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THE ANALYSIS OF THE COMPANY'S FINANCIAL POSITION WITHIN THE CONTEXT OF CLIMATE CHANGE

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Abstract:

The financial impact of environment destruction is very important, and entities have to present information concerning the implemented environmental policies, objectives and programs, the expenses made in this field, the met ecological risks. Accounting is the main source of information that allows the estimation of an entity's value, and as a consequence, it is necessary that it reflects the environment aspects that certainly have significant financial consequences. The utility of the information concerning the economic resources controlled by the company and their modification in the past consists in the possibility of anticipating the company's capacity to generate liquidity in the future as well as the evaluation the management's administrative skills.

Keywords: *environmental protection, accounting, expenses, liquidity indicators, risk indicators, profitability indicators.*

JEL Classification: G3, M00

I. The importance and content of environmental protection expenses

Environmental issues are approached differently as there is not a unitary view. The adoption of an environmental policy means taking into consideration the interests of different actors: public authority, investors, creditors, ecological associations, interests that, most of the time, are divergent. The financial impact of environment destruction is also very important, and entities have to present information concerning the implemented environmental policies, objectives and programs, the expenses made in this field, the met ecological risks. Under these circumstances, the assessment of the actions developed by these entities for the environment protection is an initiative that has to be encouraged.

The triangle society-economy-ecology is at the basis of sustainable development. Man is an important factor of mutual support of all the three elements.

In a highly organised society, such as the contemporary one, nature disappears behind the organised mass of our peers, the individual thinks that he lives from his relationships with his peers, from the services they offer, from what they get in exchange, he no longer knows that he lives from the samplings operated by the population from the natural environment. Everything he uses seems to be a product of human labour, this being true only from the point of view of form, as the substance is borrowed from nature.

Accounting is the main source of information that allows the estimation of an entity's value, and as a consequence, it is necessary that it reflects the environment aspects that certainly have significant financial consequences. Although it is a main source of information, accounting has some inconveniences "the good done by the production activities is measured by our accounting, but not the bad things done by the complementary activities towards their activities of producers and consumers, that the economists call negative consequences of external diseconomies."(Bertrand de Jouvenel, 1983).

In order to guarantee the sustainable exploitation of the environment, entities have to find an answer to the questions: How is the cost of their products calculated by taking into consideration their impact on the environment? How can the environment performances be taken into consideration? How the priority of the investments objectives is established taking into consideration both the economic and technical characteristics and the environment ones?

The special attention that the economic entities have to pay to environment also results from the fact that the environment contributes to the well-being of human kind by means of the following functions:

- the resource function, by supplying resources, especially the space necessary for human activity;
- the waste absorption function, that is the neutralization or recycling of the waste resulted from human activity;
- the environment services function: the preservation of biosphere, genetic diversity, climate stability.

The notion of environment protection includes the saving of energy and resources and the pollution problems. If one has in view the resources that provide the existence and development of entities, including beings, these resources are grouped into:

- resources that can regenerate (air and water in the case when there is a sufficient regeneration time). This type of reserves has to be exploited so that their renewal needs to be done in due time so that the remaking of stocks should not be necessary;
- resources that cannot be regenerated (coal, fuel, raw material) that have or can have substituents. In the case of these resources great efforts are made for the discovery of new deposits or technological processes that allow the exploitation of deposits that until then could not be exploited or to reduce the consumption of these resources by a more judicious use.

The constant degradation of the environment, the ecological disasters have attributed to environmental issues a greater and greater importance. The integration of the environment within the company's life means taking into consideration more points of view: economic, judicial, accounting, financial, technical.

Another problem raised by the environment expenses is in Romania, the obstacle met for the realisation of an environmental accounting. The reasons that justify the inability of the traditional accounting to contain and reflect the environmental problems are:

- ✓ the accounting regulations on the environment, on the one hand, offer a great liberty in evaluating the environment risks and the probability of their existence;
- ✓ on the other hand, the traditional accounting promotes a narrow economic view, by determining the short-term results of the company, without approaching long-term problems, such as the environment risks.

The transition from the traditional accounting to one that could also include environmental problems supposes, among others, the modernisation of the two accounting surveys: the balance sheet and the profit and loss account.

The balance sheet has to take into consideration all assets, especially intangible assets, such as the human capital and reputation which offer a sustainable development, as well as the liabilities, those related to the risks of sustainable development, the provisions constituted for this matter.

The profit and loss account has to contain the external costs and profit (traditionally not taken into consideration) in order to observe the costs and profit related both to economic performances and to the environment.

Thus conceived, the environment accounting, part of the traditional accounting, has to be regarded from three points of view: the moment of the impact, the place of the impact and the type of impact, synoptically reflected by the so-called cube of the environment accounting presented in figure 1(Bețianu, L., 2008).

