The influence of economic indicators over the management activities for company in sports

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Abstract: The sports activities permanently have attracted investors' attention because the target audience is very varied. Whether they are addressing for sports performance or for sport for all, the companies which provide services or products want to gain the profits. To achieve profits, managers should consider about elements of the company's evolution to profitability besides market demand. The purpose of our paper is that to show some economic indicators which are useful in management activities. Their analysis over a period of time allows the manager to favorably influence company management. Economic indicators are more important for the businesses which operate in area of production.

Keywords: management, economic indicators, profitability

1   Introduction

Operating cycle management is the most important section of the financial management of the company. This is due to the high percentage of current assets and liabilities in total balance sheet of enterprise (Creţu et. all 2011). Effective management means that the increase in current assets is less than the supply, production and sale.

Reducing costs has double effect contributing to the increase company profitability and the reduction of the volume of current assets. In terms of speed of rotation, the company's goal is to pursue acceleration after analyzing, acceleration which influences reduction of current assets and a release of funds that can be used in other ways (Nicolescu & Verboncu, 2008; Pripoaie, 2007).

The performance of current assets is given by the rate of current assets; structure and management indicators, i.e. indicators of liquidity or leverage, rotation (in days and the number of circuits) profitability indicators of current assets, intensity indicators of using current assets, indicators of relative, absolute and total release of current assets and by indicators of working capital (Militaru, 2008).

Approaches to the management of financial resources in sport, tourism, and leisure service organizations vary greatly, depending on the mandate and goals of the organizations, as well as the political environments in which

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they operate. However, almost every sport, tourism, or leisure service organization can be classified as either a public, private not-for-profit, or commercial enterprise, and each type of organization has unique and uniquely common features that relate directly to financial management and budgeting (Brayley & McLean, 2008,)

Managers constantly make decisions to better the performance of their businesses. Many of these decisions involve making investment or resource commitments designed to drive improved, long-term performance, and, for these, managers often rely on financial measures. By definition, financial measures are indications of outcomes the results from past actions of the company, e.g., revenue earned, sales made, dollars spent and may not be indicative of future performance.(Kaplan & Norton 2001).

For this study we want to analyze only o few indicators like profitability indicators of current assets, intensity indicators of using current assets, indicators of relative, absolute and total release of current assets and by indicators of working capital.

2 Result and discussion

Profitability indicators of using current assets
With profitability indicators of using current assets we analyze the ability of current assets to contribute to creating profit. These indicators are determined using the following relation:

$$P_{CA} = \frac{G_P(N_P)}{C_A} x100, \text{ where:}$$

- P_{CA} – profitability of current assets which were used;
- $G_P(N_P)$ – gross profit or net profit;
- C_A – current assets.

We analyze the profitability of current assets in the company, following their percentage contribution to company profit. Thus, company profit during the three years under review is summarized in the following table:

Table 1 – Profit

Indicators	2009	2010	2011
Gross profit	5.790.100	5.207.288	-35.774.520
Net profit	2.956.439	3.527.197	-35.774.520

Source: data collected and calculated by the author based on data from the balance sheet

As it shown in table 1, the company shows a significant loss of financial year 2011, for about 35 million, and therefore we will analyze the profitability of current assets in the profit only for 2009 and 2010.

Table 2 – Profitability of current assets

Indicators	2009	2010	Deviations (2010-2009)
P_{CA} in gross profit	7,28%	6,01%	-1,27%
P_{CA} in net profit	3,72%	4,07%	0,35%

Source: data collected and calculated by the author based on data from the balance sheet

According to table 2 regarding to profitability of current assets, we note that in 2009 the profitability of current assets in gross profit was 7.28%, which shows that for 100 lei of current assets it return 7.28 lei profit; at the same time, the profitability of current assets in gross profit decreased in 2010 by about 1.27%, which is 6.01 lei to 100 lei current assets. Regarding the profitability towards net profit, in 2010 current assets have the highest profitability, i.e. 4.07, about 0.35% more than in 2009, when for 100 lei current assets it return 3.72 lei profit.

