful tool in the interpretation of financial and operational performance, in identifying areas that require more attention, and in the assessment of future trends" (Adriana Florina Popa, 2011, p. 308).

Authors Petru Ștefea and Marius Pantea say about the performance evaluation that "the easiest way of reflecting the performance of a company is through its results, whether the results are expressed in absolute values (profit) or relative values (return)" (Petru Ștefea, Marius Ioan Pantea, p. 73).

In the view of Iulia Jianu, the terms that often are associated with the notion of performance, profitability, efficiency and efficacy, even if they are in a close connection in the economical-financial context, they must be differentiated. "We consider that these notions represent only a part from the multitude of indicators used to analyze the performance, but not also to determine the performance" (Iulia Jianu, 2007, p. 25).

According to authors A. Istfanescu et. al., "profitability can be defined as being the capacity of an enterprise to obtain profit through the use of production factors and equity, indifferent of their provenience". It is one of the most synthetic forms for expressing the efficiency of both the whole economic and financial enterprise activity, respectively of all used production means, respectively the workforce, from all production stages: supply, production and sale (Aurel Istfanescu et. al., p. 19).

According to authors Eugene Brigham and Michael C. Ehrhardt, the rate of return analysis is used by three big categories of users: managers, credit analysts and stock analysts (Eugene F. Brigham, Michael C. Ehrhardt, p. 143). Each of the three kinds of users of the economic and financial analysis, based on the financial ratios analysis, have different goals, according to the followed objective, specific to each category in part.

For the *managers*, financial analysis, based on the financial ratios, constitutes a vehicle through which they exercise control over the entity. Expressing itself as a financial statements indicator report, allows this analysis to establish in homogenous measures, thus comparable, the company evolution in time trend and helps to its dimensioning comparing it to other similar enterprises in sector.

*Credit analysts* use financial analysis based on the financial ratios in granting loans to businesses. From the analysis of the financial statements presented by them a company ranking is achieved on certain models by granting or not granting credits to the company. The interest of such analysts is to see if the applicant company is or is not able to repay the loan.

*Stock analysts* use the economic and financial analysis for a good stock management in order to ensure an optimal stock for the enterprise that allows its good functioning. Also, they have the duty to evaluate the risks of the enterprise and to measure the efficiency of the company resources utilization.

The same authors, Eugene Brigham and Michael C. Ehrhardt, list a number of warnings and peculiarities about using economic and financial analysis, based on the financial ratios (Eugene F. Brigham, Michael C. Ehrhardt, p. 143):

- Because large companies operate in different fields of activity, it is difficult to determine a set of significant financial ratios within all industry sectors. Thus, it can be said that using the analysis based on rate of return is more effective for smaller companies;

- Most companies want to be placed better than the industry average, but this may give a false impression of performance. "In order to tend to the top of the sector it is necessary to focus on the profitability ratios from the top of the list".

- In the evaluation based on the financial ratios, in the time and space analysis, it is necessary to consider corrections of the result obtained taking to account the inflation. The inflation can affect negatively some expenditure for the enterprise, affecting in this way the profit. So, a correct appreciation in the financial ratios analysis must have in analysis the annual evolution of the inflation. The professional reasoning represents in this way the basis of the appreciation of raw data after the calculation of the financial ratios.

- In order to have good values for the profitability ratios, the managers can appeal to "window dressing" of the Balance Sheet. An example in this sense can be considered a company that to the end of December, the end of the financial exercise, applies to a financial credit line for the next two years. So, for the company, the loan from an accounting point of view was recognized as a long term debt and it was recognized in assets as cash, without affecting the short term debt post. After the date of the financial statements, the enterprise reimburses the loan, and in this way, the Balance

sheet will be as it was before by applying this technique. In this tangible case study, the indicator regarding the current and immediate cash ratios – the acid test – were window dressed, presenting real value but modified intentionally in order to indicate a better position of the company.

- Another way in which the value of the financial ratios can be affected is by using the leasing in the case of commercial units. This technique could affect the financial statements in the case when by reflecting the accounting operations the turnover is affected in an artificial way or the company debts, the financial ratios including the turnover and the company debts being artificially influenced.

-A clear evaluation of the companies based on the financial ratios depends on the financial information accuracy. An example in this sense can be the unhappy case of the resonant bankruptcy from 2001-2002 of the American giants WorldCom and Enron.

