

## PERFORMANCE IN NORTH – WEST PUBLIC ADMINISTRATION

BĂTRÂNCEA Maria<sup>1</sup>, BECHIS Liviu<sup>2</sup>, MOSCVICIOV Andrei<sup>3</sup>

<sup>1</sup>*Bogdan Voda University, Cluj-Napoca,*

<sup>2</sup>*Vasile Goldis University, Arad,* <sup>3</sup>*Babes-Bolyai University, Cluj-Napoca*

---

### **Abstract.**

*In literature there are many approaches to business performance issues and fewer approaches to this problem in the regional administration.*

*In this respect the authors have developed a system of indicators based on annual reporting of results county administration with which it can highlight the causes and factors that enhances performance underperforming regional administration.*

**Keywords:** *income, expenses, results, cost, benefit, profit*

**JEL classification:** *H72*

---

### **1. Literature on performance**

Profitability of state government is inextricably linked to its performance, although the two concepts can not equate. Profitability approach is a common concept in business analysis and less on government performance analysis. Thus, the concept of performance is found in the literature with different meanings, eg successful result of an activity, action. (Bourgnigon, 1995)

---

<sup>1</sup> *professor Ph.D., Faculty of Economics, Department of Management, Bogdan Voda University, Cluj-Napoca, Romania, batrancea\_maria@yahoo.com*

<sup>2</sup> *lecturer Pd.D., Faculty of Economics, Department of Finance, Vasile Goldis University, Arad, Romania, liviubechis1960@gmail.ro*

<sup>3</sup> *assistant professor Ph.D., Faculty of Business, Babes-Bolyai University, Cluj-Napoca, Romania, andreim@anvico.ro*

Performance in the economic concept covers different meanings, such as growth, profitability, productivity, efficiency. (Colasse, 1999, p 23)

The concept of return is a synthetic form of expressing economic efficiency, which reflects the ability of an entity to make a profit. (Roger, 1999, p 261)

The same opinion is university professor Silvia Petrescu, indicating that profitability is economic category that expresses the company's ability to profit, reflecting its performance. (Petrescu, diagnostic analysis and accounting, 2008, p 31)

In our opinion, the effectiveness of local government is subject to the conducting by the gainfully rational, efficient, cost effective.

In a market economy, rational economic activity is the activity that generates a surplus which is reflected in the income statement patrimony. Excess of local administration is not treated in the literature, but it can be treated as term profit, common economic entities.

How is the core profitability of an entity's ability to generate profit through work and it proves to be understood, not just in one direction or scope, the impact on profitability results, below we present Several definitions of profit. Obviously, we highlight and defines the criteria for these definitions, we have deemed relevant to the subject matter under consideration in this thesis.

The term comes from Latin profit from proficere verb that means to progress, to achieve, to get benefit. (ANA, 2001, p 215)

According to some authors (Coteanu, Seche, & Seche, 1998, p 856) by means income tax brought the capital employed in an enterprise, representing the difference between actual revenue and total revenue expenditure.

Another definition of profit but with reference to the company that captures its essence, believes profit: net income of county administration in the North-West, the surplus over expenses incurred in pursuit of products or services. On so random profit in nature, being dependent on many factors, but it is a positive entity and predictable. If it identifies and quantifies the influence factors influence identity can be achieved with a certain probability, the profit for a given time horizon. (Buchanan & Pop, 2003, p 145)

As a business activity involves the use of capital entrepreneur, ie the person who is the owner of this input, from this point of view, the profit is pay back capital and its owner. "It must cover the remuneration due to him for the

effort made entrepreneur, and risk that it assumes that the capital investment." (Buchanan & Pop, 2003, p 145)

According to French economists (Niculescu, 1997, p 279), profit is "the ability of an enterprise to evolve a result expressed in monetary units."