- the type of impact, as a dimension, identifies the impact as being environmental, social or economic;
- the place of impact presents the reflection of the impact in accounts, if it is framed by the limits of financial report (internal environment) or is outside the traditional report limits (external environment);
- the moment of impact: the information can offer a radiography at a given moment of the stock of goods, but also of the flow of goods and services.

The effort made by the entity is concretised in the amount of generic environment expenses defined as being the expenses generated by the actions and activities whose main objective is the prevention, reduction and elimination of pollution and environment degradation. They include: the prevention, elimination or reduction of waste or used waters; of the emissions from the atmosphere; the treatment of contaminated soils, of underground waters; of the level of noise and vibrations, of landscape change; the research and innovation of less-polluting products and production processes; the control of environment quality.

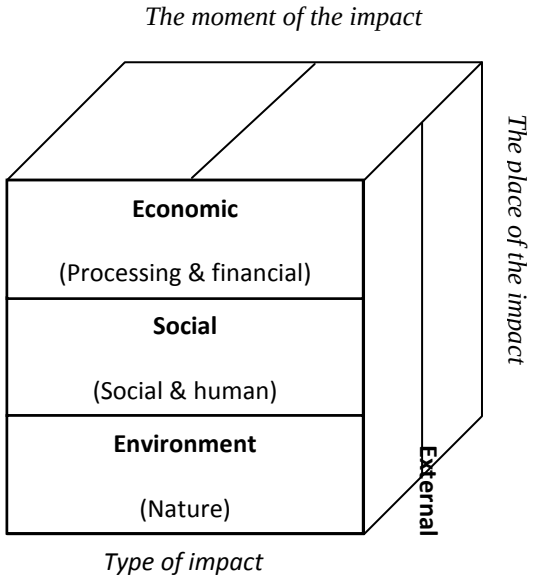

Figure 1. The cube of environment accounting

At the level of the European Community there has been issued the recommendation 453/2001 for taking into consideration the expenses concerning the environment and clarifies the notion of environment expenses and their accounting treatment with the mention that the environment expenses will be charged to the results of the period when they were observed, except those registered for fixed assets and that are written off both in the current period and in the future ones.

In accordance with this regulation, the environment expenses born by an entity are grouped either on types of actions, or on fields.

The grouping of expenses on types of actions aims activities such as: control, recycling and valorisation, the prevention of pollution. This is presented in table 1.

Table 1Environmental expenses for types of actions

Expenses for types of actions	The dynamics of environmental provisions						Operating expenses	Invest-ments	Total environmental expenses at the end of the financial year
	Balance at the beginning of the financial year	Consti-tution	Annulment of used provisions	Annulment of unused provisions	Others	Final balance 6 = 1+ 2+ 3 – 4 + 5			9 = 2 – 4 + 7 + 8
0	1	2	3	4	5	6	7	8	9
Pre-treatment, treatment and elimination									
Measurement and control									
Recycling and valorisation									
Pollution prevention									
Total									

If one has in view the fields for which the environment expenses are made, such as: the air and climate protection; the waste management; the soil protection; actions against noise, the biodiversity protection etc., the component of environment expenses is that presented in table 2.

Table 2Environmental expenses for different domains

Expenses for types of actions	The Dynamics of Environment Provisions						Operating expenses	Invest-ments	Total environmental expenses at the end of the financial year
	Balance at the beginning of the financial year	Consti-tution	Annulment of used provisions	Annulment of unused provisions	Others	Final balance 6 = 1+ 2+ 3 – 4 + 5			9 = 2 – 4 + 7 + 8
0	1	2	3	4	5	6	7	8	9
The protection of air and climate									
The management of used waters									
The management of waste									
The protection and drainage of soil, underground and surface waters									
Fight against noise and vibrations									
The protection of biodiversity and landscapes									
The protection against radiations									
Research and development									
Other activities for the environment protection									
Total									

The large number of actions aiming the environment protection imposes also a grouping of environment expenses according to their nature. From this point of view, there can be identified the following environment expenses at the level of an entity:

1. *Expenses for correcting the errors produced in the past* including here the expenses generated by ecological accidents caused by the company and the decontamination costs. The compensation paid to the victims of the ecological catastrophes are born by the economic

entities and, depending on the case, can be payable within certain limits by the great companies, but can be disastrous for the existence of the small commercial companies. As far as decontamination is concerned, it contains the expenses made, paid for the elimination of pollution effects and of investments in the current technologies.

2. *Exploitation expenses of the existent investments* contain:

2.1. Storing expenses for the environment protection against the uncontrolled storing of dangerous waste by the equipping and building of special warehouses.

2.2. Monitoring expenses. The preservation of environment conditions supposes the sampling, the realisation of analysis, periodical measures near industrial areas in order to avoid pollution risks. These are important expenses, from the point of view of their amount.

2.3. Expenses with the purchase of pollution prevention installations, installations for the desulfuration of gases, site for the purification of emissions. The realisation of these expenses has a double purpose: on the one hand the obtaining by entities of some potential savings for the reduction of the possible sanctions, and on the other hand, a good quality of the environment is provided.