Many observations are made referring the financial ratios in the specialized literature, especially due to the possibility of influencing the result increasing some expenses. The amortization and the provisions cases are well known. Thus, Nicoleta Misu believes that for the Romanian economy, as an emergent economy, in the purpose of checking if enough revenue can be obtained from the capital employed, indifferent of its provenience, the best indicator is the gross operating surplus. Then the gross operating surplus could be compared with the turnover and in this manner performance could be evaluated only in what limit rates are concerned(Nicoleta Bărbuță Mișu, 2009, p. 210).

Reviewing the literature for this research we could observe that there are several models for evaluating the financial ratios for the enterprises, personalized in some cases after the specificity or the authors' option. In this respect, there are many cases in which financial ratios are named in the same way even if the calculation model is different.

### 3. Research Methodology

For this study it was used a descriptive analysis of financial indicators taken from the Balance Sheet, made in dynamics of eight years, namely 2006-2013, those indicators being extracted from the financial statements according to the Order of the Ministry of Public Finance from Romania 3055/2009, on a society from the furniture industry – S.C. Mobex S.A.

The financial ratios used in the analysis are composed in a system of structure and financial position rates, with the purpose of presenting a picture of the financial position that may result from this approach. In order to create the rate system it was consulted a specialised economic and financial bibliography, both from Romania and from the international literature. There was also used the analysis in dynamic of the data series and were used specific procedures for the financial analysis, such as the comparison and the deduction.

Due to the fact that one cannot obtain average values for the rates calculated strictly from the furniture industry, we used data from the general industry. There is a lack in the specialized literature, regarding the furniture industry, and in future works we consider to fill this subject, in order to offer a framework for comparison.

In order to synthesize the calculation method and to briefly explain the financial rates that will be presented in this work, we present three tables:

#### a. The structure rates of the assets

Table 1. Calculation of the structure rates of the assets

The ratios		The calculation formula	Where,	Explanations
1	Rai= The fixed assets rate	$Rai = \frac{Ai}{TA} \times 100$	Ai= Fixed Assets, TA= Total Assets	The indicator reveals the share of fixed assets in the total assets. It represents the

				extent of investment of the company's capital. The increase is a favorable element as long as the economic profitability increases.
2	<b>Rin= The intangible assets rate</b>	$Rin = \frac{In}{TA} \times 100$	In=Intangible Assets TA=Total Assets	The indicator reveals the share of intangible assets in the total assets. It represents mainly the extent of investment in the development field.
3	<b>Ric= The tangible assets rate</b>	$Ric = \frac{Ta}{TA} \times 100$	Ta=Tangible Assets TA=Total Assets	The indicator reveals the share of the tangible assets in the total assets. The rate depends on the activity of the company. In the industry, its value is about 60%.
4	<b>Rif= The financial assets rate</b>	$Rif = \frac{If}{TA} \times 100$	If= Financial assets TA= Total Assets	The indicator reveals the share of the financial assets in the total assets. It shows the extent of investment in financial services.
5	<b>Rac= The current assets rate</b>	$Rac = \frac{Ac}{TA} \times 100$	Ac= Current assets TA= Total Assets	The indicator reveals the share of the current assets in the total assets. In the industry, the indicator approaches 40%.
6	<b>Rst=The stocks rate</b>	$Rst = \frac{St}{TA} \times 100$	St=Stocks TA=Total Assets	The indicator reveals the share of the stocks in the total assets. The indicator value depends on the activity field of the company. In the production and trade field its values are greater than in services. The increase of this indicator's value does not generally represent a favorable element.
7	<b>Rcc=The receivables rate</b>	$Rcc = \frac{Cc}{TA} \times 100$	Cc= Receivables TA=Total Assets	The indicator reveals the share of the receivables in the total assets. It represents the sales on commercial credit. The increase of this indicator's value, even if it represents a sale, a plus to the company's turnover, may attract difficulties in recovering their costs, due to the economic crisis.
8	<b>Rdisp=The treasury rate</b>	$Rdisp = \frac{Disp}{TA} \times 100$	Disp=Treasury TA=Total assets	The indicator reveals the share of the stocks in the total assets. The normal value is between 5%-25%. Less than that value reveals a lack of liquidity and more means an inefficient use of it.
9	<b>Rca=The rate of expenditures in advance</b>	$Rca = \frac{Eip}{TA} \times 100$	Eip=Expenditures in advance TA= Total Assets	The indicator reveals the share of the expenditures in advance in the total assets. Usually, this indicator has low values.

Source: Processing and adding by Maria Berheci, 2010, pp. 319-321.

