

**PARTICULARITIES REGARDING THE FIXED ASSETS  
MANAGEMENT  
IN THE CASE OF ALBALACT J.S.**

**HADA Teodor<sup>1</sup>, AVRAM Teodora Maria<sup>2</sup>**

*“1 Decembrie 1918” University, Alba Iulia, România*

---

**Abstract**

*Management is very important for a company and in consequence, the paper presents aspects of a branch of financial management, namely the management of fixed assets. The purpose of the proposed research is to broaden knowledge about the phenomenon studied theoretically and the practical way of determining indicators specific to fixed assets. In the introduction of the paper elements regarding the objectives, research methodology, novelty brought by the current study were established while literature was reviewed. Topics addressed in this paper have been divided into five paragraphs. So, the first part presents theoretical information about fixed assets, and the following paragraphs focus on the indicators of current assets, particularized for Albalact JS, ending the research with the authors' conclusions.*

**Key words:** *total fixed assets, intangible assets, tangible assets, financial assets, assets rate*

**JEL classification:** *G31, G32, M41*

---

**1. Introduction**

This paper aims at analyzing the management of fixed assets for a company in Alba County, listed on the Bucharest Value Stock Exchange. The objective of this study is to present both theoretical and practical points of view for the concept of fixed assets, as well as structure and efficiency

---

<sup>1</sup> *Ph.D. Professor, Faculty of Science, teohada@yahoo.com*

<sup>2</sup> *Master Student, Faculty of Science, avram\_teodora@ymail.com*

indicators of current assets, with a view to highlighting their tendency in the years 2008-2013.

Writing this paper involved observing the principle of unity between theoretical and empirical concepts in terms of scientific research methodology which included documentation, observation, data collection and the actual drafting of the paper. The paper documentation is both theoretical reflecting points of view of different authors and practical, arising from the analysis of the company Albalact JS. This analysis was performed in order to capture the interactions between the different elements subject to research and obtain information on the subjects. To follow on research methodology, information or financial statement data were collected, and the main method used was the observation method, considered by various researchers as the most widely used in research. As a result, selecting all necessary data could move to the elaboration of the research which involved the division into paragraphs, content outline, the calculation and interpretation of indicators.

The references listed at the end of the paper, we consider, were helpful in broadening the knowledge, both for authors and for various referents to this study. We believe that this work brings a touch of originality by way of studying integrated assets, without requiring that the proposed taxonomy is illustrated in the most explicit way.

## **2. Fixed Assets – Concept and Classification**

Assets are "material technical resources suitable to businesses with a production profile, but which are found in different proportions in other sectors of the economy. They are also called fixed assets and are items intended to be used in a sustainable manner, to achieve the objective of a company". (George Bistriceanu, 2006, p. 42)

Petru Iacob Pântea's opinion (2009, p. 41) is that fixed assets "are assets held for more than a year, generating future economic benefits. Therefore, they translate into a longer period of participation in the economic cycle. Their destination in the business is not to be sold nor consumed or replaced after the first use, and their impairment is due to wearing down which is included in the cost by depreciation.

"Recently, the Minister of Finance Order no. 1802, Section 4.4 "Non-current assets", in Article 138 states that "fixed assets are assets generating future economic benefits and which are held for a period exceeding one year. They are to be valued at the acquisition cost or production cost".

The same Ministry of Finance Order no. 1802 presented the classification of property as follows:

- tangible assets are assets held by an entity for use in the production or supply of goods or services, for rental to others, or for administrative purposes. These assets are used for a period longer than one year (art. 190 a and b);
- intangible assets are identifiable non-monetary assets without physical form (art. 144);
- financial assets include shares held by the entities affiliated, loans granted to related parties, shares held by associate and jointly controlled entities, other investments held as property, other loans (art. 264).

Quite often, the financial analysis uses the term fixed assets which implies “any tangible assets that are held for use in production, supply of goods or services, for rental to others, or for administrative purposes, if normally used for more than a year and having a value greater than the limit established by Government decision”. (Camelia Burja, 2009, pp. 55-56)

This notion of fixed assets is used by Law 15 published in 1994 (republished and updated) showing which are the assets subject to depreciation (Ștefan Cibotariu, 2008, p. 233):

- fixed assets;
- investments made in fixed assets taken on lease;
- production capacities commissioned in part, for which no registration forms were issued as fixed assets;
- intangible assets.

Government Decision no. 909 in 1997 uses the notion of fixed assets in the calculation of economic efficiency indicators where “total assets consist of fixed assets plus current assets” and in consequence it is shown that fixed assets (Ion Stancu, 2002, p. 797) are all fixed assets consisting of intangible assets, tangible and financial, so in other words fixed assets are assets.