Some specialists consider profit (benefit) as absolute indicator (size) profitability, is prerequisite and consequence of "business". (Stanescu, Ișfănescu, & Baicusi, 1999, p 203)

According to Professor Ion Stancu profit and loss account shows flows of income and expenditure management (performance) from the beginning to the end of the year. (Stancu, 2002, p 802) It follows that synthesizes performance through profit or loss, economic flows, ie the reporting period income and expenses arising from ordinary activities (operating, financial and exceptional) and extraordinary events. (Stancu, 2002, p 802)

Revenue is defined in "General framework preparation of financial statements" as increases in economic benefits during the year following the entry or increase the value of assets or decreases of liabilities that result in increases in equity, other than those obtained through contributions the owners of capital. The term income includes that income arising in the course of the current undertaking its work, the term is found under other names including sales, fees, interest, dividends and royalties. (International Accounting Standards, 2000, p 399)

International Accounting Standards (IAS), define income as gross flows of economic benefits received by a company during its normal activities, when these flows is reflected by increases in equity, other than increases due to contributions from equity participants in own. (International Accounting Standards, 2000, p 401)

When items of income and expense in the profit or loss from ordinary activities are of such size, nature or impact so that their presentation is relevant in explaining the performance of the enterprise for the period, if appropriate nature and amount of such items should be disclosed separately. (International Accounting Standards, 2000, p 168)

Default resulting from those shown that for profit, the necessary condition is the existence of economic activity. Outcome is calculated as the difference between selling price and cost of obtaining the product or providing the service to others.

Income and expenses arising otherwise than in the ordinary activities of the public have shown extraordinary income and extraordinary expenses.

They arise from conducting transactions or events that are clearly different from the current activities of the institution and, therefore, are not expected to recur in a frequent or regular. The current activities means activities conducted by a public institution to achieve its object of activity, determined in accordance with rules of organization and operation. To determine whether an event or transaction is clearly delimit the ongoing activities of the entity, it is envisaged, rather, the nature of the item or transaction related activities currently undertaken by the institution, but the frequency of these events are expected to have place. Material content of the results is the quantitative side - dimensional and qualitative one. Volume results in quantitative terms, is dependent on system size, type of activity, rhythmicity inputs and outputs, the efficiency of subsystems etc. This dimensional coordinate value component is directly reflected in the results. In terms of value, the results are influenced by the report request - offer competitive products on the market, factors such as inflation. From the above conclusion that the economic activity of a local government is not "an end in itself". She has to realize the intended purpose, but it generated revenue should surpass the expenses, the difference being surplus without which economic activity is meaningless. Overall profitability definitions capture its essence, filled with some emphasis that mark it clearly. Thus Dictionary of Economics profitability is considered a term that places us directly in the context of companies and their performance, refer to the company's ability to generate absolute return (Jessna, Labrousse, & Vitry, 2006, p 266).

Explanatory Dictionary of Romanian Language in term profitable meeting, where the profitability resulting in an economic sense is defined as something "that brings profit" (Coteanu, Seche, & Seche, 1998, p 856). We meet the same interest in contemporary Romanian language dictionary (Beraru, 1980).

Profitability and profit it generates is considered located in close relation with firm growth. Examining strengths growth should be organized around three effects: capacity, competitiveness and market power. It has been shown that under certain conditions, increase market presence develops, reduce costs and strengthen the bargaining power of firms (especially in terms of pricing). This diagnosis leads almost automatically to the proposed synthesis famous classical school of thought in which the three previous

elements are related usually to achieve profit. In concluding this section we present the opinion of Professor John Ceausu, that profitability is assessed as "indicator of return equal to the difference between the actual cost and interest." Although we share the idea that it is an indicator of profitability, it seems to highlight this indicator as a definition of profitability.

