Scientific Papers Series Management, Economic Engineering in Agriculture and Rural Development
Vol. 21, Issue 4, 2021
PRINT ISSN 2284-7995, E-ISSN 2285-3952

ECONOMIC-FINANCIAL ASPECTS OF THE ACTIVITY AT SC POTELU AGRICOM L.L.C., POTELU VILLAGE, OLT COUNTY, ROMANIA (2017-2019)

Dragoș Mihai MEDELETE, Radu Lucian PÂNZARU

University of Craiova, Faculty of Agronomy, 19 Liberty Street, 200421, Craiova, Romania, Phone: +40 741 180 976, Fax: + 40 251 418 475, Emails: medelete@yahoo.com, rlp1967craiova@yahoo.com

Corresponding author: rlp1967craiova@yahoo.com

Abstract

The aim of the paper was to analyze the economic and financial aspects of the commercial company AGRICOM L.L.C. in the period 2017-2019 using the specific indicators. The unit has a considerable age (the company's statute was updated in 2012), being included in the field of activity "cultivation of non-perennial plants", and as main object of activity cultivation of cereals (excluding rice), legumes and seed plants oilseeds " – CAEN code 0111. The unit works an area of 49.07 ha, and in addition makes distribution and sale of inputs related to the production process in agriculture (fertilizers, seeds, control substances). The unit has, according to the Balance of fixed assets, endowments worth 493,877.86 lei. The unit grew winter wheat, corn, peas, sunflower, rapeseed and alfalfa. Through the culture palette practiced, it aimed to ensure the conditions related to the subsidy of the activity. The unit registers operating profit - 146,654.33 lei and pays a tax of 7,821 lei, aspects that lead to a net profit of 138,833.33 lei (average values for the period 2017, 2018 and 2019).

Key words**:** *expenses, turnover, profit, area, income*

INTRODUCTION

The unit is located in Potelu village, Ianca commune, Olt County. The village of Potelu is documented on September 1, 1491 - August 31, 1492, by a deed issued by Vlad Călugărul [3]. The village is located in the South-Eastern part of Ianca Commune, with the following coordinates: 43076′67′′ North latitude and 24020′13′′ degrees East longitude [10]. The location in the territory highlights distances 25 km from Corabia, 56 km from Caracal, 88 km from Craiova and 96 km from Slatina [2]. This situation can determine some negative aspects related to the possibilities, concrete, of supply and sale of the company.

The unit has a considerable age (in 2012 the company's statute was updated), having as main field of activity "cultivation of non-perennial plants", and as main activity "cultivation of non-perennial plants - cultivation of cereals (excluding rice), legumes and producing plants of oilseeds "- CAEN Code 0111.

The incorporation of the company was based on the existence of a single shareholder, a Romanian citizen, who constituted a legal entity in the form of a limited liability company (SRL).

The declared headquarters of the company is located in Ianca Commune, Potelu village, 111 Valea Dunării Street, Room 3, Olt County, it can set up branches, according to the legislation in force.

In addition to the main activity, the company may also carry out as a secondary object of activity: the cultivation of various plant species (rice, tobacco, fiber-producing plants, vegetables, etc.); manufacture of various goods; wholesale and retail trade (various agricultural products); service activities ancillary to agriculture; business consulting and management activities; storage; manipulations etc.

The duration of the company's existence is unlimited, the subscribed share capital was 200 lei (20 shares), the increase and reduction of the capital, as well as its transfer can be done under concrete conditions stipulated in the founding act.

The articles of association also contain provisions regarding: the rights, obligations and attributions of the associates; how to organize;

issues related to the administration, activity and control of the company; matters relating to the dissolution, liquidation, merger and division of the company, the company's personnel, the preparation of the Balance Sheet and the Profit and Loss Account, the calculation and distribution of profit, litigation and final provisions [7].

In addition to the productive activity, the company is involved in the segment of providing inputs for agriculture (fertilizers, herbicides, pesticides, fungicides, etc.), where it carries out a rather complex activity.

The material base of the company comprises a series of mechanical and surveillance equipment (categories: fixed assets 2: tractors - 2 pieces, plow with 4 bodies, vibratory cultivator, scarifier, fertilizer spreader, seed drills - 2 pieces, herbicide plant - 2 pieces; fixed assets 3: alarm system). It should be noted that these facilities are relatively new (purchased between 2014 - 600 l herbicide plant and the seed drill in frequent rows and 2019 - the scarifier, respectively), have variable input values (from 3,491.34 lei - surveillance system up to 167,950.10 lei - tractor DF 5105) and are depreciated in different proportions (from 5% - scarifier to 95% - herbicide plant) [9].

MATERIALS AND METHODS

For this paper, the following indicators were determined and interpreted according to the recommended methodology: cultivated area (ha) and its structure (%); financial indicators - income (net turnover, other operating income, operating income - total expressed in lei); of expenses (expenses with raw materials and materials, personnel expenses, adjustments regarding tangible and intangible assets, other operating expenses, total operating expenses expressed in lei); profitability indicators: operating profit or loss (lei), profit tax (lei), net profit or loss (lei), operating profit or loss rate (%), net profit or loss rate (%).

The category of other operating expenses includes: external benefits, other taxes - fees - payments, compensation for donations, assigned assets.

For agricultural producers, income is the main result of the core business [12]. Revenue is influenced by the quantity of products sold and the market price [6]. Minimizing costs can lead to higher profits [5]. From this perspective, the competitiveness of spending is a sensitive issue for agricultural producers [1]. Profit depends on income and expenses. Profit is the indicator that expresses the efficiency of activity in agricultural units [4]. Gross profit of a producer also includes profit tax, which is made available to the state [11].

It should be noted that the unit did not have any financial income and expenses, which means that the operating income and expenses are the same as the total income and expenses. This situation determines the similarity between the operating profit or loss and the gross profit or loss. Regarding the calculation of the profit tax, the unit benefited from certain facilities - for the analysed period.

For the comparison over time, of the indicators, fixed and mobile base indices were used.

RESULTS AND DISCUSSIONS

The unit practiced 6 crops (autumn wheat, corn, peas, sunflower, rapeseed and alfalfa). From the beginning, the stability of the total area (49.70 ha) for the analysed period should be noted (Table 1).

The wheat crop had areas between 6.12 and 29.45 ha (2017 and 2019, respectively), and the average of the period reached 17.37 ha (+183.32 and -41.02% compared to the reporting terms). The dynamics of the indicator is strictly increasing, the successive annual growth being: 2.70 times in 2018 (16.56 ha) and 1.77 times respectively in the case of 2018.

The grain maize crop registered an average of 4.35 ha (subunit value compared to the first reference base and supra-unit value compared to the second comparison term), given that the annual sequential areas were: 9.85 ha in 2017, 1.47 ha at the level of 2018 (-85.08%) and 1.73 ha respectively for 2019 (-82.44 and + 17.69% in dynamics).

Table 1. Cultivated area

Specification	Year									Period average**			
	2017			2018			2019						
	Ef. (ha)*	Dynamic**		Ef. (ha)*	Dynamic**		Ef. (ha)*	Dynamic**		Ef. (ha)	Dynamic		Str. (%)
		Ibf	Ibm		Ibf	Ibm		Ibf	Ibm		Ibf	Ibm	
Wheat	6.12	100	100	16.56	270.59	270.59	29.45	4.81 times	177.84	17.37	283.82	58.98	34.96
Corn grain	9.85	100	100	1.47	14.92	14.92	1.73	17.56	117.69	4.35	44.16	251.44	8.75
Green peas	17.05	100	100	5.00	29.33	29.33	15.86	93.02	3.17 times	12.64	74.13	79.70	25.43
Sunflower	15.86	100	100	21.85	137.77	137.77	2.66	16.77	12.17	13.46	84.87	5.06 times	27.08
Rapeseed	-	-	-	4.00	100	100	-	-	-	1.33	33.33	-	2.67
Alfalfa	0.82	100	100	0.82	100	100	-	-	-	0.55	67.07	-	1.11
Total cultivated	49.70	100	100	49.70	100	100	49.70	100	100	49.70	100	100	100

Source: *S.C. Potelu Agricom LLC - Primary evidence data;
**own calculations.