**b. The structure rates of the liabilities**

**Table 2. Calculation of the structure rates of the liabilities**

	<b>The ratios</b>	<b>The calculation formula</b>	<b>Where,</b>	<b>Explanations</b>
1	<b>Rig= The overall indebtedness rate</b>	$Rig = \frac{DT}{TP} \times 100$	DT= Total debts, TP= Total liabilities	The indicator shows the share of the total debts in the total liabilities, meaning the company's overall indebtedness. It is a financial risk indicator. Its value should be ... The increase of its value represents

				a positive phenomenon only in terms of financial leverage.
2	<b>Rdg= The current indebtedness rate</b>	$Rdg = \frac{Dts}{TP} \times 100$	Dts=Short term debts TP=Total liabilities	The indicator shows the share of the short term debts in the total liabilities. The value must stay between 33%-50% for not affecting the company's indebtedness rate. The indicator is also assessed according to the debt chargeability. The later the debt is chargeable, the better.
3	<b>Rit<sub>1</sub>= The term indebtedness rate or Indebtedness<sub>1</sub></b>	$Rit_1 = \frac{Dtl}{Cpr} \times 100$	Dtl=Long term debts Cpr=Equity	The indicator is the ratio of long-term debts to equity or permanent capital. Indebtedness risk should generally not raise more than 30%-50%. The ratio of long-term debt to equity also brings us closer to explaining financial leverage. In general, to appreciate this indicator as positive, it should be below one.
4	<b>Rit<sub>2</sub>= The term immobilization rate = Indebtedness<sub>2</sub></b>	$Rit_2 = \frac{Dtl}{Cpm} \times 100$	Dtl=Long term debts Cpm= Permanent Capital Cpm=Cpr+Dtl	
5	<b>Rafg= The global financial autonomy rate</b>	$Rafg = \frac{Cpr}{TP} \times 100$	Cpr=Equity TP= Total liabilities	The indicator shows the share of equity in the total liabilities. It shows the percentage of the company's financial independence and an optimal value is considered to be 1/3 of total liabilities, about 33%.
6	<b>Raft= The term financial autonomy rate</b>	$Raft = \frac{Cpr}{Cpm} \times 100$	Cpm= Permanent Capital (Cpr+Dtl) Cpr=Equity	The indicator shows the share of equity in the permanent capital, i.e. long-term debts. For the company to enjoy financial autonomy the first ratio must show a value of about 50% and the second ratio should be above one.
7	<b>Rsf= The financial stability rate</b>	$Rsf = \frac{Cpm}{TP} \times 100$	Cpm=Permanent Capital TP= Total liabilities	The indicator shows the share of the permanent capital in the total liabilities. For the company to be in a favourable position, the value of this indicator is required between 50%-66%. This is backed up by a bigger share of the equity in the permanent capital at the expense of long-term debts.
8	<b>Rva= The accrued income rate</b>	$Rva = \frac{Va}{TP} \times 100$	Va=Accrued income TP= Total liabilities	The indicator shows the share of accrued income in the total liabilities. This indicator usually shows a low value in the industry.
9	<b>Rspi= The subsidies for investment rate</b>	$Rspi = \frac{Spi}{TP} \times 100$	<i>Spi=Subsidies for investment</i> TP= Total liabilities	The indicator shows the share of subsidies for investment in the total liabilities. Investment subsidies are a special category of income, coming from government sources or other sources of financing investments. Their share varies significantly, depending on the activity of the companies.

Source: Processing and adding by Maria Berheci, 2010, pp. 319-321.

**c. The financial solvability ratios**

**Table 3. Calculation of the financial solvability ratios**

The ratios		The calculation formula	Indicators	Explanations
1	<b>Rlc= The current liquidity rate</b>	$Rlc = \frac{Ac}{Dts}$	Ac= Current assets, Dts= Short term debts	The recommended amount acceptable around 2 and 2.5.
2	<b>Rli= The immediate liquidity rate (Acid Test ratio)</b>	$Rli = \frac{Ac - St}{Dts}$	Ac= Current assets, St= Stocks Dts= Short term debts	The recommended amount is around 0.8-1. If the "acid test ratio" is greater than 1, the company's situation is better.
3	<b>Rle= The effective liquidity rate</b>	$Rle = \frac{Trez}{Dts}$	Trez=Treasury	The indicator shows the entity's ability to pay immediately. Positive values are considered from 0.3.
4	<b>Raa= The assets self-financing rate (financial solvency)</b>	$Raa = \frac{Cpr}{TA} \times 100$	Cpr=Equity TA=Total assets	The indicator shows the level of financing assets from equity, or the degree to which fixed uses are covered by fixed sources.
5	<b>Rfai= The non current assets financing rate from equity</b>	$Rfai = \frac{Cpr}{Ai} \times 100$	Cpr=Equity Ai= Noncurrent assets	The indicator shows the level of financing non current assets from fixed sources.
6	<b>LF= Financial leverage</b>	$LF = \frac{TD}{Cpr}$	TD=Total Debts Cpr=Equity	Financial leverage affects the financial return (as evidenced by DuPont model). The theory supports a maximum value of about 0.6.