From our own point of view, we believe that fixed assets management should cover all assets of the company, but for efficiency elements, non-provision can be made to fixed assets as concrete, material production is related to these assets. (Nicoleta Brândușa-Misu, 2009, p. 65)

Fixed assets management includes (Teodor Hada, 2010, p. 50) “all instruments or leverages which provide evidence of fixed assets, of their depreciation, of their structure, creating a system of efficiency indicators, of

measuring the intensive and estimating use of fixed assets, of calculating the functional status of fixed assets, the maintenance and repair of fixed assets and the determination of the optimal duration of replacing the equipment”.

Following the specifications made in connection with the definition and classification of assets, in the following we will address structural indicators of fixed assets in the total of assets of the company ALBAPAM JS, and the performance indicators of assets.

The company Albalact JS ([www.albalact.ro](http://www.albalact.ro)) analyzed along the current research is the only Romanian producer of dairy established in the former communist industry, which only a few years after the launch of its first brand reached the top four players in the Romanian dairy market. Albalact JS is the largest dairy company in Romania having Romanian capital and the second largest player in the local market for dairy products. Currently, the company has a tradition of over 40 years in the dairy industry, and today it produces the best quality milk in one of the largest and most modern greenfield investment in Central and Eastern Europe - Oiejdea factory in Alba County. The company also produces a wide range of rare cheeses within the factory Răraul in Câmpulung Moldovenesc, which was acquired in 2008. The company Răraul has a long tradition in the production of cheese in general and Cheddar cheese.

### **3. Fixed Assets Structure Indicators**

Based on the asset structure consisting of fixed assets, current assets and expenses in advance, weighting each asset in the total assets is used for companies as they provide information about the normal values of structure indicators and the values establishing the diagnosis of their financial status.

The view of Jean-Pierre Labille on the asset structure in calculating the rate of fixed assets (Rfa) is (Jean-Pierre Labille, 2007, p. 130):

$$Rfa = \frac{\text{Fixed assets}}{\text{Total assets}} \times 100$$

As a result, “the value of 50% would be the ideal and would bring harmony because, in this way, half of the capital is immobilized in elements (machinery, equipment, patents), and the other items can be easily demobilized if needed (stocks, receivables, customers)” and the liability structure is 33% equity, 33% financial debts, 33% operating debts.

To determine the rate shown above, we structure the asset items for the period 2008 - 2013 at Albalact JS in Alba Iulia.

**Table 1: Determining total assets and the fixed assets rate**

Indicators	M.U	Years					
		2008	2009	2010	2011	2012	2013
Fixed assets	lei	124.005.137	134.477.770	129.796.400	134.236.350	126.374.818	154.131.285
Current assets		51.081.112	52.585.512	66.559.006	83.111.171	76.660.603	90.789.629
In advance expenses		0	10.500	2.151.539	29.997	67.723	217.148
Total asset		175.086.249	187.073.782	198.506.945	217.377.518	203.103.144	245.138.062
Fixed assets rate	%	70,83	71,88	65,39	61,75	62,22	62,88

Source: Financial Situations at Albalact JS and the authors' processing

As a result of data processing we find that in 2010, total assets were equal to  $129.796.400 + 66.559.006 + 2.151.539 = 198.506.945$  lei. As can be seen, the development of indicators in general is increasing, which brings multiple benefits to the company. The same method of measurement was applied to all the years analyzed. The assets ratio was calculated according to the formula above, for example for 2013:  $(154.131.285/245.138.062) \times 100 = 62,88\%$ . The data presented shows the result that Albalact JS falls within the normal range of 50%, recording its tip percentage value in 2009 (71,88%), followed by 2008 with 70,83% and the remaining years recorded values of over 60%, so in 2010 (65,39%), in 2013 (62,88%), in 2012 (62,22%) and 61,75% in 2011.

For shaping an image of what comprises the structure of liabilities, but also to highlight the equality of all assets and liabilities, in the table below we present the elements specific to the liability for the period 2008 - 2013.