3. *Expenses for the development of ecophyl solutions* generated by the research and development activity in the environment field, the reduction of emissions, the cost of waste recycling. They can be grouped as follows:

3.1. Expenses for research and development, that comprise expenses fro the realisation of new products that could observe the environment: less polluting technologies, technologies for the manufacturing of less toxic products.

3.2. Expenses for the reduction of polluting agents at the source.

3.3. Expenses concerning the recycling of waste.

The environment accounting in Romania has been paid an increased attention during the last years, together with the growth of the monetary consequences of the entities' impact and incidents on the environment. They refer mainly to the generation, analysis and use of financial and non-financial information for the evaluation and control of the environment aspects of an entity.

II. The financial position of the economic entity

The financial position of the economic entity represents the relationship between the assets, debts and equity, such as they are presented in the balance sheet and offer useful information to a large range of users due to the elements influencing it:

- the economic resources the entity controls;
- the financial structure of the company;
- its liquidity and solvency;
- the company's capacity to adapt to the changes of the environment where it operates.

The utility of the information concerning the economic resources controlled by the company and their modification in the past consists in the possibility of anticipating the company's capacity to generate liquidity in the future as well as the evaluation the management's administrative skills.

The information concerning the financial structure is useful in order to anticipate the future crediting needs and the company's chances to obtain financing in the future. They are useful in anticipating the way of repartition of results and of the future treasury flows among those interested in the company.

The anticipation of the company's ability to honour its due financial debts is realised by means of the information concerning liquidity and solvency. Liquidity refers to cash available in the near future,

taking into account the financial liabilities afferent to the respective period. Solvency refers to cash available on a longer period, taking into consideration the corresponding financial debts.

The utility of information concerning the capacity of companies to adapt to environment changes is due to the possibility to assess the way in which the company faces unexpected changes.

The financial adaptability of a company is its ability to effectively activate in order to modify the rhythm and measure of treasury flows, meeting thus the unexpected needs or appeared opportunities.

A company wishes to have a financial adaptability as this quality helps it to attenuate the risks its activity faces, and to survive during the periods with a low level (even negative level) of monetary flows generated by certain liabilities. Such a situation allows the company to beneficiate from the opportunities appeared in the investment operations.

The risks the company faces and its investors' taste for risk will determine the way and degree in which the company wishes to adapt financially.

The indicators used for the financial position analysis, in accordance with the explicative note no. 9, the Order of Ministry of Public Finances no. 1752/2005 are:

1. Liquidity indicators:

- Current Liquidity: Lc=Current assets/current debts
- Immediate liquidity: Li=(Current assets - Stocks)/Current debts

2. Risk indicators:

- Degree of indebtedness: Gî = [Long-term debts / Equity] X 100; Gî = [Long-term debts / Employed capital] X 100
- Covering interests : Ad = Profit before taxation and payment of interest / Interest expenses

3. Management risks:

- The stocks' rotation speed: NrSt= Turnover / Stocks; DzSt = [Stocks / Turnover] X 365
- The rotation speed of debits-clients: DzCl = [Clients / Turnover] X 365
- The suppliers' rotation speed: DzFz = [Suppliers / Turnover] X 365
- The rotation speed of fixed assets: NrAi = Turnover / Fixed assets
- The rotation speed of total assets: NrAt = Turnover / Total assets

4. Profitability indicators:

- The return of employed capital (financial return): Rfin = [Profit before immobilisation and payment of interest / Employed capital] X 100
- Gross margin from sales (commercial return): Rcom = [Gross profit from sales / Turnover] X 100

III. Case study on the environmental protection expenses

The study of environment expenses is important for the entity's economy as the increase of total costs affects the measure of financial results it obtains (figure 2). These environment expenses aim a longer period of time, the result are not perceivable immediately, but in the future:

The expenses for the environment protection affecting the entity\s financial position represent the economic measure of the answer given by the society for the approach of problems generated by the state of the environment in a given period.

The expenses for the environment protection reflect the environment financing flows and include the payments for the economic activities that have as a purpose the production of specific services for the prevention, reduction or rebuttal of damages brought to the environment. These are grouped in: investments and current expenses that include internal current expenses and external current expenses.