Maintaining the company's business is subject to the conducting by a rational activities effective. In a market economy, rational economic activity is the activity that generates profit. Profit or pecuniary benefit is therefore the expression of yield from an operation, actions or activities. General condition of obtaining profit is economic activity of căruirezultat is calculated as the difference between selling price and cost of obtaining the product or providing service to others. Between the cost and profit is an inverse relationship because at some level of prices charged on the market, but the cost is lower, the profit is higher. Local government income is calculated as the difference between revenues and expenses incurred to obtain these revenues.

Whatever the meaning or scope of profit remained essentially he is surplus to the county governments in the North-West after deducting the expenses of operation. Therefore profitability is assessed as viabilitățiactivității synthesis county governments in the North-West, as I thought to call, suggestive, this capital.

Importance of obtaining and increasing profits resulting from the following reasons: summarizes the results of any local government; is the objective of any local government; characterized the economic and social development of a country by the size and dynamics of profit; is the basic criterion of pursuing any economic activity.

Financial practice, performance Administrations county Northwest region is analyzed on two levels, namely: with value indicators; through rates.

Common to both methods is that different calculation techniques outlined the impact of various factors on the performance status of county government activities in the North-West, at two different times.

## **2. Method and results**

Performance Analysis with value indicators highlight the contribution value of each item of income and expenditure to the formation of intermediate and final results. Based on the income statement can calculate several indicators of value, also called intermediate management balances or

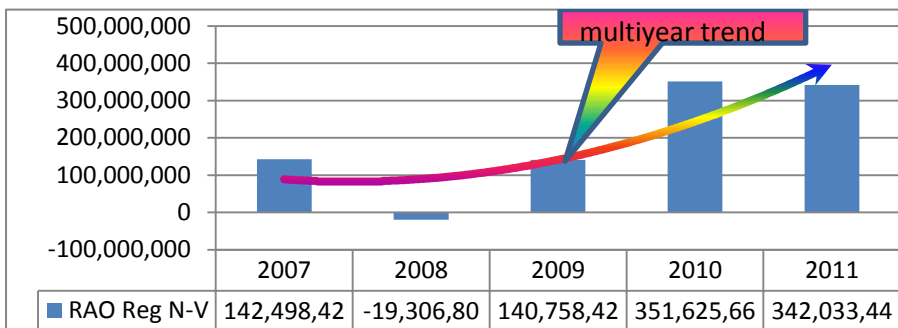
accumulation margins on volume and profitability of county government in the North West.

The main intermediate management balances we examine below: The result from operating activities (RAO) is determined as the difference between income from operating activities (VAO) and expenses from operating activities (CAO). Indicator expresses the gross accumulation of funds from operating activities since depreciation expenses and provisions are included in the cost but not paid, they encountered in cash accumulations of county government in the North West. Surplus from operating activities of county government in the North-West, expresses the capacity of self-financing of investment amortization, provisions and profit ability of debt to the state budget and the ability to pay for capital investments.

$$(1) \quad \text{RAO} = \text{VAO} - \text{CAO}$$

where operating revenues exceed operating expenses are recorded surplus from operating activities (EAO) and the reverse situation shortage of operational activity (DAO).

**Figure 1: The evolution of result from operating activities in the North-West**



Source: own illustration

If county governments reviewed northwestern region shows the following results: 142,498 thousand in 2007, -19,306 thousand in 2008, 140,758 thousand in 2009, 351,625 thousand in 2010 and 342,033 thousand lei in 2011. This is reflected favorably on the state of county government

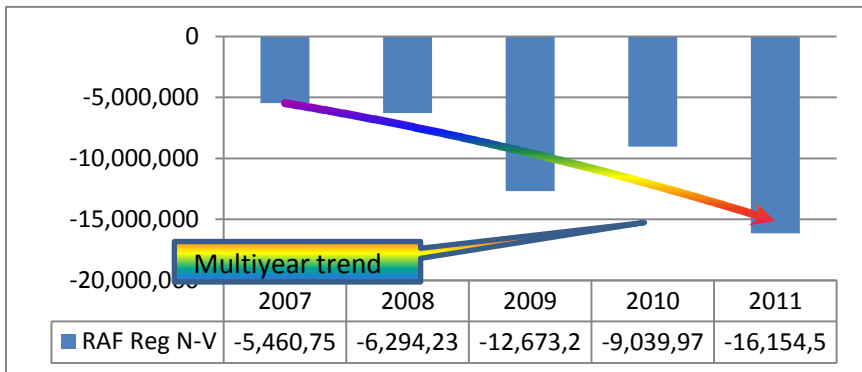
financial performance analysis. This favorable outcome (except in 2008) contributed Maramures, Salaj and Bistrita - Nasaud.

