A SPECIFIC MODEL OF RATING IN ROMANIAN TOURISM BUSINESS

TODEA (Maris) Angela [1], SABĂU Cătălin [2], CSEGEDI Sandor[3]

[1,2,3] *Faculty of Economics and Business Administration, Babes-Bolyai University, Cluj-Napoca*

Abstract.

This paper aims to present a model specific ratings tourism enterprises with which to analyze the financial performance of SC Tourism Felix SA against three bank rating models: the Banca Transilvania Romanian Development Bank Group model Societe the general and Raiffeisen Bank and two models for bankruptcy risk analysis: the Altman and Robertson model.

Keywords: *ratings, liquidity, solvency, performance*

JEL classification: -

1. Introduction

Financial standing is an assessment based business activity scores that besides analyzing the financial position, financial performance and cash flows provides more complete information on what happened in the company. With financial standing, managers can be informed at any time about the causes that led to a lack of financial resources, the causes that led to unpaid obligations to the credit institution or the state, and the causes that led to unpaid obligations to shareholders of the entity or investors.

[1] *Ph.D. student, Faculty of Economics and Business Administration, Babes-Bolyai University, Cluj-Napoca, Romania, maris_angela2000@yahoo.com*

[2] *Ph.D. student, Faculty of Economics and Business Administration, Babes-Bolyai University, Cluj-Napoca, Romania, cat_sab@yahoo.com*

[3] *Ph.D. student, Faculty of Economics and Business Administration, Babes-Bolyai University, Cluj-Napoca, Romania, exkontalex@yahoo.com*

2. Method and results

To achieve their own financial rating model we considered important and relevant to a firm's financial performance analysis following indicators, which we included in the model:

- Patrimonial solvency
- Current liquidity
- Indebtedness
- Return on equity
- Economic profitability

Patrimonial solvency was calculated as the ratio between equity and total liabilities. Current liquidity ratio is calculated as current assets (consisting of current assets and prepaid expenses) and current liabilities (consisting of short-term debt and income in advance). Route calculation indebtedness to the ratio between total debt and total assets. Return on equity was calculated as the ratio of net result for the year and equity. Economic rate of return was calculated as the ratio between the net result for the year and total balance sheet.

To give scores to each criterion we developed the following scoring grid.

Table 1: Performance criteria scores

Financial performance criteria	Scores awarded				
	10 points	8 points	6 points	3 points	0 points
Patrimonial solvency	Over 50,0	40,1 – 50,0	30,1 – 40,0	20,1 – 30,0	Sub 20,0
Current liquidity	≥ 150%	136%-149%	121%-135%	100%- 120%	<100%
Indebtedness	≤ 30%	31% - 42%	43% - 55%	56% - 70%	> 70%
Return on Equity	> 15,1%	10,1 – 15%	5,1 – 10%	1,1 – 5%	0 – 1,0%
Economic profitability	> 10%	7,5 – 10%	5 – 7,5%	2,5 – 5%	< 2,5%

Source: own preworks

Based on these financial confidence intervals will be calculated the total score of the firm, and firm performance will fall within one of the groups of economic performance - financial below:

Category "A" - 41 - 50 points
Category "B" - 26 to 40 points
Category "C" - 16 to 25 points
Category "D" - 5 to 15 points
Category "E" - <5 points

Table 2: The rating from SC Tourism Felix SA - LEI -

INDICATORS		**Accomplished 31.12.2008**	**Accomplished 31.12.2009**	**Accomplished 31.12.2010**	**Accomplished 31.12.2011**	**Accomplished 31.12.2012**
Equity		70 532 742	151 023 695	129 713 542	136 052 862	145 761 009
Total liabilities		85 981 264	166 285 167	146 922 693	154 080 764	168 232 169
Patrimonial solvency	1	82,03	90,82	88,29	88,30	86,64
Points awarded		10	10	10	10	10
Current Assets		44 819 545	56 142 115	68 491 180	81 286 900	100 718 720
Current liabilities		11 504 433	11 661 531	14 103 783	12 291 690	18 268 373
Current liquidity	2	389,58	481,43	485,62	661,32	551,33
Points awarded		10	10	10	10	10
Total debt		15 448 522	15 261 472	17 209 151	18 027 902	22 471 160
Total assets		85 981 264	166 285 167	146 922 693	154 080 764	168 232 169
Indebtedness	3	17,97	9,18	11,71	11,70	13,36
Points awarded		10	10	10	10	10
Net result for the year		12 715 098	13 514 213	- 21 310 153	19 636 090	14 414 793
Equity		70 532 742	151 023 695	129 713 542	136 052 862	145 761 009

