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CONSIDERATIONS REGARDING THE ASSESSMENT AND MEASUREMENT OF FINANCIAL PERFORMANCE

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CONSIDERATIONS REGARDING THE ASSESSMENT AND MEASUREMENT OF FINANCIAL PERFORMANCE

INTRODUCTION

- Performance is a complex indicator that has represented and represents a priority, an assurance of profitable economic results, and also a hard to reach indicator. The study of the financial performance is a permanent concern of financial management, it reflects the satisfaction of the interests of users of accounting information.
- Given the importance and necessity of measuring the financial performance of the economic entities, ***the purpose of this article*** is to present concepts regarding the financial performance: typology, importance, indicators that measure the performance.

Research Methodology

- ✓ the literature review
- ✓ theoretical documentation
- ✓ the empirical study based on a number of five companies in the field of pharmaceutical industry (companies whose object of activity consists in the retail trade of pharmaceutical products, in specialized stores - CAEN 4773) over a period of fifteen years, 2004-2018
- ✓ participatory observation
- ✓ interpretation of the results of the study
- ✓ grounding some opinions in the light of the results obtained

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LITERATURE REVIEW

Performance represent:

- "a competitive state of the enterprise achieved by a level of effectiveness and efficiency that ensures a sustainable presence in the market" (Niculescu, 2003)
- **Performance = Economics + Efficiency + Effectiveness** (Briciu, 2006)
- the state of competitiveness of the company that ensures its sustainable presence on the market (Jianu, 2007)
- the ability to have access to resources, to allocate and use them optimally, in order to ensure sufficient remuneration to cover risks and maximizing results (Petcu, 2009)
- Based on performance, reasoning is formulated regarding the efficiency with which the company can use new resources (Burja, 2013)
- in order to achieve sustainable development and growth, companies must assume several duties, which are called social responsibilities (Yilmaz, 2013)
- Akisik, Gal, (2014) mention that although financial reporting still provides the basis for assessing the performance and accountability of the board and management, these reports do not contain all the information required by stakeholders.

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LITERATURE REVIEW

- Performance measurement seems to be the never-ending story for managers, consultants and academics (Wagner, 2009)
- The analysis of financial performance is based mainly on the profit and loss account, on the analysis of intermediate management balances (Barbuță-Mișu, 2009)
- Companies have understood that for a constantly changing competitive environment it is necessary to monitor and understand the company's performance (Taticchi, Tonelli, Cagnazzo, 2010)
- Syed, Vijayesvaran & al (2013) suggest that financial performance refers to the extent to which the organization operates in the relative value of sales, gross profit and profitability.
- In the profit indicators of monitoring the financial performance we can include (Helfert A., 2006 quoted by Tabără, Vasiliu, 2013): Earnings per Share; ROI Return on Investment; ROE Return on Equity; EVA Economic Value Added; MVA Market Value Added
- Regarding the measurement of financial performance, it was found that ROA (return on assets) is the most common indicator of performance measurement (Lim, 2019)
- Recent studies (Feng, Yunwen & al, 2019) attribute to accounting-based methods the use mainly of information in financial statements to build measurement indicators such as return on assets (ROA) (Muhammad et al. 2016), profitability of sales (ROS) (Iwata and Okada 2011), return on investment (ROI) (Latan et al. 2018) and return on equity (ROE) (Wagner et al. 2012)
- Gruszczynski (2019) presents the most important indicators used to measure the company's performance, indicators such as market value, ROA, ROE, EBIT

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- ✓ In order to illustrate the importance of the activity of measuring financial performance, we conducted an empirical study based on a number of five companies in the field of pharmaceutical industry (companies whose object of activity consists in the retail trade of pharmaceutical products, in specialized stores - CAEN 4773) for which we calculate some of the indicators for measuring financial performance over a period of fifteen years, 2004-2018. The five companies were chosen based on turnover, representing ***the five best performing companies in the field of retail trade in pharmaceuticals.***
- ✓ Based on the information contained in the annual financial reports of the five companies, published on the website www.mfinante.ro, we determined three profitability indicators considered to be some of the most important in assessing financial performance, respectively *return on assets (ROA)*, *return on capital (ROE)* and *net profit margin (NPM)*