Intensity indicators of using current assets
Intensity indicators of using current assets are needed in order to analyze the relationship between the activity volume performed by the enterprise and volume of current assets used by it, and is calculated using the following formula:

$$\frac{C_A}{P_Y} x1000 \text{ or } \frac{Ac}{CA} x1000$$

Where P_Y is the production of year, which means dimensioning the entire activity of the company during its financial year, this indicator is calculated using the following formula:

$$P_Y = \text{Sold production} + \text{Stock changes} + \text{Capitalized production}$$

Table 3 – Production of year

Indicators	2009	2010	2011
Sold production	77.741.696	105.110.697	78.311.961
Stock changes	3.368.274	7.243.774	-4.828.217
Capitalized production	7.034.812	3.106.799	0
Production of year	**88.144.782**	**115.461.270**	**73.483.744**

Source: data collected and calculated by the author based on data from the balance sheet

Table 4 Intensity indicators of using current assets

Indicators	2009	2010	2011
Current assets	79.471.076	86.601.167	77.618.259
Turnover	81.464.307	111.760.311	85.079.877
Production of year	88.144.782	115.461.270	73.483.744

Intensity indicator (T_O)	**970**	**770**	**910**
Intensity indicator (P_Y)	**901**	**750**	**1056**

Source: data collected and calculated by the author based on data from the balance sheet

According to table 4, we see that in 2009 the intensity of current assets in turnover is 970 lei to 1,000 lei turnover, or 901 lei to 1,000 lei production of year; in 2010 this intensity decreases reaching 770 lei turnover, respectively 750 lei to 1,000 lei production of year, due to the increase in current assets of 8%, therefore a lower proportion than increased the turnover (37%) or the production year (30%). In 2011 the intensity of using current assets increased to 910 lei to 1,000 lei turnover, respectively to 1,056 lei production year, due to the decrease of current assets of 11%, a rate lower than increased the turnover (24%) or the production year (37%).

Relative, absolute and total release of current assets
For the release or immobilization of working capital, which occurs from year to year, while maintaining the same speed of rotation in days, in the basic year we calculate:
a) Absolute release or immobilization, determine it as the difference between current assets used in the current year and current assets used in the base year or planned for the current year:

$$R(I)_a = \overline{CA_1} - \overline{CA_0}$$

Table 5 – Absolute release (immobilization)

Indicators	**2008**	**2009**	**2010**	**2011**
Average balance of current assets	54.282.901	74.637.309	83.036.122	82.109.713
Absolute release (immobilization)		**20.354.408**	**8.398.813**	**-926.409**

Source: data collected and calculated by the author based on data from the balance sheet

We note that in 2009 and 2010 $\overline{CA_1} > \overline{CA_0}$, respectively current assets in 2009 are higher by 20 million compared to 2008, and those since 2010 are higher by 8 million compared to 2009, this points out that is present an absolute release of current assets, which materializes in increased cash equivalents account or repayment a part of bank loans engaged by the company during the previous period.
While in 2009 and 2010 we have an absolute release, in 2011 we have an absolute immobilization, because the current assets in 2011 are lower than those of 2010 by about 1 mil. This absolute immobilization of current assets translates into increasing the volume of loans, unpaid at maturity.
b) Relative release or immobilization, determine it as the difference between current assets used in the base year and current assets which could be used in the

current year, if the speed of rotation in days, in the base year, would remain unchanged:

$$R(I)_r = \overline{CA}_0 - \frac{CA_1}{T} xSd_0$$

Table 6 – Relative releases (immobilization)

Indicators	2008	2009	2010	2011
Average balance of current assets	54.282.901	74.637.309	83.036.122	82.109.713
Turnover	140.742.265	81.464.307	111.760.311	85.079.877
Speed of rotation	178	351	278	328
Relative release (immobilization)		**14.003.327**	**-34.328.995**	**17.335.551**

Source: data collected and calculated by the author based on data from the balance sheet

Observe that in 2010 we have a relative release, namely 34 million lei, which express the additional volume of turnover ensured with the same average balance of current assets. In 2009 and 2011 we have a relative immobilization, 14 and 17 million lei, which captures the unrealized volume of turnover, although the company used programmed volume of current assets.

c) Total release or immobilization, which is determined as the sum of absolute and relative releases or immobilizations, as follows:

$$R_t = R_a + E_r$$

Table 7 – Total release (immobilization)