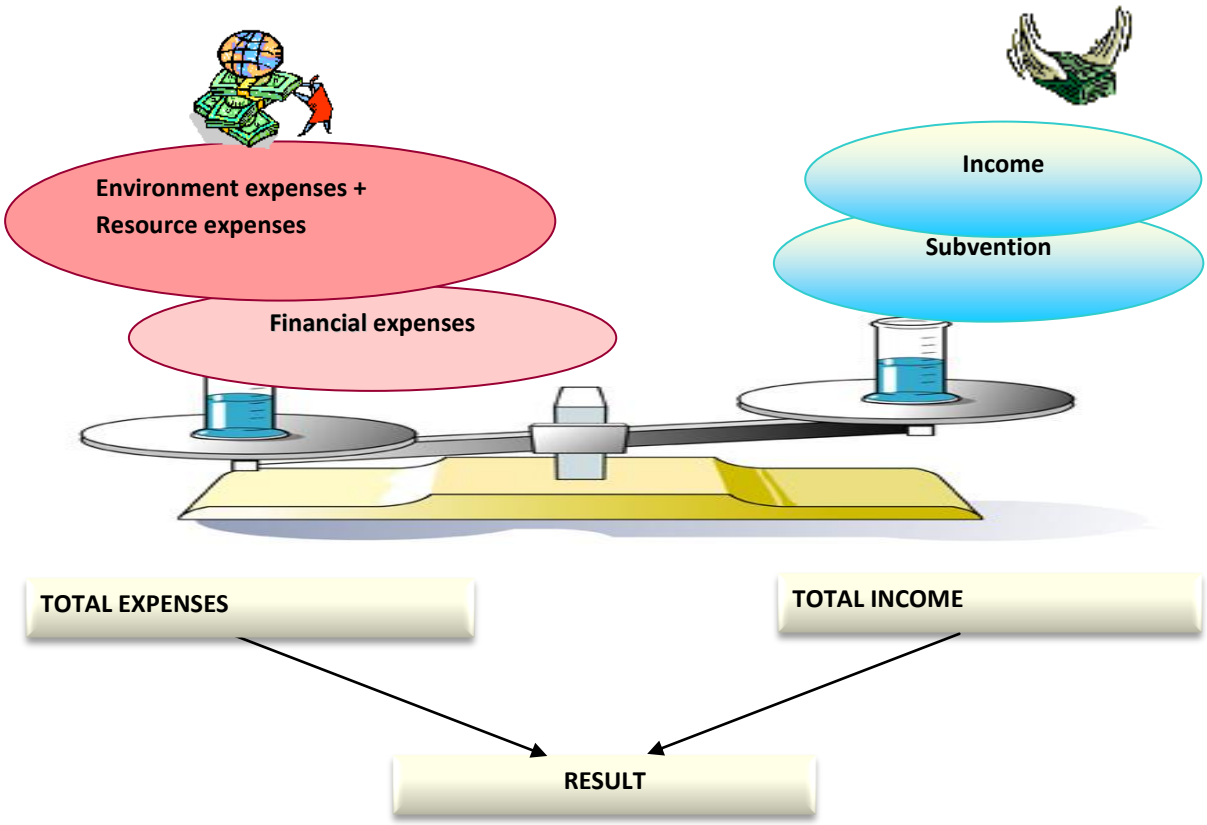

Figure 2. Relationship income-expenses (environment expenses) – result

During the period 2006-2007, the expenses for the environment protection in Romania increased from 8 billion lei (The expenses at the national level include: investments and current internal expenses (the current expenses realised by individual environment protection activities), the external current expenses not being included (expenses for the purchase of environment protection services from third parties, as well as the taxes paid for the environment) and other public administration expenses (granted subventions, transfers), representing approximately 2.3% from GDP) to 11 billion lei (representing approximately 2.7% from GDP.

The expenses for the environment protection on sectors of activity and types of expenses during the period 2006-2007 are presented in table 3.

Table 3 **Expenses for the environment protection on sectors of activity and types of expenses during the period 2006 - 2007**

thousand lei current prices

Sectors of activity	Year	Total expenses	Out of each		
			Investments	Current expenses	
				internal	external
Unspecialized producers	*2006*	*2.460.918*	*1.125.384*	*961.416*	*374.118*
	2007	*2.743.422*	*1.329.980*	*913.847*	*499.595*
Specialized producers	*2006*	*5.297.304*	*793.154*	*4.101.018*	*403.132*
	2007	*7.039.354*	*1.048.084*	*5.487.074*	*504.196*
Public administration	*2006*	*1.978.091*	*451.724*	*422.681*	*986.876*
	2007	*2.914.520*	*1.296.891*	*867.226*	*224.269*

Source: National Institute of Statistics

Unspecialized producers = The category of unspecialised producers includes: forestry, forest exploitation and complementary services, extracting industry, processing industry, the production and supply of electrical and thermal energy, gases and hot water, constructions.

Specialized producers = The specialised producers are the units performing as main activity the activities for environment protection.

Public administration = The public administration includes all the units of the local and central public administration that produce or finance non-commercial environment protection services for the individual and collective consumption.

The percentage of the expenses for environment protection of the specialised producers represented more than half of the total expenses (55.4% in 2007 as compared to 54.4% in 2006)

The expenses for environment protection on environment domains and categories of producers are presented in table 4.