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Table no. 1: Turnover for the top five companies in the period 2004-2018

Year	SENSIBLU	S.I.E.P.C.O.F.A.R	HELP NET FARMA	CATENA HYGEIA	FARMACIA TEI
2004	204.825.466	35.178.178	56.620.994	632.703	1.559.785
2005	231.480.526	65.975.043	89.971.256	670.161	2.499.951
2006	286.780.254	99.539.277	130.709.831	710.764	3.981.063
2007	414.276.605	195.399.847	172.464.690	1.450.043	8.788.364
2008	580.332.946	356.358.713	231.816.437	2.376.683	16.597.837
2009	815.370.111	463.233.035	284.281.368	9.087.910	31.155.806
2010	989.768.497	597.427.343	312.922.337	18.849.803	22.453.138
2011	920.786.955	755.620.215	350.442.551	63.080.781	20.219.128
2012	1.090.217.856	720.508.765	375.074.417	173.416.087	37.965.801
2013	1.299.265.379	615.292.931	366.898.780	217.075.804	59.979.616
2014	1.250.586.655	787.646.671	389.870.752	263.234.009	83.929.608
2015	1.186.232.851	889.429.880	470.939.794	298.922.030	119.236.588
2016	1.670.039.157	902.695.038	549.900.156	421.379.582	162.847.158
2017	1.652.550.590	880.528.121	585.643.731	419.580.059	309.828.970
2018	1.739.893.747	978.976.956	665.450.984	619.653.987	447.980.335

Source: Data from the financial statements of the company

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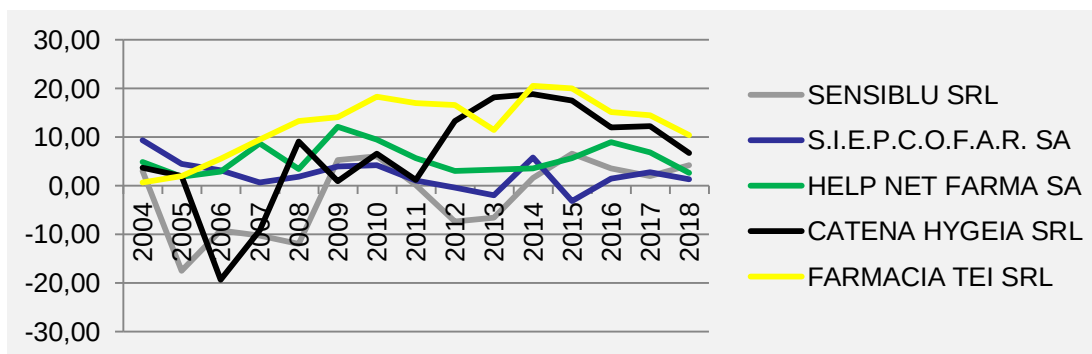
Table no. 2: Profitability indicators for the analyzed companies in 2004-2018