**Table 2: Determining total liabilities**

Indicators	Years					
	2008	2009	2010	2011	2012	2013
Own equity	85.505.459	85.586.377	85.917.894	89.979.768	97.407.611	98.487.183
Long term debts	35.444.291	36.556.117	29.258.933	31.443.997	22.455.491	36.491.515
Short term debts	47.902.538	59.255.898	77.982.326	91.306.493	78.857.924	106.042.330
In advance income	6.233.960	5.675.390	5.347.792	4.647.260	4.382.118	4.117.034
Total liability	175.086.249	187.072.782	198.506.945	217.377.518	203.103.144	245.138.062

Source: Financial Situations at Albalact JS and the authors' processing

By taking indicators from the balance sheets of Albalact JS, we find that the liability was determined by aggregating the indicators listed in the table above. Taking as example the year 2009, the resulting value in the table was determined as follows:  $85.586.377 + 36.556.117 + 59.255.898 + 5.675.390 = 187.072.782$  lei. Therefore, the total assets is equal to the liabilities,  $187.072.782 = 187.072.782$  lei. We find that the liability indicators have an upward trend, for example, the short-term debt increased by 58.139.792 lei, comparing 2008 with 2013.

Further in this research, I took from the balance of Albalact JS company the values of tangible, intangible and financial assets, after which we calculated according to Maria Berheci (2010, p. 319) other structure rates of assets as well, following the formulas:

- Tangible assets ratio (Tar)

$$\text{Tar} = \frac{\text{Tangible assets}}{\text{Total assets}} \times 100$$

- Intangible assets ratio (Iar)

$$\text{Iar} = \frac{\text{Intangible assets}}{\text{Total assets}} \times 100$$

- Financial assets ratio (Far)

$$\text{Far} = \frac{\text{Financial assets}}{\text{Total assets}} \times 100$$

Thus, we present below the table with the calculation of the three assets ratio.

**Table 3: Determining the fixed assets ration**

Indicators	M.U.	Years					
		2008	2009	2010	2011	2012	2013
Tangible assets	lei	109.590.979	116.132.779	111.112.189	94.603.698	86.874.606	114.604.889
Intangible assets		983.013	517.649	707.104	661.925	528.689	556.007
Finacial assets		13.431.145	17.827.342	17.977.107	38.970.729	38.971.523	38.970.389
Tangible assets ratio	%	62,59	62,08	55,97	43,52	42,77	46,75
Intangible assets ratio		0,56	0,28	0,36	0,30	0,26	0,23
Financial assets ratio		7,66	9,52	9,06	17,93	19,19	15,90

Source: Financial Situations at Albalact JS and the authors' processing

The three categories of intangible assets collected form fixed assets. For example, in 2013:  $114.604.889 + 556.007 + 38.970.389 = 154.131.285$  lei, namely the value found in the first table in assets.

The data presented above show that the rate of tangible assets for 2011 was determined as follows:  $(94.603.698 / 217.377.518) \times 100 = 43,52\%$ . In the years 2008 - 2013 the tangible rate tends to decrease due to asset sales and the rates in the years 2008 and 2009 are over 60% (therefore above the normal value in the industry), and the downward trend recorded in 2013 has been accounting for 46.75%, therefore below the normal in the industry.

The rate of intangible assets reflects the share of investments in the development sector and recorded, according to the above, values below 1%. Its determination was performed as follows in 2008:  $(983.013 / 175.086.249) \times 100 = 0,56\%$ .

The last installment of this category is that of financial assets, reflecting the company's financial investment policy calculated according to the formula given above. This rate has trending upward values from 7,66% in 2008 to 15,90% in 2013 with a peak of 19,19% in 2012.

#### **4. Fixed Assets Efficiency Indicators**

Economic and financial performance is defined by Gheorghe Bistriceanu (2001, p. 31), as being the superior quality level of financial and economic activities carried out by operators which is assessed by using several indicators, such as turnover, return on capital, labor productivity, capital yield, the gross result, the net result, the annual rate of regenerating the fixed capital, the efficiency of using fixed assets.

An important component of economic and financial performance for companies is represented by the efficiency indicators of current assets, regulated by the Government Decree 909 in 1997. They are:

- The equity ratio (Er) compared to assets

$$Er = \frac{\text{Equity}}{\text{Fixed assets}} \times 100$$

This indicator reflects the ratio of total assets and equity of the company. This ratio is subunit, which shows that the company's total assets cannot only be financed from equity, there is a need for other permanent sources.

- The permanent capital ratio (Pcr) compared to total assets is calculated as follows:

$$Pcr = \frac{\text{Permanent capital}}{\text{Fixed assets}} \times 100$$

Based on calculation formulas presented in the table below these rates were determined for Albalact JS during the years 2008-2013.

**Table 4: Determining the equity ratio in relation to total assets**

Indicator	M.U.	Years					
		2008	2009	2010	2011	2012	2013
Equity	lei	85.505.459	85.586.377	85.917.894	89.979.768	97.407.611	98.487.183
Equity ratio compared to total assets	%	69	64	66	67	77	63
Long term debts	lei	35.444.291 0	36.556.117	29.258.933	31.443.997	22.455.491	36.491.515
Permanent capital		120.949.75 0	122.142.49 4	115.176.82 7	121.423.76 5	119.863.10 2	134.978.69 8
Permanent capital ratio	%	98	91	89	90	95	88

Source: Financial Situations at Albalact JS and the authors' processing

The calculation shows that the equity ratio for 2012 was determined as follows:  $(97.407.611 / 126.374.818) \times 100 = 77\%$  and the permanent capital ratio calculation previously assumed the permanent capital calculation by adding equity with the long-term debt. Thus, for 2013, the permanent capital was determined as follows:  $98.487.183 + 36.491.515 = 134.978.698$  lei and the permanent capital ratio:  $(134.978.698 / 154.131.285) \times 100 = 88\%$ . In the case of these rates, the percentages are expressed without decimals and the percentage values for the remaining tables are approximated by two percent.

The data processed in Table no. 4 show that the equity ratio present subunit values for the period analyzed which proves that total assets of Albalact JS cannot be financed by equity capital and is required to have other permanent sources as well. Regarding the rate on permanent capital, it had the value of 88% in 2013 and 98% in 2008 which shows that permanent sources come close to total assets.



The rate of fixed assets (assets) is of two types and is determined according to the formulas presented (Order no. 746 of June 9, 1994):

- no accelerated depreciation

$$\frac{\text{Gross result}}{\text{Total fixed assets}} \times 100$$

- accelerated depreciation

$$\frac{\text{Gross result}}{\text{Total fixed assets}} \times 100$$

Forward, we present the calculated level of the rate of fixed assets without accelerated depreciation considering the analyzed company:

**Table 5: Determining the assets ration**

Indicators	M.U.	Years					
		2008	2009	2010	2011	2012	2013
Gross result	lei	839.630	2.805.932	1.177.451	6.808.914	8.734.493	9.840.024
Fixed assets ratio	%	0,68	2,09	0,91	5,07	6,91	6,38

Source: Financial Situations at Albalact JS and the authors' processing

The fixed assets ratio was determined, according to the above formula, in 2011 as follows:  $(6.808.914 / 134.236.350) \times 100 = 5,07\%$ . The level of the indicator of the fixed assets rate recorded values between 0,68%; profit to 100% in the case of fixed assets and 6,91%, profit to 100% for fixed assets in 2012. In 2013 it recorded a profit of 6,38% to 100% for the total fixed assets.

## 5. Conclusions

The result of the presentations made shows that the assets are regulated by the Ministry of Finance Order no. 1802 issued in 2014. However, the use of concepts such as fixed assets are intended to reveal the structure of assets embodied in technological facilities, machinery, tools, technological buildings, therefore those assets to achieve concrete production in the company.

Regarding the structure of assets, indicators regarding the weight of fixed assets in total were calculated compared with the normal values, the company analyzed falling within the normal range of 50%.

From the structure rates of fixed assets compared to total assets it was found that tangible assets tend to decrease, due to the sale of the assets in the period under review, the rate reaching in 2013 to 46,75% of total assets. The rate of intangible assets in total assets recorded, throughout the period analyzed, subunit values indicating that these assets have a very small share in the total assets. The rate of financial assets in 2013 reached a share of 15,90% of total assets compared to a share of 7,66% of total assets in 2008, showing the company contribution to other companies.

Analyzing the economic efficiency indicators showed that the company achieved a rate of equity ranging from 63% in 2013 to 77% in 2012 proving that assets exceeded the company's equity. The rate on permanent capital records subunit values, but close to 100%, which shows that total assets are not covered by funding sources of permanent capital, nothing remaining to finance current assets, the company having a negative working capital. The rate of fixed assets recorded values of 6.38% in 2013 with an increase in the efficiency of fixed assets compared to 0,68% in 2008.

In conclusion, we believe that Albalact JS generally records normal value indicators and we can thus consider that the company under study works properly.

## **6. Bibliography**

- Berheci, M. (2010) *Making Use of Financial Reports*, CECCAR Publishing House, Bucharest, p. 319.
- Bistriceanu, G. (2001) *Insurance, Banks, Finances Lexicon*, Volume III, Economică P.H., Bucharest, p. 31.
- Bistriceanu, G. (2006) *Insurance, Currency, Finances Brief Encyclopedia*, Volume 1, Universitară P.H., p. 42.
- Brândușa-Mișu, N. (2009) *The Enterprise Finances*, Didactică și Pedagogică P.H., Bucharest, p. 65.
- Burja, C. (2009) *Financial Economic Analysis*, Casa Cărților de Știință P.H., Cluj-Napoca, pp. 55 - 56.
- