
THE ECONOMIC ANALYSIS OF THE INCOME AND THE EXPENDITURE

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Abstract

Because of tax implications, the income and expenditure recorded in a company's accounts require particular attention from managers and accountants. The difference between income and expenditure in accounting is the accounting profit. For the calculation of the tax profit, the rules that have varied over time with the legislative changes related to the calculation of the profit tax are observed. Besides their fiscal importance, incomes and expenditures provide, through their economic analysis, important information about how the resources of the unit and the results obtained were used.

Keywords: *analysis, income, expenditure, efficiency, profit, modernization, wage growth.*

JEL Classification: D31, G14

Introduction

The economic analysis of incomes and expenditure is of major importance for the company's internal management. Income and cost accounting, also called enterprise management accounting, provides information to help leadership take the most appropriate measures to streamline different spending categories and maximize income to ensure the competitiveness of the business community in the economic environment.

The microeconomic analysis has as its object the study of the individual economic agent, of the company regarded as a producer of goods and services. At this level, the analysis aims at establishing the financial balance taking into account the relationships established on the product market and on the factors of production. The economic-financial analysis has a role to diagnose and regulate the activity of the trading company as a system. We underline that through the economic and financial analysis the discovery and mobilization of internal resources is achieved.

Literature review

Anghel (2015) used the statistical tool to analyze the company's results. Anghel (2013) researched a statistical model to study the performance of the enterprise. Anghelache and Anghel (2016) analyzed the statistical indicators applied in the performance study of economic entities. Anghelache

and Anghel (2014) exposed the main methods and models of analysis at micro- and macroeconomic level. Anghelache, Anghelache and Kralik (2012) analyzed a performance model of a trading company. Anghelache (2010) examined the main financial performance and risks. Anghelache (2006) dealt with issues related to the diagnostic analysis of an enterprise's performance. Capanu and Anghelache (2000) presented the statistical indicators used in economic analyzes. David-Sobolevski (2015) addressed issues relating to the study of the expenditure, income and results of an economic agent. Dumbravă (2010) analyzed a number of models used to measure the performance of a company. Aspects of economic and financial analysis at economic entity level are addressed by Gheorghiu (2012) and Spătaru (2011).

Research methodology, data, results and discussions

The items of income and expenditure in the income statement are the result of accrual accounting which consists of their recording at the time of invoicing rather than at the time of their collection or payment. Consequently, the profit and loss account reflects the potential cash flows, the amount of the net result for the year being different from the actual cash in the treasury of the company.

A series of cash inflows and outflows do not translate the income and expenditure accounts, feeding directly the relevant headings within the company's balance sheet.

The financial statements, the profit and loss account and the balance sheet with the changes recorded directly or indirectly reflect the volume of cash flows involved in the production process.

Economic return is the profitability of the whole capital invested, the size of which is related to the level of returns obtained by each individual equity investor. If we generalize and consider that capital investors are reduced to two broad categories - shareholders and creditors - economic profitability can be estimated based on their returns. As such, it can be calculated as a weighted average of return on equity and borrowing. Weights are the proportion of each type of capital in the total capital attracted to fund its activities.

The main issues addressed in the present case study are the comparative analysis of income and expenditure for a period of 5 years, namely 2014 and 2018, carried out by an economic unit operating in a historic monument building at the center the city of Bucharest.

• Analysis of expenditures made during the period 2014-2018

In table no. 1 shows the absolute values of economic unit expenditures under analysis in 2014-2018.

Absolute expenditure values

Table 1

Categorii de cheltuieli	2014	2015	2016	2017	2018
Cheltuieli privind mariile prime si marfurile	317885	352753.95	336941.5	351654.9	231097.9
Cheltuieli privind utilitatile si serviciile prestate de t	269874.2	308250.91	282839	238269	56989.59
Cheltuieli privind salariile	559807	584594	619780.4	589923.9	300484.7
Alte cheltuieli	88932.63	81297.87	81287.7	104202.1	7605.71
Total	1236499	1326896.7	1320849	1284050	596177.9

The table below summarizes the structure of spending over the 2014-2018 period.

The share of expenditures

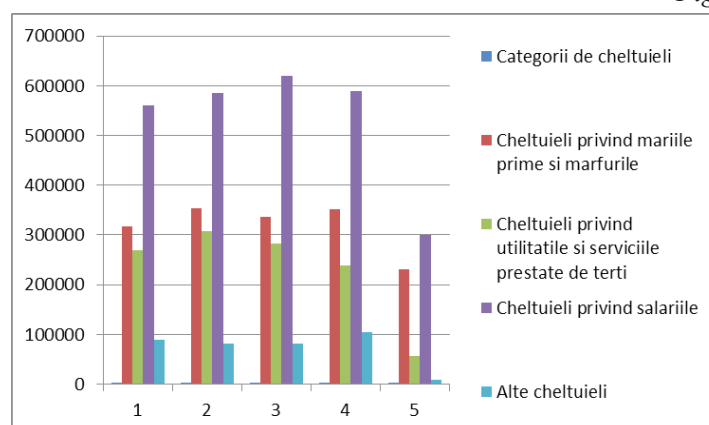
Table 2

Categorii de cheltuieli	2014	2015	2016	2017	2018
Cheltuieli privind mariile prime si marfurile	25.70847	26.584884	25.50947	27.38639	38.76324
Cheltuieli privind utilitatile si serviciile prestate de t	21.82567	23.230965	21.41343	18.55605	9.559159
Cheltuieli privind salariile	45.27356	44.057234	46.9229	45.94244	50.40185
Alte cheltuieli	7.192294	6.1269177	6.154203	8.115112	1.275745
Total	100	100	100	100	100