The pea was cultivated on areas between 5.0 and 17.05 ha in the years 2018 and 2016, respectively, and the average of the period reached 12.64 ha. The dynamics of the indicator was uneven, so that there are decreases of 70.67% in 2018 compared to the first level of dynamic series, increases in 2019 (3.17 times compared to the previous year), while the average for the period is below both reference terms (2017 and 2019) by 25.87 and 20.30% respectively.

At sunflower there was an average area of 13.46 ha (-15.13% compared to 2017 and an advance of 5.06 times the specific level of 2019), with limits of 2.66 ha in 2019 (-83.23 and -87.83% compared to the terms reporting) and 21.85 ha in the case of 2018. The indicator has evolved fluctuating: increases in 2018 compared to 2017 (+37.77%), spectacular declines in 2018.

Rapeseed was cultivated on only 4 ha in 2018 so that the average of the period reached 1.33 ha.

Alfalfa was cultivated only in 2017 and 2018 on the same area accounting for 0.82 ha. The dynamics was uniformly descending (level of equity in 2018 and 67.07% for the fixed basis indices for the average of the period).

For the average of the period, the following structure of the cultivated area is found (Fig. 1): 1.11% alfalfa (0.55 ha); 2.67% rapeseed (1.33 ha); 8.75% corn grain (4.35 ha); 25.43% peas (12.64 ha); 27.08% sunflower (13.46 ha); 34.96% wheat (17.37 ha).

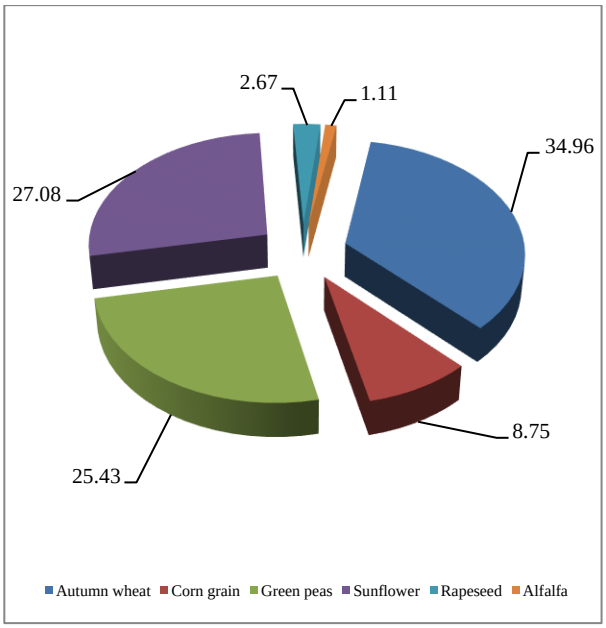

Fig. 1. The structure of the cultivated arable land - the average of the period (%)
Source: Own design and calculation.

Table 2 shows the financial indicators, according to the Profit and Loss Account [8].

The net turnover, which varied from 606,890 lei in 2017, to 973,718 lei in 2019, to which adding the specific value of 2018 (707,636 lei) reached an average of the period of 762,748 lei (Fig. 2).

The indicator has evolved upwards: increases by 16.60% in 2018 compared to the specific situation in 2017, ahead of 1.60 and 1.37 times in 2018 compared to the reporting terms, increase by 25.68% of the average compared to 2019.

For other incomes, there is an average of 130,153.33 lei (-2.14 and -31.99% in dynamics), which is based on annual

sequential levels of: 133,004 lei in 2017, 66,310 lei in 2018 (-50.14% compared to the comparison basis), 19,146 lei in 2019 (1.20 times ahead of the first reference term and a decrease of 23.35% compared to the second reporting term (Fig. 2).