Year	SENSIBLU			S.I.E.P.C.O.F.A.R.			HELP NET FARMA			CATENA HYGEIA			FARMACIA TEI		
	ROA	ROE	NPM	ROA	ROE	NPM	ROA	ROE	NPM	ROA	ROE	NPM	ROA	ROE	NPM
2004	3,12	91,84	2,00	9,39	137,29	5,92	4,95	81,84	2,54	3,70	-1557,51	2,57	0,74	98,01	1,06
2005	-17,51	-335,05	-9,87	4,53	94,65	2,37	1,85	29,71	0,85	1,98	115,18	1,18	1,97	55,57	0,85
2006	-9,20	171,24	-5,71	3,13	40,29	1,58	2,96	40,40	1,09	-19,26	100,90	-10,04	5,51	49846,63	4,08
2007	-10,17	65,14	-4,32	0,67	20,08	0,38	8,76	74,45	3,54	-9,18	54,91	-4,79	9,49	99,92	4,77
2008	-11,90	52,15	-5,16	1,94	49,80	1,02	3,45	59,31	1,32	9,10	-324,48	4,51	13,38	99,96	5,09
2009	5,25	45,98	2,61	3,97	61,85	2,14	12,13	87,26	5,43	0,97	165,15	0,92	14,12	99,98	4,58
2010	6,02	46,83	4,14	4,30	55,90	3,33	9,50	65,74	5,13	6,63	82,44	7,33	18,39	54,74	7,68
2011	0,15	1,32	0,13	1,03	16,91	0,90	5,64	40,93	3,59	1,21	60,61	1,18	17,02	45,20	9,94
2012	-7,40	-258,87	-5,83	-0,40	-7,08	-0,30	3,02	23,24	1,83	13,37	97,11	9,37	16,64	99,98	5,24
2013	-6,54	262,15	-2,99	-2,00	-32,57	-1,21	3,34	18,48	1,83	18,16	97,63	9,15	11,47	49,05	3,19
2014	1,60	-126,22	0,64	5,83	51,30	3,00	3,62	18,91	2,05	18,88	98,18	9,09	20,62	65,33	5,80
2015	6,66	150,51	2,63	-3,07	-21,51	-1,41	5,66	27,82	2,81	17,50	97,87	6,82	20,08	50,71	3,67
2016	3,60	60,56	1,91	1,45	6,46	0,60	8,97	46,72	4,47	11,95	98,12	5,49	15,15	44,33	3,81
2017	1,95	25,91	1,08	2,84	12,15	1,32	6,91	31,18	3,55	12,23	98,10	5,46	14,45	45,46	3,47
2018	4,23	35,27	2,15	1,35	6,47	0,67	2,70	12,30	1,48	6,77	98,35	4,27	10,41	36,97	2,96

Source: Indicators were calculated using data from the financial of the company

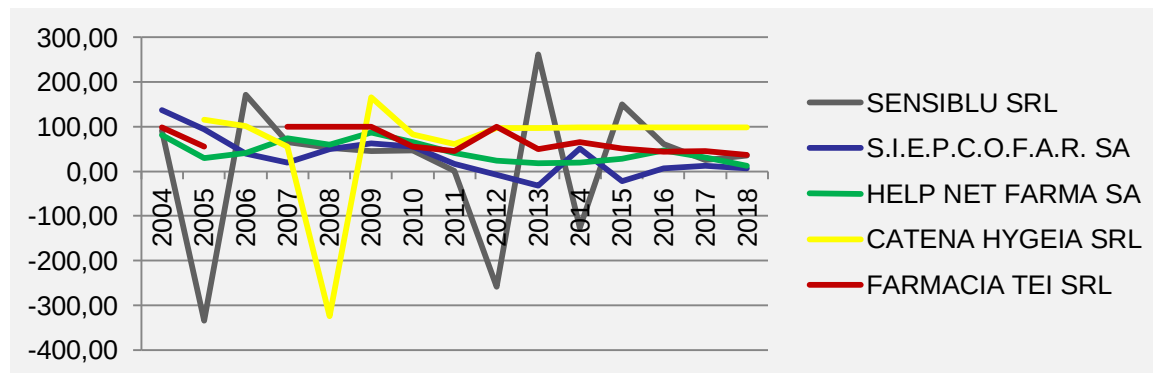
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Graph no. 1. The evolution of ROA for the analyzed companies in 2004-2018

Source: own screening



Graph no. 2. The evolution of ROE for the analyzed companies in 2004-2018

Source: own screening

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CONCLUSION

- The main objective of an entity is and will remain to obtain profit, as the main indicator in assessing the performance of an economic entity. In our opinion, a good and correct assessment of financial performance involves the calculation and determination of a multitude of financial indicators calculated on the basis of data from the financial statements of economic entities, including: ***intermediate management balances, profitability indicators, ROA, ROE, ROI, EBIT, value added, liquidity, solvency and financial balance.***
- In addition to making a profit, an entity must focus its attention on a sustainable development of the business, a capitalization of production factors, obtaining the best and optimal results in relation to the resources consumed.
- ***Financial performance represents a measure of profit, growth, productivity, value creation, being a complex indicator that confirms the profitability of the business, and performance assessment implies satisfying the requirements of the stakeholders.*** To be performing, an entity must have well-established objectives, compete for their achievement, achieve the desired results, and satisfy the requirements of the participants in its economic and life.

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*Thank you for your
attention!*