From the analysis of the data above, we find that the highest share is held by the salary costs even if, unfortunately, about 60% of the employees' salaries are in the minimum wage and about 20% of the salaries are included with a salary slightly more than 2100 lei.

The graphical representation of different categories of comparative expenditure for a period of 5 years

Figure no. 1



• Income analysis conducted during the period January 2014 -

June 2018

The following table highlights the incomes realized by the economic agent analyzed during the years 2018-2018 by income categories.

Incomes from 2018-2018 in absolute values

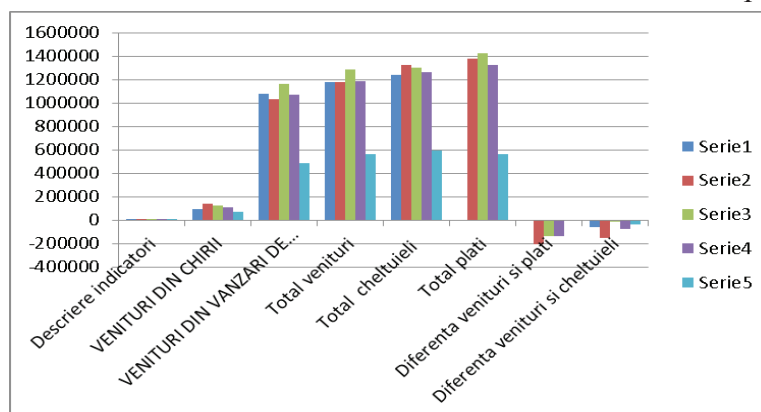
Table no. 3

Descriere indicatori	2014	2015	2016	2017	2018
VENITURI DIN CHIRII	95834.34	141676.26	123802.7	111975.96	71755.95
VENITURI DIN VANZARI DE BUNURI SI SERVICII	1080475.82	1032634.52	1164947.75	1073511.06	487309.27
Total venituri	1176310.16	1174310.78	1288750.45	1185487.02	559065.22
Total cheltuieli	1236498.78	1326896.73	1300527.11	1261259.03	596177.85
Total plati		1380542.45	1427721.33	1326259.12	562832.92
Diferenta venituri si plati		-206231.67	-138970.88	-140772.1	-3767.7
Diferenta venituri si cheltuieli	-60188.62	-152585.95	-11776.66	-75772.01	-37112.63

The deficit registered in 2017 by 75772.01 lei, is the largest of the analyzed period. It follows 2014 with a deficit of 60188.62 lei.

Graphical representation of incomes, expenditures and deficits registered for a period of 5 years

Figure 2



The commercial margin does not ensure the profitability appropriate to the smooth running of economic activity.

Trade margin during the period 2014-2018

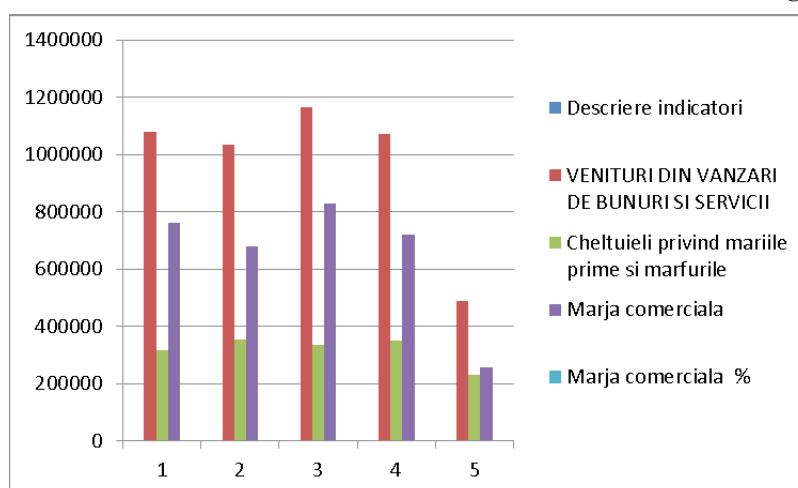
Table 4

Descriere indicatori	2014	2015	2016	2017	2018
VENITURI DIN VANZARI DE BUNURI SI SERVICII	1080475.82	1032634.52	1164947.75	1073511.06	487309.27
Cheltuieli privind marile prime si marfurile	317884.95	352753.95	336941.46	351654.94	231097.88
Marja comerciala	762590.87	679880.57	828006.29	721856.12	256211.39
Marja comerciala %	70.57917039	65.83941916	71.07668906	67.2425415	52.57675275

The trade margin quantifies the level of financial performance registered by the company in the commercial activity. As a calculation method, the indicator should take into account all incomes and expenditure related to the merchandising activity. The trade margin is the difference between the sales of goods and the cost of buying the goods sold.