Table 2. Financial indicators

Specification	Year									Period average**		
	2017			2018			2019					
	Ef. (lei, %)*	Dynamic**		Ef. (lei, %)*	Dynamic**		Ef. (lei, %)*	Dynamic**		Ef. (lei, %)	Dynamic	
		Ibf	Ibm		Ibf	Ibm		Ibf	Ibm		Ibf	Ibm
Net turnover	606,890	100	100	707,636	116.60	116.60	973,718	160.44	137.60	762,748.00	125.68	78.33
Other incomes	133,004	100	100	66,310	49.86	49.86	191,146	143.71	288.26	130,153.33	97.86	68.09
Operating income	739,894	100	100	773,946	104.60	104.60	1,164,864	157.44	150.51	892,901.33	120.68	76.65
Expenditure on raw materials and consumables	152,278	100	100	160,888	105.65	105.65	134,184	88.12	83.40	149,116.67	97.92	111.13
Staff expenditure	19,228	100	100	23,454	121.98	121.98	32,308	168.03	137.75	24,996.66	130.01	77.37
Adjustments for property, plant and equipment and intangible assets	69,625	100	100	79,841	114.67	114.67	74,676	107.25	93.53	74,714.00	107.31	100.05
Other operating expenses	474,734	100	100	397,722	83.78	83.78	619,803	130.56	155.84	497,419.67	104.78	80.25
Total operating expenses	715,865	100	100	661,905	92.46	92.46	860,971	120.27	130.07	746,247.00	104.24	86.68
Operating profit or loss ***	24,029	100	100	112,041	4.66 times	4.66 times	303,893	12.65 times	271.23	146,654.33	6.10 times	48.26
Tax	6,069	100	100	7076	116,59	116.59	10,318	170.01	145.82	7,821.00	128.87	75.80
Net profit or loss	17,960	100	100	104,965	5.84 times	5.84 times	293,575	16.35 times	279.69	138,833.33	7.73 times	47.29
Operating profit rate	3.35	100	100	16.93	5.05 times	5.05 times	35.30	10.54 times	208.51	19.65	5.87 times	55.67
Net profit rate	2.51	100	100	15.86	6.32 times	6.32 times	34.10	13.59 times	215.01	18.60	7.41 times	54.55

Source: * Data extracted from the Profit and Loss Account (2017 – 2019) [8].
** Own calculations;
*** Identical to gross profit or loss;

Operating revenues ranged from 739,894 to 1,164,864 lei (2017 and 2019, respectively), and the average for the period reached 892,901.33 lei (Fig. 2).

The dynamics of the indicator is strictly ascending, predominating the supra-unitary levels of the component indices - except for those with a mobile base in the case of the average period (76.65%). Advances of the reference bases reached: 1.04 times in 2018, 1.57 and 1.50 times in 2019, 1.20 times for the average of the period.

In the structure of revenues, the net turnover predominates with 85.42%, other revenues representing 14.58%.

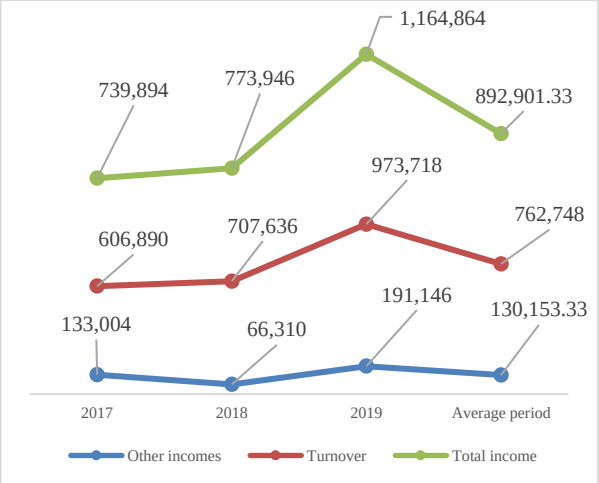

Fig. 2. Income indicators (lei)
Source: Own design and calculation based on [8].