Source: Adapted from Hada Teodor, *Balance Sheet-Source of information for determining the financial position of economic entities*, „Revista Economică”, no. 65, 6/2013, Sibiu, pp. 72-83.

#### 4. Case study

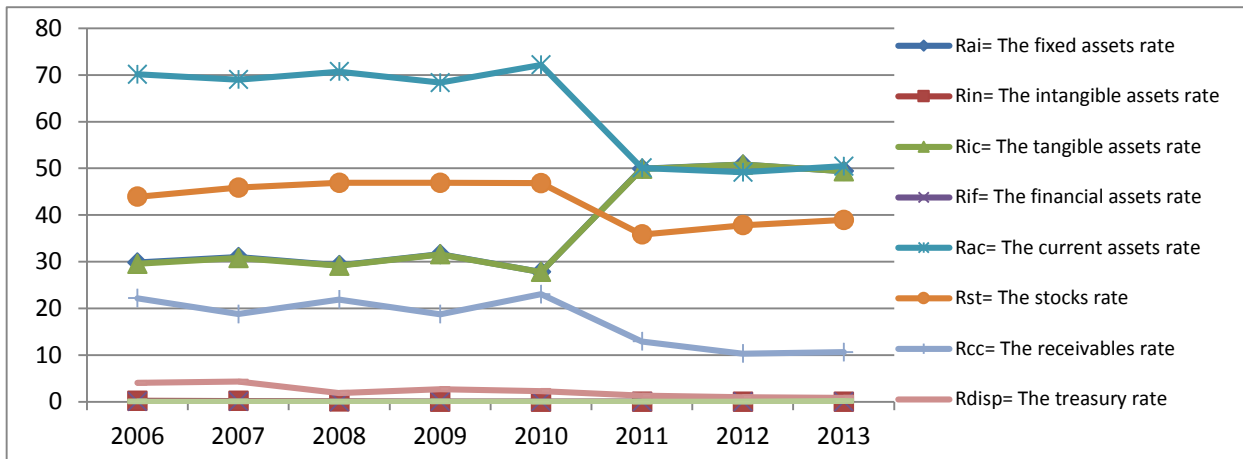
To highlight the usefulness of such an analysis, we shall present, in a dynamic analysis carried out over a period of eight years, the evolution of return rates of the assets, liabilities and financial stability.

**Table 4. The rates of the assets structure in dynamics**

Assets' indicators	2006	2007	2008	2009	2010	2011	2012	2013
<b>Rai= The fixed assets rate</b>	29.83	30.98	29.26	31.60	27.82	49.90	50.82	49.40
<b>Rin= The intangible assets rate</b>	0.22	0.18	0.08	0.01	0.00	0.00	0.00	0.00
<b>Ric= The tangible assets rate</b>	29.57	30.78	29.15	31.57	27.80	49.89	50.80	49.38
<b>Rif= The financial assets rate</b>	0.04	0.03	0.02	0.03	0.03	0.02	0.02	0.01
<b>Rac= The current assets rate</b>	70.13	68.99	70.72	68.37	72.16	50.08	49.17	50.45
<b>Rst= The stocks rate</b>	43.92	45.86	46.90	46.90	46.84	35.82	37.82	38.95
<b>Rcc= The receivables rate</b>	22.17	18.79	21.92	18.76	23.04	12.94	10.34	10.63
<b>Rdisp= The treasury rate</b>	4.04	4.33	1.90	2.71	2.29	1.32	1.01	0.87
<b>Rca= The rate of expenditures in advance</b>	0.04	0.03	0.02	0.03	0.02	0.02	0.02	0.15

Source: Personal projection of authors.

Figure 1. The structure rates of the assets



Source: Personal projection of authors.

After analyzing the rates of the assets structure, one may see that the company presents values oscillating during the eight analysed years and it is not very well positioned, as shown by the average indicators in the industry. Thus, in terms of tangible rate, the industry average is about 60% and, during the analysed period, there is an average value of the indicator of 37% and close to normal values in the last three years, to 50%.

The share of the current assets in the total assets is significantly higher than the industry average, but is reduced in 2011. Thus, after the financial crisis that hit the industry, the company has taken measures to limit its current assets, attempting to reduce them. However, this element may not be favourable to the company if the assets are reduced, particularly by excessively reducing liquidity, in this case the situation having to be treated separately. The stocks rate also decreased significantly in 2011, this element denoting, in our opinion, a positive factor for the company, as it requires a better stock rotation in terms of increasing the efficiency.