Table 4 Expenses for the environment protection for different environment domains and categories of producers during the period 2006 - 2007

thousand lei current prices

Environment domains	Year	Total expenses	Unspecialized producers	Specialized producers	Public administration
Air protection	2006	1048911	962660	21762	100489
	2007	1130353	803990	44614	281749
Water protection	2006	2278861	514629	1146586	617646
	2007	2697415	642085	1002417	1052913
Waste management	2006	5376722	411186	4024884	940652
	2007	6735353	479853	5483427	412073
Protection of soil and underground waters	2006	378473	237729	30304	110430
	2007	957022	179375	27468	750179
The control of noise and vibrations	2006	78324	32338	5912	40074
	2007	92134	19093	19728	53313
Protection of natural resources and the preservation of biodiversity	2006	231205	119123	33189	78893
	2007	259676	117202	39384	103090
Other environment protection	2006	307827	183253	34667	89907
	2007	825343	501824	62316	261203

Source: National Institute of Statistics

In 2006, the specialised producers and the public administration register the highest expenses in the field of "waste management" (76% and respectively 47.6%), while for the unspecialised producers expenses were directed to the field of "air protection" (39.1%)

In 2007, the specialised producers register the highest expenses in the same field, that of "waste management" (83%), while for the unspecialised producers expenses were directed mainly towards the field of "air protection" (29.3%). The public administration registered the highest expenses in the filed of "air protection" (36.1%).

If we take into consideration the expenses for the air protection on regions of development and categories of expenses for 2005, their percentage is presented in table 5.

Table 5 Expenses for the environment protection for regions of development and categories of expenses in 2005

thousand lei current prices

Region	Total	Invest-ments	Current expenses (3 = 4 + 5)	The percentage of current expenses for each region (%)	din care:		Granted subventions	Other expenses
					Internal current expenses	External current expenses		
0	1	2	3	4	5	6	7	8
NORTH-EAST	330.423	95.642	233.959	4,79	195.475	38.484	404	418
SOUTH-EAST	1.389.847	253.141	1.136.092	24,16	934.308	201.748	346	268
SOUTH-MUNTENIA	778.633	158.913	619.700	13,18	543.862	75.838	12	8
SOUTH-WEST-OLTENIA	597.557	116.405	481.001	10,23	371.984	109.017	127	24
WEST	297.185	91.342	205.830	4,37	141.206	64.624	9	4
NORTH-WEST	506.904	124.609	367.971	7,82	308.954	59.017	451	13.873
CENTER	762.781	226.991	535.531	11,39	473.680	61.851	251	8
BUCHAREST-ILFOV	1.652.130	490.559	1.120.376	23,83	889.786	230.590	41.187	8
TOTAL COUNTRY	~	1.557.602	4.700.460	100	3.859.255	841.205	42.787	14.611

The data presented in table 5 show that three regions of development realise over 60% of the current expenses for the environment protection, such as: the South-East region with 1,136 million lei, Bucharest-Ilfov with 1,120 lei and the South-Muntenia region with 619 lei. We may observe the fact that the North-East region that also includes Bacau county, has a relatively low level of the current expenses for environment protection. The graphic representation of the percentage of the current expenses for environment protection in figure 3 is significant.

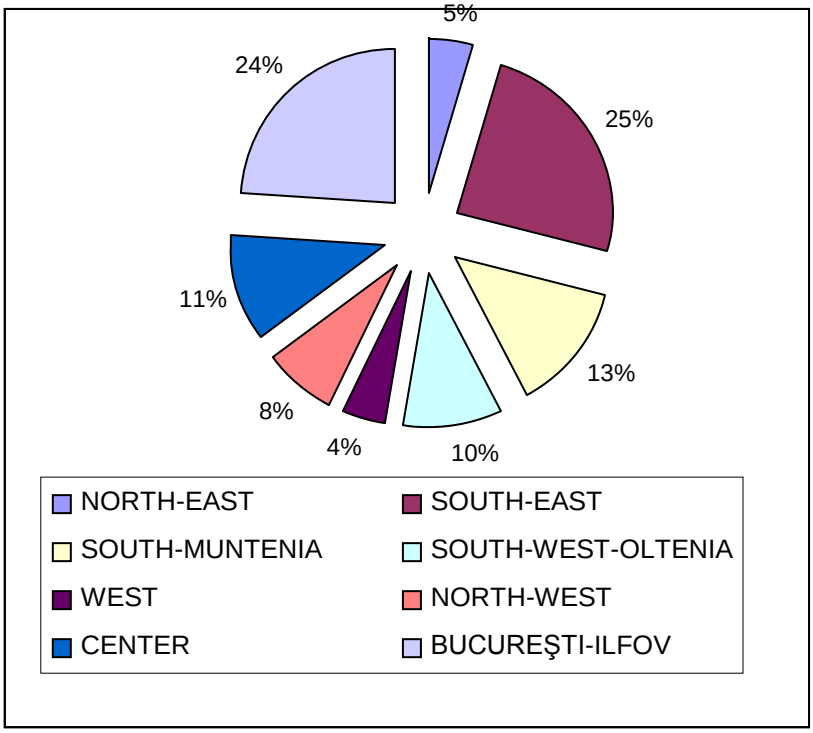

Figure 3. The percentage of current expenses for the environment protection for regions of development