Result from financial activities (RAF) is determined as the difference between income from financial activity (VAF) and expenses from financing activities (CAF). Indicator expresses the gross accumulation of funds from financing activities they encountered in accumulation funds administration in the North-West district.

$$(2) \quad \text{RAF} = \text{VAF} - \text{CAF}$$

where financial revenues exceed expenses recorded financial surplus from financing activities (EAF) and the reverse situation shortage of financial activity (DAF).

**Figure 2: The evolution result from financing activities in the North-West**



Source: own illustration

If county governments following review finds negative results due to interest paid on loans. This condition adversely affect the financial performance of county government in the north-west.

The result from ordinary activities (RACR) is determined as the difference between revenues from ordinary activities (Vacri) and expenses from ordinary activities (CACR). Indicator highlights the profitability of the operation and its financing activity of foreign funds.

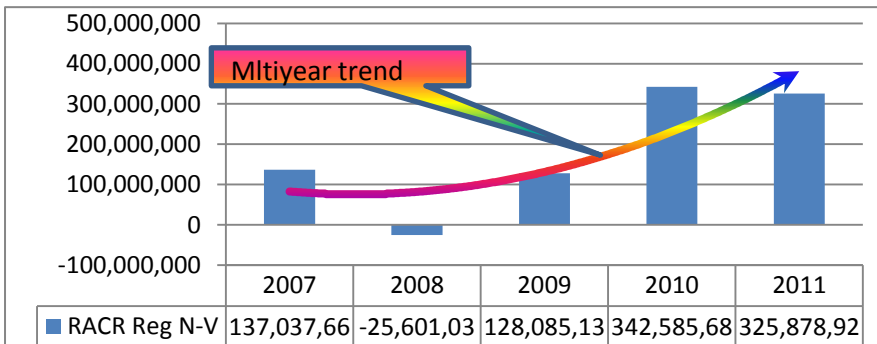
(3)  $RACR = Vacri - CACR$

Current result of the exercise can be determined and by adding the outcome of the result from operating activities from financing activities.

(4)  $RACR = RAO + RAF$

If revenues exceed operating and financial operational and financial expenses are recorded surplus from ordinary activities (EACR) and the reverse situation shortage of activity (Dacre).

**Figure 3: Evolution of the outcome of current activity in the North-West**



Source: own illustration

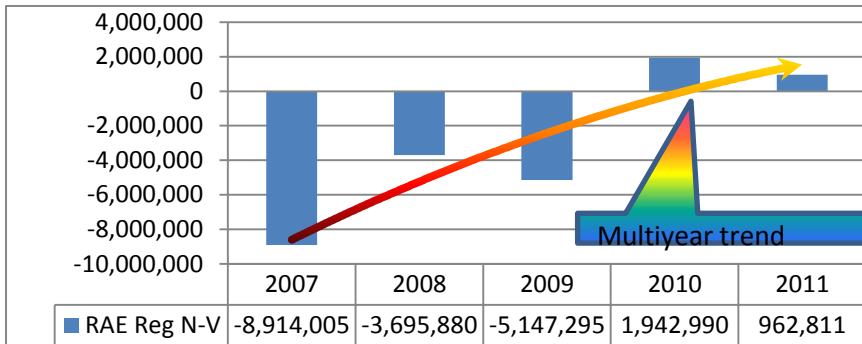
If county governments in the north-west is found the same results as from operating activities. This favorable influence on the financial performance of state administration county. The result of extraordinary activity (RAE), with this indicator put the size of the local financial administration activities of insurance against earthquakes, calamities and disasters, on the one hand and the compensation received by it upon occurrence of such events on the elsewhere. The indicator is calculated as the difference between revenues (VAE) and extraordinary expenses (CAE):