A more sensitive signal is seen in the evolution of the liquidity rate. With the onset of the crisis in 2008, the index decreased from 4.33% in 2007 to 1.90% in 2008, then showing two years of growth and a significant downward trend in the last three years to a value of 0.87% in 2013. Since the minimum value of this ratio is considered to a minimum of 5%, the declining trend can be considered a negative element for the company. Corroborated with other liquidity indicators, one can determine the effect of decreasing this rate, as well as the financial and managerial decisions to be taken.

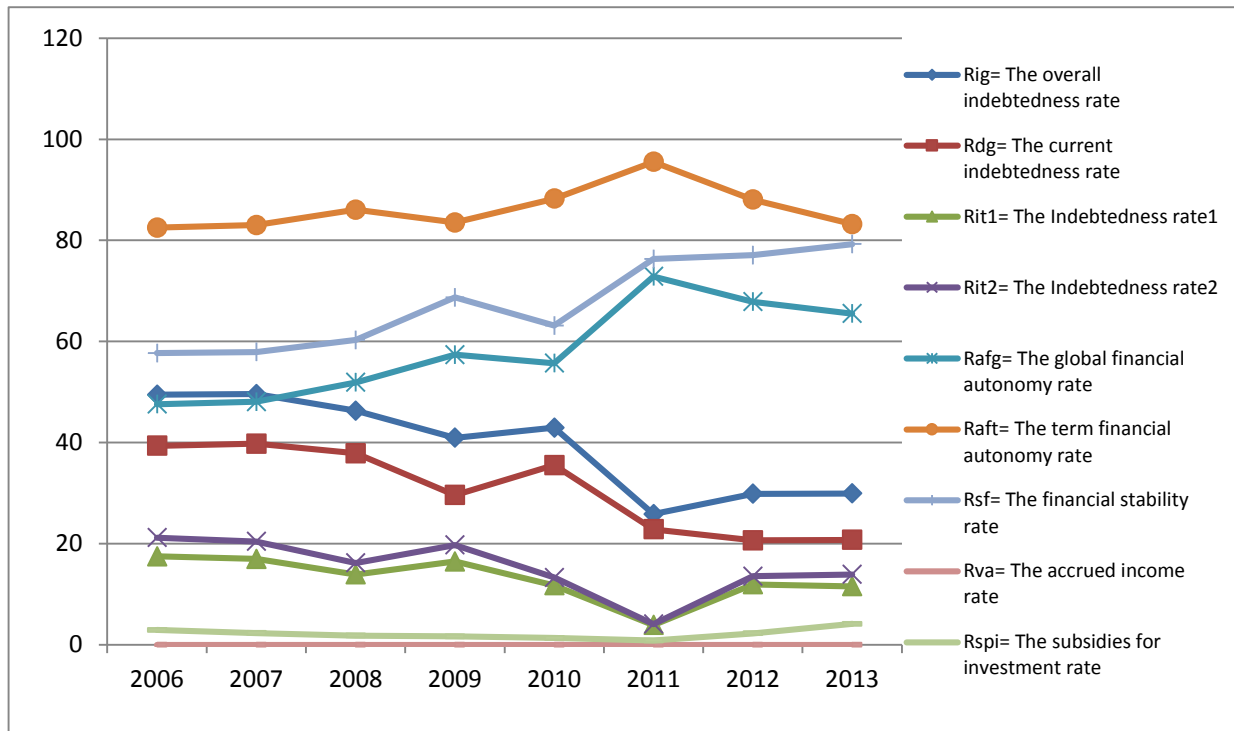
**Table 5. The rate dynamics of the liabilities structure**

Liabilities' Indicators	2006	2007	2008	2009	2010	2011	2012	2013
<b>Rig= The overall indebtedness rate</b>	49.47	49.60	46.29	40.94	42.95	25.84	29.88	29.94
<b>Rdg= The current indebtedness rate</b>	39.38	39.77	37.89	29.61	35.52	22.85	20.67	20.76
<b>Rit<sub>1</sub>= The Indebtedness rate<sub>1</sub></b>	17.49	16.98	13.93	16.49	11.76	3.92	11.96	11.58
<b>Rit<sub>2</sub>= The Indebtedness rate<sub>2</sub></b>	21.19	20.45	16.19	19.74	13.32	4.10	13.58	13.92
<b>Rafg= The global financial autonomy rate</b>	47.61	48.08	51.89	57.39	55.70	72.87	67.84	65.52
<b>Raft= The term financial autonomy rate</b>	82.51	83.02	86.07	83.51	88.24	95.51	88.04	83.20
<b>Rsf= The financial stability rate</b>	57.70	57.91	60.29	68.72	63.13	76.30	77.06	79.24
<b>Rva= The accrued income rate</b>	0	0	0	0	0	0	0	0
<b>Rspi= The subsidies for investment rate</b>	2.92	2.32	1.82	1.67	1.35	0.85	2.27	4.14

Source: Personal projection of authors.