The available data offers us the possibility to present the effort made by the development regions for the environment protection on different environment domains. (Table 6)

Table 6 Expenses for the environment protection for regions of development and environment domains in 2005

thousand lei current prices

Region	Total	ENVIRONMENT DOMAINS						
		Air	Water	Waste	Soil and under-ground waters	Noise and vibrations	Natural resources and biodiversity	Other domains
NORTH-EAST	330.423	51.620	92.722	164.078	7.944	397	3.446	10.216
	100%	15,62%	28,06%	49,65%	2,40%	0,12%	1,04%	3,09%
SOUTH-EAST	1.389.847	89.947	190.612	1.058.901	23.922	2.439	4.960	19.066
	100%	6,47%	13,71 %	76,18%	1,72%	0,17%	0,35%	1,37%
SOUTH-MUNTENIA	778.633	83993	101263	559987	8109	7451	9084	8746
	100%	10,78%	13,00%	71,91%	1,04%	0,95%	1,16%	1,12%
SOUTH-WEST-OLTENIA	597.557	69881	84890	421280	7119	3480	2609	8298
	100%	11,69%	14,20%	70,50%	1,19%	0,58%	0,43%	1,38%
WEST	297.185	29047	66214	173520	4990	864	4898	17652
	100%	9,77%	22,28%	58,38%	1,67%	0,29%	1,64%	5,94%
NORTH-WEST	506.904	31640	167311	278865	10836	5993	2160	10099
	100%	6,24%	33,00%	55,01%	2,14%	1,18%	0,43%	1,99%
CENTER	762.781	76409	256781	328320	9209	2168	2465	87429
	100%	10,01%	36,66%	43,04%	1,21%	0,28%	0,32%	11,46%
BUCHAREST-ILFOV	1.652.130	183550	584546	607022	126143	8658	43881	98330
	100%	11,11%	35,38%	36,74%	7,63%	0,52%	2,65%	5,95%
TOTAL COUNTRY	*6.315.460*	*616087*	*1544330*	*3591973*	*198272*	*31450*	*73503*	*259836*
	100%	*9,75%*	*24,45%*	*56,87%*	*3,13%*	*0,50%*	*1,16%*	*4,11%*

The presented data show that in the total of environment expenses on environment domains, the recycling of waste has the highest percentage, that on regions of development is between 43% Centre region and 76% the South-East region, there follows the expenses for water between 13% and 36%, than the expenses for air, between 6% and 15%. The structure of environment expenses differs from one region to another according to the economic and physical –geographic particularities. In figure 4 and figure 5 we presented, as a comparison, the structure of environment expenses on environment domains, from the North-East region to that at the country level.

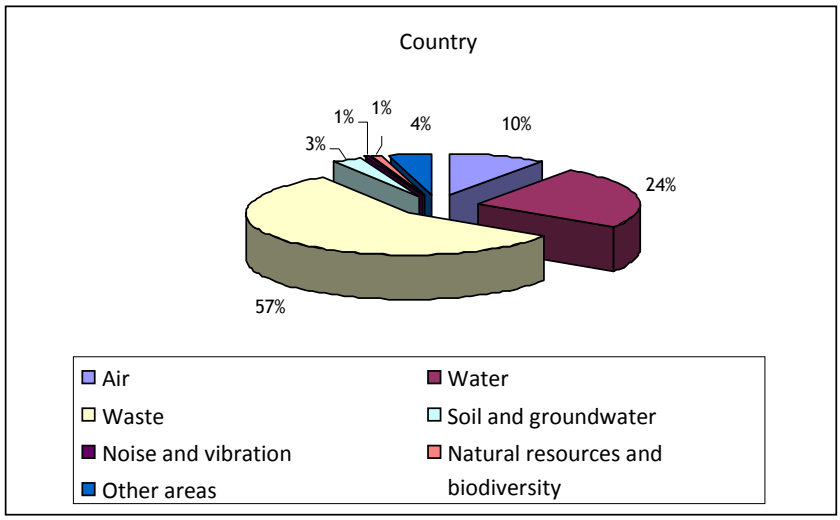

Figure 4. The structure of expenses for environment protection on environment domains at the country level

Taking into consideration the mountain relief of the North-East region, corroborated with the massive deforestation after 1990, both the region and Bacau county - part of the region, were seriously damaged in 2005 and 2006, as a result of flood disasters in the mountain areas. In order to eliminate their effects, there have been allotted and spent over 16,000 thousand lei at the level of Bacau County only. In table 7 we present the objectives and allotted sums at the level of Bacau county.