Indicators	2009	2010	2011
Absolute release	20.354.408	8.398.813	-926.409
Relative release	14.003.327	-34.328.995	17.335.551
Total release (immobilization)	**34.357.735**	**-25.930.182**	**16.409.142**

Source: data collected and calculated by the author based on data from the balance sheet

According to table 7 concerning total release (immobilization), we see that in 2010 $R_t < 0$, i.e. minus 25 million, a situation that captures a total release of current assets, if in 2010 the company achieved a total release in 2009 and 2011, the company recorded a total immobilization, $R_t > 0$, i.e. 34 million in 2009 and 16 million in 2011.

Normed working capital and its limits
In the construction sector, in which it operates the company analyzed, it requires the presence of a working capital, able to provide financing of its current asset. Thus, to establish a link between the working capital and current assets, namely stocks, we use the following rates of working capital used in the financial analysis:

a)   coverage rate of current assets: $R = \dfrac{WC}{CA}$

Table 8 – Coverage rate of of current assets

Indicators	2009	2010	2011
Working capital	6.695.957	16.082.976	-59.620.085
Current assets	79.471.076	86.601.167	237.775.772

Coverage rate of current assets (%)	**8,42%**	**18,57%**	**-**

Source: data collected and calculated by the author based on data from the balance sheet

According to table 8 concerning coverage ratio of current assets is noted that in 2009, 8% of current assets are financed on the basis of stable funding sources, this rate is not within the normal range of financing current assets, since it must overcome 30% of current assets for firm analyzed, the remaining 82% of the current assets being financed from the resources of the operating cycle (current liabilities). The same situation is in the next year, but this time the coverage is higher up 10% compared to 2009. Regarding 2011, this rate can not be analyzed, because working capital is negative, being unable to cover current assets; negative working capital indicates a situation in which current assets do not cover the short term debts.

b) coverage rate of stocks: $R = \dfrac{WC}{Stocks}$

Table 9 – Coverage rate of stocks

Indicators	2009	2010	2011
Working capital	6.695.957	16.082.976	-59.620.085
Stocks	13.424.697	28.107.464	10.300.371
Coverage rate of stocks (%)	**49,87%**	**57,21%**	**-**

Source: data collected and calculated by the author based on data from the balance sheet

From table 9 it is observed that the coverage rate of stocks is about 50% in 2009 and 2010, which captures that stocks are funded 50% of the working capital, an insufficient proportion, since in specialized French literature a satisfactory working capital it covers about 2/3 of the stocks (Cadiou, 2008). In 2011 the working capital is negative; it can't finance stocks from respective year.

c) coverage rate of average monthly turnover: $R = \dfrac{WC}{T_O} x360$ (Niculescu, 2003)

Table 10 – Coverage rate of average monthly turnover

Indicators	2009	2010	2011
Working capital	6.695.957	16.082.976	-59.620.085
Turnover	81.464.307	111.760.311	85.079.877
Coverage rate of average monthly turnover (days)	**30 days**	**51 days**	**-**

Source: data collected and calculated by the author based on data from the balance sheet

According to the data calculated in the table above we see that coverage rate of turnover, respectively safety margin of the company is 30 days in 2009 and 51 days in 2011, this rate is within the normal range, i.e. between 30 and 90 days.

Therefore, through the indicators presented in this chapter we analyzed the financial performance of the current assets in the three years, and expressed manner of use of current assets.

3   Conclusion

Analyzing the financing indicator of current assets, respectively working capital, during 2009 and 2010 it has positive values, a situation favorable to the company because the company has a cash surplus to the needs of short-term; in 2011 this indicator is negative, a disadvantage affecting the financial stability of the company.

Also in 2011, the period of using attracted resources is very high unlike previous years, this is due to the slow rate of debt repayment from turnover; the company encountering liquidity problems, faced with the impossibility of paying debts.

Treasury's company suffered declines from year to year, which captures the negative cash-flows that generate lower actual financing capacity and reduce real asset.

The company presents a downward trend in liquidity from year to year, which captures a declining activity, which leads creditors to be cautious in granting new loans.

For the management perspectives this economic indicators are most important to be analyzed because from this information the leader could made a right decision for progress of company.

4   References

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