Figure 2. The rates of the liabilities





Source: Personal projection of authors.

As regards the indicators of the liabilities rates, one may notice that they are well positioned compared with the industry average. Thus, the overall indebtedness rate is less than 66% on a growing trend and the current indebtedness rate is also on a growing trend, slightly below the industry limits.

The indebtedness rate is less than specified limits; it is also a theoretically positive element. The global financial autonomy and the term financial stability rates record very good values, showing values well above the industry average. These elements can be understood as precautions against the business risk in the field of furniture industry, as an industry that suffers more in times of economic crisis.

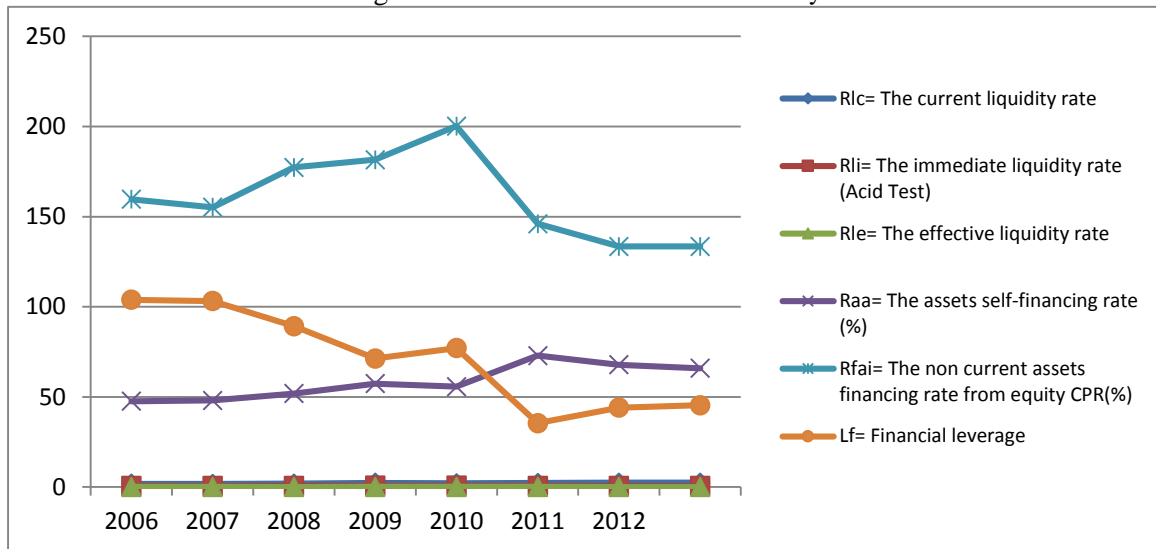
After analysing the calculated indicators, we believe that the patrimonial liability rates witness a stable situation of the company, with values ranking the company very well in the industry average.

**Table 6. The rate dynamics of the financial stability structure**

Stability Structure Indicators	2006	2007	2008	2009	2010	2011	2012	2013
<b>Rlc= The current liquidity rate</b>	1.78	1.73	1.87	2.31	2.03	2.19	2.38	2.43
<b>Rli= The immediate liquidity rate (Acid Test)</b>	0.67	0.58	0.63	0.73	0.71	0.62	0.55	0.55
<b>Rle= The effective liquidity rate</b>	0.10	0.11	0.05	0.09	0.06	0.06	0.05	0.04
<b>Raa= The assets self-financing rate (%)</b>	47.61	48.08	51.89	57.39	55.70	72.87	67.84	65.92
<b>Rfai= The non current assets financing rate from equity CPR(%)</b>	159.61	155.18	177.35	181.58	200.22	146.02	133.50	133.46
<b>Lf= Financial leverage</b>	103.91	103.17	89.21	71.35	77.10	35.46	44.05	45.41

Source: Personal projection of authors.

Figure 3. The rates of financial solvability



Source: Personal projection of authors.