$$(5) \quad \text{RAE} = \text{VAE} - \text{CAE}$$

If revenues exceed expenditures extraordinary record surplus of extraordinary activity (EAE), while the opposite is shortage of extraordinary activity (DAE).

**Figure 4: Evolution of the outcome of extraordinary activity in the North-West**

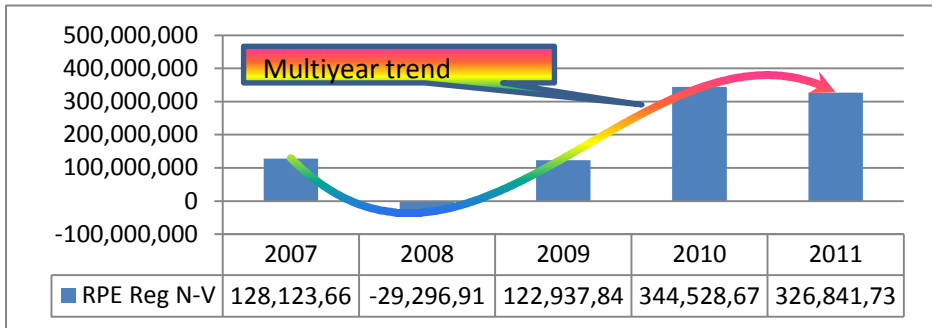


Source: own illustration

Patrimonial result of the exercise (RPE) represents the sum of current income and the gross outstanding year, its nominal value must be equal to the balance of the profit or loss before tax.

$$(6) \quad \text{RPE} = \text{RACR} + \text{RAE}$$

**Figure 5: Evolution patrimonial result of the exercise in the North-West**

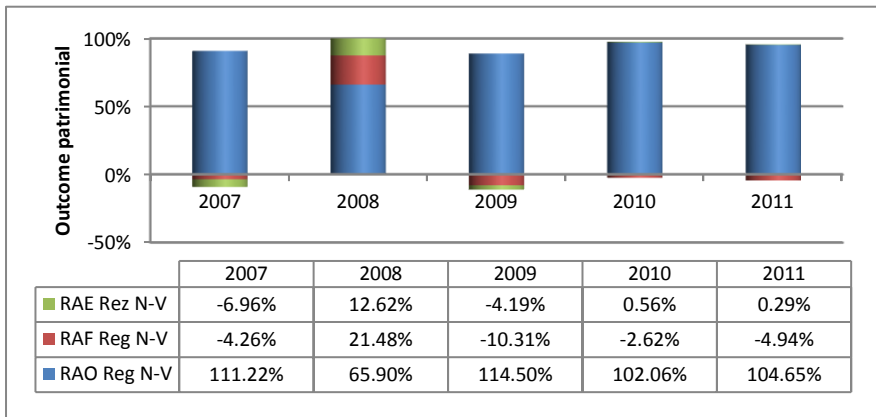


Source: own illustration

If county governments in the North - West finds the following results: 128 million in 2006, 122 million in 2009, 344 million in 2010 and 326 million in 2011. In 2008 there were unfavorable results in the amount of 29 million.

Another followed in financial analysis based on the share of each intermediate result in the outcome of the patrimony of the year, so as shown in the following chart.