Graphic representation of incomes, expenditures and trade margin, compared over a period of 5 years

Figure 3



The operating result is calculated and reported by the company in its financial statements and represents the difference between the total income and expenditure involved in the operating activity of the company. This interim management balance is influenced by the company's investment policy and indirectly shows the amount of resources created through operating activities directed to maintaining the material assets of the company. The level of operating result gives us information on the amount of resources determined by the operating activity that the company can rely on to cover

its financial expenditure. The resources accrued from the operating activity, plus any financial income earned by the company, should exceed the level of its financial expenditure. Otherwise, there will be a transfer of value from the owners to the creditors of the company. If the loss is recorded, the surplus of expenditure that led to this situation is borne by the owners in the expected future profits (the loss is carried forward for the next financial year). If, however, the company continues to obtain losses in the next financial years, the property accumulated by the owners in the previous periods of profitability of the company, represented by the value of its own capital, risks to diminish.

The profitability calculated by the unit's ground-based units is shown in the table below. They are 100 in the building and about 60 places in the garden, only used for 6 months a year.

Profitability according to the places at the table

Table 5

Descriere indicatori	2014	2015	2016	2017	2018
Total venituri estimate	1276310.16	1374310.78	1388750.45	1285487.02	599065.22
Total venituri realizate	1176310.16	1174310.78	1288750.45	1185487.02	559065.22
Numarul mediu de locuri masa	160	160	160	160	160
Profitabilitatea pe in loc masa realizata	7351.9385	7339.442375	8054.690313	7409.293875	3494.157625
Profitabilitatea pe in loc masa estimata	7976.9385	8589.442375	8679.690313	8034.293875	3744.157625
Diferenta pe fiecare loc masa	-625	-1250	-625	-625	-250

The commercial companies can practice two core sales policies, geared to meeting as many customers as possible or based on high prices, with profitability being secured on the back of a small number of sales.

The most common rates are those based on turnover. There are two ways of expressing these indicators, namely the number of rotations in turnover during one year and the duration (in days) of a rotation.

The analysis of the intensive use of the human factor is achieved through labor productivity that reflects the efficiency with which the human factor is used. As an indicator of efficiency, it compares the effort with the effect, ie $\bar{w} = \frac{Q}{T}$ (direct form of expression), and shows the average production volume per unit of expenditure. Labor productivity can also be calculated after the relationship $\bar{w} = \frac{T}{Q}$, which is the indirect form of expression, and shows the average labor consumption per unit of output.

The average labor productivity indicators are calculated annually, monthly, daily or hourly after the relationship:

$$\bar{w}_i = \frac{Q_i}{T_i}$$

in which:
 w_i = average labor productivity;
 Q_i = production achieved over the considered time period (year, month, day or hour).
 T_i = amount of time / work spent (personnel, man-days or man-hours).
 Full use of working time along with quantitative staffing is a way of expanding labor and increasing production.

Productivity of work

Table 6

Descriere indicatori	2014	2015	2016	2017	2018
Total venituri estimate	1276310,16	1374310,78	1388750,45	1285487,02	599065,22
Total venituri realizate	1176310,16	1174310,78	1288750,45	1185487,02	559065,22
Numarul mediu de locuri masa	25,00	25,00	27,00	21,00	20,00
Profitabilitatea pe angajat realizata	47052,41	46972,43	47731,50	56451,76	27953,26
Profitabilitatea pe angajat estimata	51052,41	54972,43	51435,20	61213,67	29953,26
Diferenta pe fiecare loc masa	-4000,00	-8000,00	-3703,70	-4761,90	-2000,00

At present, the number of employees is decreasing due to both the low salary and the economic, financial and organizational difficulties faced by the unit.

Conclusion

From this study a series of both theoretical and practical conclusions emerge. Thus, it is found that the analysis bases the calculations over the time horizon, in the short term analysis (one year, one semester, one month) and refers to the operative management of the economic agent or long-term analysis (3-5 years), which follows the long-term evolution of the phenomenon and is used by the strategic management of the commercial company.

In the (static and dynamic) analysis of the evolution of production at the level of a trading company, a series of statistical and mathematical methods can be used, such as the chronological time method, the index method. For company management, it is necessary to dimension the system of achievable indicators, which will ensure the depth and the necessary coverage of the economic and financial analysis.

We believe that urgent measures are needed to make the activity more efficient. Modernization of equipment and work equipment as well as finding income growth solutions by offering quality services that provide daily receipts at least equal to the mandatory expenditure incurred for the activity. Changing the staff structure and raising the salary in order to attract skilled people that would increase the quality of the services offered. The location and

the historical framework make a great contribution to developing a successful business if desired.

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