Expenditures on raw materials and consumables are characterized by an average of 149,116.67 lei (-2.08 and +11.13% compared to the terms of reference), given that the annual sequential levels were: 152,278 lei in 2017, 160,888 lei for year 2018 (+5.65% in dynamics), 134,184 lei in the case of 2019 (-11.88 and -16.60% compared to the reporting bases). We can say that the dynamics of the indicator is uneven (Fig. 3).

Personnel expenses ranged from 19,228 lei in 2017, to 32,308 lei in 2019, and the average for the period was 24,996.66 lei (Fig. 3). The indicator has evolved upwards, over time, registering successive annual increases with 21.98 and 37.75% in the case of 2018 and 2019, respectively.

The adjustments regarding the tangible and intangible fixed assets had an average of 74,714 lei, which represented a superior positioning compared to the terms of reference (107.31 and 100.05%). This average is based on the following annual situations: 69,625 lei in 2017, 79,841 lei in 2018 (1.14 times ahead of the reference term), 74,676 lei in 2018 (1.07 times ahead of the first basis of comparison and a decrease of 6.47 % compared to the second reporting base (Fig. 3).

Regarding the situation for other operating expenses, there are extreme levels of 397,722 lei in 2018 and 619,803 lei for 2019, respectively, and the average for the period reached 497,419.67 lei (Fig. 3). The dynamics of the indicator is uneven: decreases by 16.22% in 2018, increases by 55.84% in 2019 compared to the previous term, decreases by 19.75% of the average of the period compared to the specific situation of 2019.

The total operating expenses had an average of 746,247 lei, as a result of the annual sequential levels of: 715,865 lei in 2017, 661,905 lei in 2018, 860,971 lei in 2019 (Fig. 3). It can be seen that the indicator has evolved fluctuating (-7.54% in 2018, +20.27 and +30.07% for 2019, +4.24 and -13.32% at the average of the period).

The structure of total expenses is dominated by other operating expenses - 66.66%, followed by expenses with raw materials and consumables - 19.98%, adjustments on tangible and intangible assets - 10.01%, personnel expenses - 3.35% (Fig. 4).

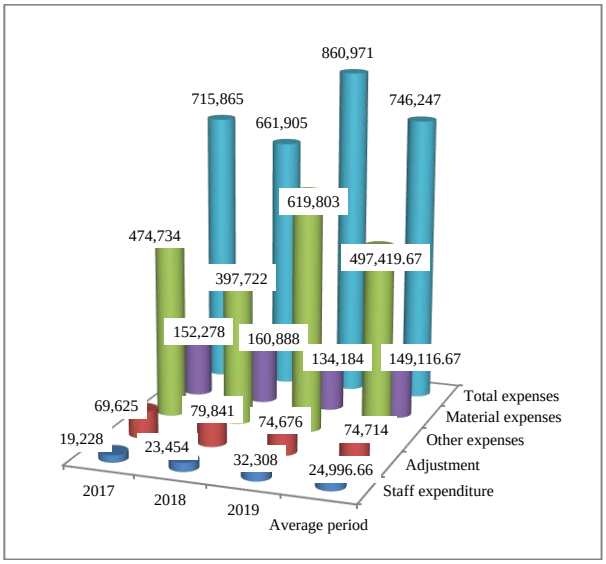

Fig. 3. Expenditure indicators (lei)
Source: Own design and calculation based on [8].

The operating profit varied from 24,029 lei in 2017, to 303,893 lei in 2019, and the average for the period was 146,654.33 lei (Fig. 5). There is an upward evolution of the indicator: spectacular overtaking in 2018 compared to 2017 (4.66 times), sharp overtaking in 2019 compared to the previous term of the dynamic series (2.71 times), 6.10 times increase of the average period compared to the state of things specific to 2017 and a decrease of 51.74% compared to 2019.