Return on Equity	4	18,03	8,95	-16,43	14,43	9,89
Points awarded		10	6	0	8	6
Net result for the year		12 715 098	13 514 213	- 21 310 153	19 636 090	14 414 793
Total assets		85 981 264	166 285 167	146 922 693	154 080 764	168 232 169
Economic rate of return	5	14,79	8,13	-14,50	12,74	8,57
Points awarded		10	8	0	10	8
TOTAL SC ORE		50,00	44,00	30,00	48,00	44,00
Mark	*0*	Very good	Very good	Good	Very good	Very good

Source: own processing in Excel 2009, according to financial statements

From the above data calculated following:

Patrimonial solvency high values, exceeding the limit of 50% throughout the period analyzed in a slightly downward trend since 2009 until 2012. This high value indicates that the share of own sources in total liabilities is high, the company resorting to external financing only to a small extent. At this performance criterion SC Tourism Felix SA obtained the maximum score of 10 points.

Current liquidity high values far above the range of safety signs that the company can cover its current liabilities from current assets. This is not necessarily positive, because the company should invest this surplus liquidity to future benefits. And company performance criterion received the maximum score throughout the period analyzed.

Indebtedness also records perform well, ranging between this security because company records very small debt compared to total assets.

Return on equity and return on assets values are oscillating throughout the period under review, in 2010 this indicator was negative because the company recorded loss from financial activities and thus a negative result. Scores for these indicators were given differentiated by the value obtained rates as can be seen in the table above.

After calculating the final score by summing the scores obtained for each criterion, the company analyzed was placed in Group 'A' economic performance - financial years 2008, 2009, 2011 and 2012, achieving a score between 41 and 50 points and were awarded "Very Good". For 2010, the company received a "Good" and was classified as "B" financial economic performance achieving 30 points.

To improve the grade obtained in 2010 we made a script based on the following hypotheses:

- It will review the portfolio shares and 20,000,000 savings will find lei so that adjustment expenses recorded will decrease the value of financial assets and of investments held as current assets, thus decreasing the value of total expenditure;
- Improved production sold 20% leading to an increase in operating revenue and consequently to an increase in total revenues.

After applying this scenario, their model will be presented as follows:

Table 3: Change its model from the application scenario for 2012

- LEI –

INDICATORS		accomplished 31.12.2008	accomplished 31.12.2009	accomplished 31.12.2010	accomplished 31.12.2011	accomplished 31.12.2012
Equity		70 532 742	151 023 695	129 713 542	136 052 862	145 761 009
Total liabilities		85 981 264	166 285 167	146 922 693	154 080 764	161 607 326
Patrimonial solvency	1	82,03	90,82	88,29	88,30	90,19
Points awarded		10	10	10	10	10
Current Assets		44 819 545	56 142 115	68 491 180	81 286 900	100 718 720
Current liabilities		11 504 433	11 661 531	14 103 783	12 291 690	11 643 530

Current liquidity	2	389,58	481,43	485,62	661,32	865,02
Points awarded		10	10	10	10	10
Total debt		15 448 522	15 261 472	17 209 151	18 027 902	15 846 317
Total assets		85 981 264	166 285 167	146 922 693	154 080 764	168 232 169
Indebtedness	3	17,97	9,18	11,71	11,70	9,42
Points awarded		10	10	10	10	10
Net result for the year		12 715 098	13 514 213	11 426 760	19 636 090	14 414 793
Equity		70 532 742	151 023 695	129 713 542	136 052 862	145 761 009
Return on Equity	4	18,03	8,95	8,81	14,43	9,89
Points awarded		10	6	6	8	6
Net result for the year		12 715 098	13 514 213	11 426 760	19 636 090	14 414 793
Total assets		85 981 264	166 285 167	146 922 693	154 080 764	168 232 169
Economic rate of return	5	14,79	8,13	7,78	12,74	8,57
Points awarded		10	8	8	10	8
TOTAL SCORE		50,00	44,00	44,00	48,00	44,00
Rating 0	*0*	*Very good*	*Very good*	*Very good*	*Very good*	*Very good*

Source: own processing in Excel 2009

It can be seen from the above table that the following application scenario assumptions, SC Tourism Felix received a "very good" in 2010.

3. Conclusions

By applying the model of rating financial performance of SC Tourism Felix SA, we used five indicators considered important and relevant for financial analysis of an economic entity. The five indicators chosen were: patrimonial solvency, current liquidity, leverage, return on equity and return on assets ratio. As expected, the entity has been rated "Good" in 2010, due to financial loss and implicitly negative result obtained in that year. For that year was made a scenario with two hypotheses: increased production sold and portfolio revaluation of shares held. This scenario has improved the value indicators and providing "very good" and for 2010.

As a general conclusion from the above, even if some indices were out of range safety intervals overall evolution of society is a good one, it giving credibility with investors and creditors and as a possible source of investment for potential interested entities.

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