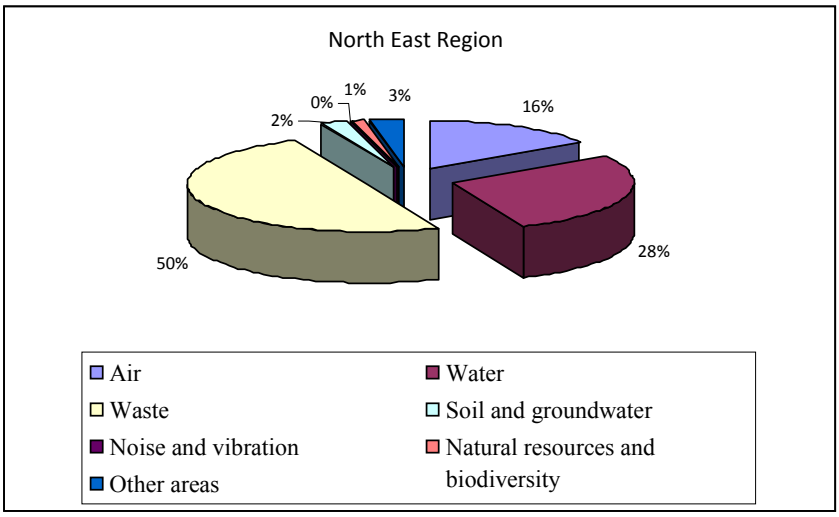

Figure 5. The structure of expenses for environment protection on environment domains in the North-East region

Table 7 The value of works for repairing the effects of floods in July 2005

No.	Objective	Sums according to contracts	Total financing	Financing	
				2005	2006
1	Bend cutting of Siret river at the Thick bend	105000	879623,66	-	897632,66
2	Fitting of Tazlău brook at Măgireşti	1244950	1244950	1242877,93	-
3	Regularization of Năneşti brook	490000	490000	490000	-
4	Regularization of Siret river at Tămaşi	651000	651000	513919,59	137080,42
5	Regularization of Helgiu river	651000	651000	256353,53	394646,47
6	Regularization of Solonț brook	651000	650999,19	379145,90	271853,29
7	Fitting of Valea Rea brook	651000	650999,99	362361,69	288638,3
8	Regularization of Caşin brook	560000	560000	377646,67	182353,33
9	Regularization of Ruja brook	665000	665000	284976,71	380023,29
10	Regularization of Cleja brook	910000	910000	504017,25	405982,75
11	Regularization of Bistrița affluent river	658000	658000	463267,00	194733,00
12	Regularization of Soci brook	490000	490000	381232,23	108767,77
13	Damming Siret river Tămăşeni commune	560000	559999,99	46056,99	513943,00
14	Regularization of Tazlău Sărat river	462350	462350	462350	-
15	Fitting of Trotuş river Ghimeş area	35000000	3500000	1673282,97	1826717,03
16	Fitting of Siret river Brad place	665000	614756,31	-	614756,31
17	Regularization of Tazlău Sărat river Zemeş place	980000	980000	323800,49	656199,51
18	Fitting of Trotuş river Comăneşti	2100000	2100000	-	2100000
	TOTAL BACĂU COUNTY	***16904300***	***16734616,07***	***7761288,94***	***8973327,13***

In 2006, as well, Bacau county was confronted with natural disasters which involved great expenses in order to eliminate the effects of floods presented in table 8.

Table 8 The value of works for repairing the effects of floods in 2006

No.	Objective	Assigned sum	Financed sum
1.	Damming and bend cutting of Siret river Săucești commune	500.000	-
2.	Consolidation of left border Siret Tămaș commune	400.000	400.000
3.	Damming of Tazlău brook	400.000	400.000
	TOTAL BACĂU COUNTY	***1.300.000***	***800.000***

The economy of Romania has faced environmental problems caused by the industrial policy based on productivity and intensive development that have not always taken into consideration the impact on the environment and people's health. The most serious problems are in the field of water quality, waste management, air and soil pollution. Although in Romania there have been implemented a series of reforms meant to protect the natural environment, the results are not the best ones. The creation of specialised institutions at the county level, such as the Environment Guard, The National Agencies for the Environment Protection, meet the realisation of this desiderate. Both Bacau county and Bacau municipality faces environmental problems. As concerning this matter, the economic entities, especially with a high degree of pollution have the obligation to pay a series of expenses for the environment protection, besides their participation to the creation of the environment fund. In Bacau municipality and county, people are aware of this problem, a proof for this being the granting of important sums of money by the economic agents for the increase of the natural environment quality.

The date presented in table 9 emphasise, on the one hand, the economic agents with a higher pollution capacity, and, on the other hand, their contribution to solving the environmental problems by the investments they made, both from individual resources and from bank loans. The data refer to the period of time 2005-2007.