Interpreting Figure 3, the current liquidity rate has a positive value, falling within the industry limits, being on a growing trend. The immediate liquidity and the effective liquidity rates have values below the recommended ones, slightly decreasing in the last three years, a clearly unfavourable element.

The assets self-financing rate is in a growing position, within the industry limits for the last years. This element is favourable, corroborated with very good values, on a significantly decreasing trend during the analysed period of the financial leverage. Thus, an increased stability of the company can be highlighted, in terms of financing it mainly from own sources, not from foreign sources, which involve higher risks.

## 5. Conclusions

After analysing the data presented, one can conclude that the economic crisis caused in the furniture industry similar phenomena as in the whole economy. The liquidity is decreased, because the revenues decreased due to the economical crisis. In our case, particularly, revenues decreased due to the financial crisis. Also, in near future, the company must follow the western market, due to the geopolitical crisis from Eastern Europe.

Also, one can conclude that, on the basis of professional judgment, by calculating the structure rates of the assets and liabilities and the financial stability ratios, one may adequately evaluate aspects of financial position. The evaluation of different aspects related to the patrimonial structure is particularly important given that we consider the single study of economic and financial performance as insufficient in the company's financial diagnostic approach.

Although the return rates, as a method of financial analysis have several limitations presented in this paper, we consider that the usefulness and opportunity of their use is obvious, given a correct application of professional judgment. The calculations have identified several positive and negative factors on the structure for the company, in terms of its structure and financial stability. However, by reporting to the industry standard values can place the company among industrial branches, but does not provide a sufficiently clear framework for a sector-wide reporting in the furniture industry in Romania.

As future research, we propose to study the financial position on a sample of companies in the furniture industry in Romania, in the sense of analysing a framework comparable to the averages values expressed in the industry for the main rate indicators.

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Appendix no. 1. Processing for 8 years according to S.C. Mobex S.A. Balance Sheet

Indicators/Years of reference		2006	2007	2008	2009	2010	2011	2012	2013
A	B	1	2	3	4	5	6	7	8
<b>TOTAL ASSETS/TOTAL LIABILITIES</b>		<b>26,930,116</b>	<b>29,285,850</b>	<b>31,645,528</b>	<b>29,197,114</b>	<b>30,180,460</b>	<b>39,496,758</b>	<b>44,652,762</b>	<b>47,595,229</b>
<b>A</b>	<b><u>NON CURRENT ASSETS</u></b>								
	<b>I. INTANGIBLE ASSETS</b>	59,870	51,400	25,992	2,420	0	0	0	0
	<b>II. TANGIBLE ASSETS</b>	7,962,532	9,014,773	9,224,804	9,217,164	8,389,267	19,703,162	22,684,411	23,503,147
	<b>III. FINANCIAL ASSETS - TOTAL</b>	10,608	7,608	7,608	7,608	7,608	7,608	7,108	7,108
	<b><u>NON CURRENT ASSETS - TOTAL (row 01 to 03)</u></b>	<b>8,033,010</b>	<b>9,073,781</b>	<b>9,258,404</b>	<b>9,227,192</b>	<b>8,396,875</b>	<b>19,710,770</b>	<b>22,691,519</b>	<b>23,510,255</b>
<b>B</b>	<b><u>CURRENT ASSETS</u></b>								
	<b>I. STOCKS</b>	11,827,166	13,431,291	14,841,498	13,692,969	14,136,337	14,148,196	16,887,793	18,539,870
	<b>II. RECEIVABLES</b>	5,971,219	5,503,796	6,936,169	5,477,655	6,952,691	5,110,358	4,616,302	5,058,664
	<b>III.SHORT TERM FINANCIAL INVESTMENTS</b>	0	0	0	0	0	0	0	0
	<b>IV. CASH AND BANK ACCOUNTS</b>	1,087,873	1,269,531	602,437	791,704	689,752	520,277	450,122	413,087
	<b>CURRENT ASSETS - TOTAL (row5 to 8)</b>	<b>18,886,258</b>	<b>20,204,618</b>	<b>22,380,104</b>	<b>19,962,328</b>	<b>21,778,780</b>	<b>19,778,831</b>	<b>21,954,217</b>	<b>24,011,621</b>
<b>C</b>	<b>EXPENDITURE IN ADVANCE (ct.471)</b>	10,848	7,451	7,020	7,594	4,805	7,157	7,026	73,353
<b>D</b>	<b>SHORT TERM DEBTS (Dts)</b>	10,606,336	11,646,666	11,990,050	8,646,464	10,721,309	9,026,363	9,228,471	9,881,729
<b>E</b>	<b>NET CURRENT ASSETS/NET CURRENT DEBTS (REPRESENTS THE WORKING CAPITAL)</b>	<b>8,290,770</b>	<b>8,565,403</b>	<b>10,397,074</b>	<b>11,323,458</b>	<b>11,062,276</b>	<b>10,759,625</b>	<b>12,732,772</b>	14,203,245
<b>F</b>	<b>TOTAL ASSETS MINUS CURRENT DEBTS (Represents Permanent Capital)</b>	<b>15,538,605</b>	<b>16,960,198</b>	<b>19,077,968</b>	<b>20,063,128</b>	<b>19,052,133</b>	<b>30,136,224</b>	<b>34,409,205</b>	37,713,500
<b>G</b>	<b>LONG TERM DEBTS (Dtl)</b>	2,717,027	2,879,676	2,658,128	3,308,148	2,240,115	1,180,168	4,115,059	4,366,905
	<b>TOTAL DEBTS</b>	13,323,363	14,526,342	14,648,178	11,954,612	12,961,424	10,206,531	13,343,530	14,248,634
<b>H</b>	<b>PROVISIONS FOR RISKS AND CHARGES (ct.151)</b>	0	0	0	0	0	173,631	0	0
	<b>ACCRUED INCOME total, of which: (row 17 + 18)</b>	<b>785,175</b>	<b>678,986</b>	<b>577,510</b>	<b>487,522</b>	<b>407,018</b>	<b>334,171</b>	<b>1,015,086</b>	<b>1,970,235</b>
	<b>subsidies for investment</b>	785,175	678,986	577,510	487,522	407,018	334,171	1,015,086	<b>1,970,235</b>
	<b>deferred income (ct.472)</b>	0	0	0	0	0	0	0	0