**Figure 6: Share of each category of results in outcome patrimonial**



Source: own illustration

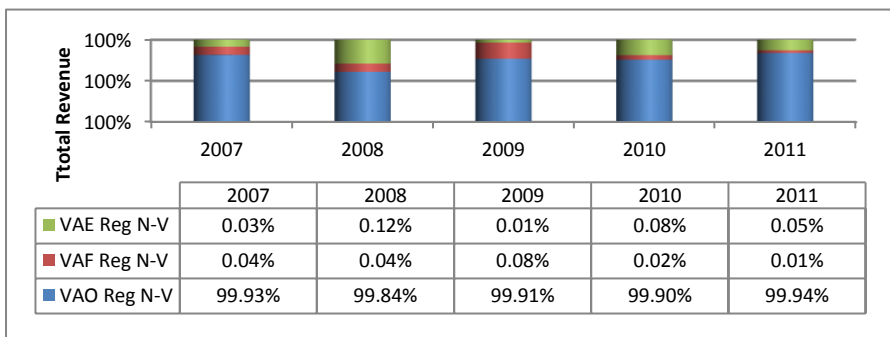
The chart above shows how to produce results, namely:

- In 2007, the result patrimonial 111.22% due to operational activities of county government which covered losses from financial activities (4.26%) and extraordinary (6.96%);
- In 2008, 65.90% of patrimonial result is due operational activities of county government, the rest to financial activities (21.48%) and extraordinary activity (12.62%);
- In 2009, the result patrimonial 114.50% due to operational activities of county government, which covered losses from financial activities (10.31%) and extraordinary (4.19%);
- In 2010, the result patrimonial 102.06% due to operational activities of county government, which covered losses from financial activities (2.62%). Extraordinary activity has generated a return of 0.56%.
- In 2011 the result patrimonial 104.65% due to operational activity county governments, which covered losses from financial activities (4.94%). Extraordinary activity has generated a return of 0.29%.

In conclusion, financial analysis of performance against indicators of value to county governments northwest region reveals that throughout the period analyzed county entities have been favorable financial results positive effect on performance status of all regions.

Finding the causes that have contributed to these favorable results involves widening income and expenditure components, to identify the contribution of each element to their training.

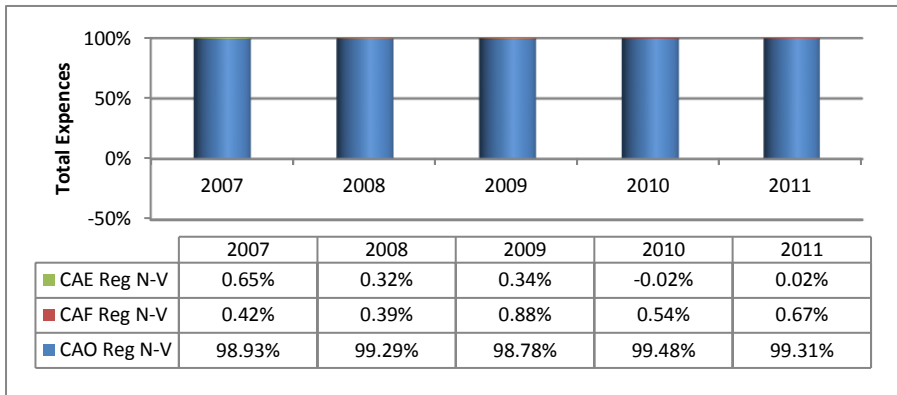
**Figure 7: Share of different categories of income in total income**



Source: own illustration

Thus in the graphic above is observed that the share of total income year hold income from operating activities (over 99%) positive, since county governments northwest region have productive activity, producing and selling products wood and plastics, metal products and semi-finished concrete.

**Figure 8: Share of different categories of expenditure in total expenditure**



The total expenditure share of over 98% is operating costs, natural appearance as the work of the entity for the entire period analyzed.

### 3. Conclusions

Investigations undertaken revealed a number of issues on which we present in summary below.

- regional market there is a dispute of financial information between harmonization and standardization, domestic and international standard setters trying to replace international accounting differences with a set of consistent and harmonized accounting standards globally;

- although the national accounting reform has not been completed, the introduction of International Financial Reporting Standards is an important new step towards harmonization and standardization of national and international accounting. Against this background we find that national

accounting standards in local government closer to international standards both in accounting rules, especially financial reporting system.