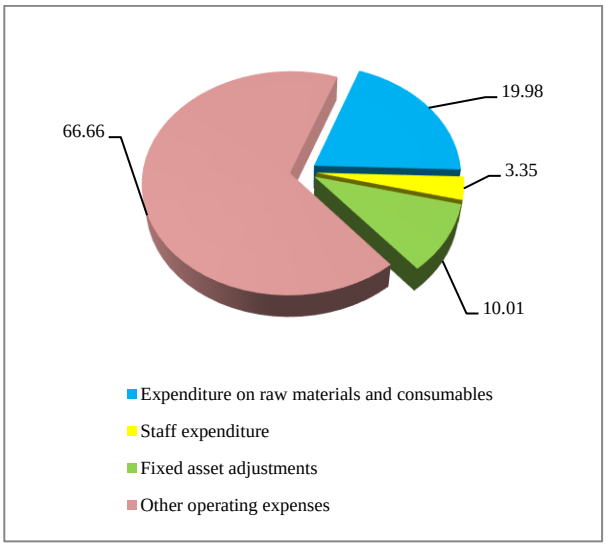

Fig. 4. Structure of total expenditures - average of the period (%)
Source: Own design and calculation based on [8].

The profit tax registered an average of 7.821 lei (+28.87 and -24.20% in dynamics - Fig. 5), given that the annual levels of the indicator were 6.069 lei in 2017, 7.076 lei in 2018 (1.16 times ahead of the comparison deadline), 10.318 lei for 2019 (exceeding by 70.01 and 45.82% the reporting bases). The net profit is characterized by extreme values of 17,960 and 293,575 lei in 2017 and 2019, respectively, and the average for the period reached 138,833.33 lei (Fig. 5). The dynamics of the indicator is an ascending one, the advances of the reporting term being 5.84 times in 2018, 16.35 and 2.79 times respectively for 2019, and the average of the period is 7.73 times ahead of the first comparison term (-52.71% compared to 2019). The operating profit rate was 3.35% in 2017, 16.93% for 2018, 35.30% in 2019 and 19.65% for the average of the period (Fig. 6). The evolution of the indicator was marked by an upward trend, only chain basis indices being below the average of the period (55.67%). The net profit rate is the last indicator of profitability (Fig. 6). It can be shown that it registered an average of 18.60% (7.41 times ahead of the first reporting base and a decrease of 45.45% compared to the second), with extreme values of 2.51% for 2017 and 34.10% in 2019. As a result of this situation, the dynamics is increasing: there is an advance of 6.32 times in 2018 compared to the first term of the dynamic series, advances of the reporting bases of 13.59 and 2.15 times, in the case of 2019.

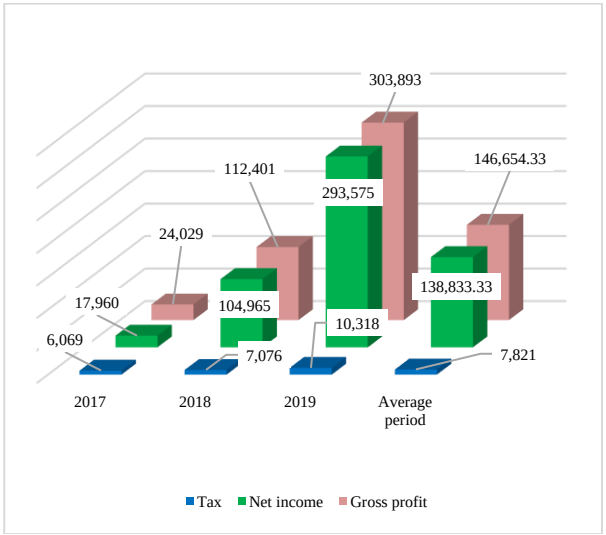

Fig. 5. Operating profit and net profit (lei)
Source: Own design and calculation based on [8].