Table 9 Expenses for the environment protection in Bacau county during the period 2005-2007 (The Environment Guard Bacău)[1]

No.	*Name of operator*	*County*	*Annual investments (euro)*			*TOTAL*	*Sources of investments*
			2005	*2006*	*2007*		
0	1	2	3	4	5	6	7
1.	CET	Bacău	2.280.000	3.040.000	2.280.000	7.600.000	Bank loans
2.	SC TERMON SA	Bacău	150.000	200.000	150.000	500.000	Own sources and bank loans
3.	SC CAROM SA	Bacău	165.000	215.190	1.453.651	1.833.841	Own sources and bank loans
4.	SC SOFERT SA	Bacău	1.501.000	1.501.000	1.501.000	4.503.000	Own sources
5.	SC CHIMCOMPLEX SA	Bacău	3.296.000	2.265.000	2.720.000	8.281.000	Own sources and bank loans

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0	1	2	3	4	5	6	7
6.	SC LETEA SA	Bacău	300.000	200.000	500.000	1.000.000	Own sources and bank loans
7.	SC AVICOLA SA, of which:	Bacău	1.600.000	560.000	570.000	2.730.000	Own sources
	- Avisan poultry farm		500.000	250.000	-	750.000	Own sources
	- Brad poultry farm		300.000	-	250.000	550.000	Own sources
	- Hemeiuş poultry farm		630.000	10.000	20.000	660.000	Own sources
	- Gherăieşti farm		-	-	-	-	-
	- Şerbăneşti farm		20.000	100.000	70.000	190.000	Own sources
	- Gârleni farm		150.000	200.000	230.000	580.000	Own sources
	TOTAL		-	-	-	***26.447.841***	

The effort made by an economic entity for the protection and improvement of environment conditions has consequences on its financial position. Representative for this is the case study we present below.

In order to keep the confidentiality of data, the entity is generically called Alfa. Its object of activity is the breeding of animals of noble fur. As Alfa company did not have a drainage system of dejections, both the surrounding air and soil were infested. As a consequence, during the last two years the company had to pay significant fines. Therefore, an investment proved necessary for the construction of a drainage network for domestic and pluvial waters. In short, the estimate structure is the following (Table 10):

Table 10 The value of environment investment

lei

No.	**Expenses**	**Value**
1.	Expenses for projection and technical assistance	10.794,70
2.	Expenses for the basic investment	190.204,23
3.	Other expenses	2.333,11
4.	Total expenses	203.332,04

The investment was implemented on 01.01. 2007.

In order to emphasise the consequences of the investment implementation on the company's financial position, we present, in comparison, the evolution of the main indicators (Table 11):

Table 11 Evolution of the main indicators of financial position

No.	Mention	U. M.	Symbol	Analysed period		
				2006	2007	2007*
1.	**Rate of general solvency**	%	**Sg = AT/DT**	**252**	**266**	**266**
	Minimum admissible value	%		200	200	200
2	**Rate of global indebtedness**	%	**R_{IG}=DT/ CPR**	**66**	**60**	**58**
	Maximum admissible value	%		100	100	100
	Rate of general liquidity	%	**R_{LG}=AC/ DTS**	**62**	**61**	**66**
	Minimum admissible value	%		100	100	100
	Rate of rapid liquidity	%	**R_{LR}= (AC– S)/DTS**	**18**	**16**	**17**
	Minimum admissible value	%		65	65	65
	Rate of immediate liquidity	%	**R_{LI}=DPB/ DTS**	**8**	**2**	**3**
	Minimum admissible value	%		35	35	35
	Rotation duration of credit-supplier	days	**D_F = F x 360 / CA**	**24**	**27**	**18**
	Minimum admissible value	days		45	45	45
	Gross result of financial year	lei	**Rb**	1.230.813	1.923.278	1.943.611
	Tax on profit	lei	**Imp**	216.382	311.098	312.050
	Net result	lei	**Rn= Rb – Imp**	*1.014.431*	*1.612.180*	1.631.561

Note: The column with 2007 reflects the measure of indicators in the case when they were included in expenses, the supplementary expenses generated for the environment protection. The next column, named "2007*" contains the measure of indicators in 2007 without taking into consideration the expenses generated by the investment for the environment protection. The indicators characterising 2007 are visible affected by the environment expenses paid by the studied entity. The column 2007* shows the value that could have been take by the same indicators if these environment expenses had not existed.

IV. Conclusions

The definition and delimitation of the environment expenses have to be done so as to get a view on the entity's effort for the control of the pressure of its own activities or of the external ones on the environment. As a result, we propose as necessary the existence in accounting of a distinct account or accounts for the emphasis of the environment expenses. As a consequence, the main accounting synthesis: the profit and loss account and the balance sheet should be improved from the content point of view. Therefore, the profit and loss account should reflect the expenses and profit concerning both

the economic performances and the environment performances, including also the environment expenses paid by the economic entity. In this case, the balance sheet should take into consideration the whole range of activities, including the intangible assets concerning the sustainable, such as brands, human capital, reputation, but also the liabilities concerning the risks of sustainable development.

The promotion of the European principles: "The polluter pays" and "The producer's responsibility" is a priority, the concern being for the promotion and creation of a legal framework that should allow the collection of financial resources for the financing of priority projects for the environment protection as w whole.

The assurance of an appropriate quality of the environment, its protection as a necessity of survival and progress, are problems of major interest for the social evolution.

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