■ in local government financial resources are presented in the balance sheet, whose format is closer to International Financial Reporting Standards that are reflected in current assets and non-current, non-current and current liabilities and equity. Meanwhile result patrimonial account is structured operational activities, and extraordinary financial and patrimonial result is treated as a final result no longer taxable.

■ system resources and performance analysis of county government is based on a correlation of indicators presented in the form of financial ratios by which to highlight the financial structure, liquidity and solvency, the administration of public resources, debt and profitability of productive subordinate units deployed in the county.

#### **4. References**

- Antonescu, D., (2003) Dezvoltarea Regională în România - concept, mecanisme, instituții, București: Editura Oscar Print.
- Balog, I. M., Graf, R. & Lumperdean, I. (2011) Economie Regională: Ipostaze rurale și urbane. Cluj Napoca: Editura Presa Universitară Clujană.
- Barna, R. C., (2007) Dezvoltare Regională în Europa, Cluj-Napoca: Editura Fundației pentru Studii Europene.
- Bălan, E. (2000) Administrarea finanțelor publice locale. Bucuresti: Editura Lumina tipo.
- Bușe, L. (2005) Analiză economico-financiară. București: Editura Economică.
- Gheorghiu, A. (2004). Analiza economico-financiară la nivel microeconomic. București: Editura Economică.
- Inceu, A. M. & Lazăr, D. T. (2006) Finante și bugete publice. Cluj-Napoca: Editura Accent,.
- Iuhas, V., (2004) Dezvoltarea economică regională, Deva: Editura EMIA.
- Jemna, D. V. & Rusu, E. (2008). Analiza Eficienței relației finanțe publice locale-sistem bancar. Iași: Editura Universității „Alexandru Ioan Cuza”.

- Mironiuc, M. (2006) *Analiză economico-financiară*. Iași: Editura Libris.
- Petcu, M. (2003) *Analiza economico-financiară a întreprinderii*. București: Editura Economică.
- Petrescu, S. (2008) *Analiză și diagnostic financiar-contabil*. București: Editura CECCAR.
- Văcărel, I., Bistriceanu, G., Bercea, F., Moșneanu, G. A., Bodnar, M. & Georgescu, F. (2004) *Finante publice*. Bucuresti: Editura Didactica si pedagogică.
- Vâlceanu, G., Robu, V. & Georgescu, N. (2004) *Analiză economico-financiară*. București: Editura Economică.
- Pânteu, I. & Bodea, G. (2006). *Contabilitatea financiară românească conformă cu directivele europene*. Deva: Editura Intecredo.
- Pânteu, I., Oprean, I., Mățiș, D., Pop, A., Pașca, N. & Deaconu, A. (1999) *Contabilitatea financiară a agenților economici din România*. Deva: Editura Intelcredo.
- Petcu, M. (2003) *Analiza economico-financiară a întreprinderii*. București: Editura Economică.
- Petrescu, S. (2008) *Analiză și diagnostic financiar-contabil*. București: Editura CECCAR.
- Pop, A. (2002) *Contabilitatea financiară românească armonizată cu Directivele Contabile Europene și cu Standardele Internaționale de Contabilitate*. Deva: Editura Intelcredo.
- Radu, F. (1999) *Metode și tehnici de analiză economico-financiară*. Craiova: Editura Scrisul românesc.
- Stănescu, C., Ișfănescu, A. Băicuși, A. (1999) *Analiză economico-financiară*. București: Editura Economică.
- Stickney, C. (1996) *Financial Reporting and Statement Analysis, 3rd Edition*. Ft.Worth: TX:The Dryden Press.
- Vâlceanu, G., Robu, V. & Georgescu, N. (2004) *Analiză economico-financiară*. București: Editura Economică.