<b>J</b>	<b>CAPITAL AND RESERVES</b>										
	<b>I. CAPITAL</b> (row 20 to 22)		<b>4,238,358</b>	<b>4,238,358</b>	<b>4,238,358</b>	<b>4,238,358</b>	<b>4,238,358</b>	<b>4,238,358</b>	<b>4,238,358</b>	<b>4,238,358</b>	
	of which:	19									
	<b>subscribed and not paid capital</b> (ct.1011)	20	0	0	0	0	0	0	0	0	
	<b>subscribed and paid capital</b> (ct.1012)	21	4,238,358	4,238,358	4,238,358	4,238,358	4,238,358	4,238,358	4,238,358	4,238,358	
	<b>administration assets</b> (1015)	22	0	0	0	0	0	0	0	0	
	<b>II. SHARE PREMIUM</b> (ct.104)	23	14,753	14,753	14,753	14,753	14,753	14,753	14,753	14,753	
	<b>III. REVALUATION RESERVE</b> (ct.105) <u>BALANCE C</u>	24	0	0	0	0	0	10,640,243	10,087,299	9,534,317	
	<u>BALANCE D</u>	24	0	0	0	0	0	0	0	0	
	<b>IV. RESERVE</b> (ct.106)	25	6,675,976	7,535,202	8,396,081	8,750,125	10,279,079	11,406,895	12,574,335	14,536,717	
	<b>Treasury stocks</b> (ct.109)	26	0	0	0	0	0	0	0	0	
	<b>V. RETAINED EARNINGS</b>	(ct.117) <u>BALANCE C</u>	27	1,892,491	24,196	24,196	2,000,430	24,196	24,196	24,196	0
		(ct.117) <u>BALANCE D</u>	28	0	0	0	0	0	0	0	0
	<b>VI. RESULT OF THE FINANCIAL YEAR</b>	(ct.121) <u>BALANCE C</u>	29	1,868,295	2,268,013	3,746,452	1,751,314	2,255,632	2,457,980	3,355,205	3,052,215
		(ct.121) <u>BALANCE D</u>	30	0	0	0	0	0	0	0	0
	<b>Profit sharing</b> (ct.129)	31	1,868,295				0	0	0	0	
	<b>EQUITY - TOTAL</b>	32	<b>12,821,578</b>	<b>14,080,522</b>	<b>16,419,840</b>	<b>16,754,980</b>	<b>16,812,018</b>	<b>28,782,425</b>	<b>30,294,146</b>	<b>31,376,360</b>	
	<b>Public assets</b> (ct.1016)	33	0	0	0	0	0	0	0	0	
	<b>CAPITALS - TOTAL</b> (rd. 32 +33)	34	<b>12,821,578</b>	<b>14,080,522</b>	<b>16,419,840</b>	<b>16,754,980</b>	<b>16,812,018</b>	<b>28,782,425</b>	<b>30,294,146</b>	<b>31,376,360</b>	