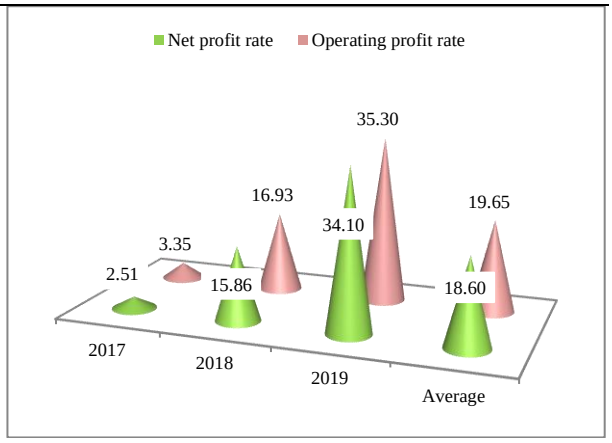

Fig. 6. Operating profit rate and net profit rate (%)
Source: Own design and calculation based on [8].

CONCLUSIONS

The unit is a traditional one - in the area, as such, the entrepreneur already has a certain market segment and further aims to strengthen its position in the socio-economic environment of existence.

The unit exploits a relatively small area of land (49.70 ha), observing variations of the range of crops practiced based on existing market demand, but there is also a stability in terms of production capacity and the application of appropriate technological and economic measures. (rotation, personnel policy, "green crops", etc.).

The unit registered an operating profit - 146,654.33 lei and paid a tax of 7,821 lei, situations that determine the obtaining of a net profit of 138,833.33 lei.

Finally, it can be appreciated that there is a need for adequate management of expenditure items, but the initiative of the entrepreneur to reinvest part of the profit for the development of the unit (aspect based on data from the Register of fixed assets - new equipment and machinery, most old is 7 years old since purchase) [9].

The unit will focus on the proper conduct and activity of distribution and sale of inputs.

REFERENCES

[1]Dachin, A., 2016, Production costs of field crops by economic size of farms in Romania, Scientific Papers Series Management, Economic Engineering in Agriculture and Rural Development Vol. 16(3), 1033-106.

[2]Harta.biz, Distance Potelu, https://harta.biz/potelu-ot/distanta/, Accessed on 28.07.2011.
[3]Ianca Commune City Hall, Presentation of the Commune, https://comunaianca.ro/prezentarea-comunei/, Accessed on 28.07.2011.
[4]Lypchuk, V., Hnatyshyn, L., 2019, Competitive advantages of farming enterprises in Ukraine: a methodic approach to diagnostics of the added value of products, 2019, Scientific Papers Series Management, Economic Engineering in Agriculture and Rural Development Vol. 19(3), 387-392.
[5]Mansour, H., Al-Mahish, M., 2019, A linear programming approach to minimizing broiler ration costs: the case of broiler farms in Al-Ahsa, Saudi Arabia, Scientific Papers Series Management, Economic Engineering in Agriculture and Rural Development Vol. 19(3), 393-398.
[6]Popescu, A., Matei, A., 2013, Estimation of expenses, income and profit in mulberry tree growing, Scientific Papers Series Management, Economic Engineering in Agriculture and Rural Development Vol. 13(3), 207-212.
[7]S C Spring Potelu Agricom S R L, Act constitutive, 2012.
[8]S C Potelu Agricom LLC, Profit and loss account, 2017 – 2019.
[9]S C Potelu Agricom LLC, Register of fixed assets
[10]SearchRomania.net, Map/Maps (Harta/Harti), http://www.searchromania.net/harta_harti/olt/potelu/, Accessed on 28.07.2011.
[11]Simtion, D., 2016, Using taxes as economic – financial instruments, Scientific Papers Series Management, Economic Engineering in Agriculture and Rural Development Vol. 16(1), 499-504.
[12]Skarżyńska, A., Augustyńska-Grzymek, I., Abramczuk, L., 2014, The use of capital and condition of economically weak farms in the selected Central and Eastern European countries, Scientific Papers Series Management, Economic Engineering in Agriculture and Rural Development Vol. 14(2), 285-296.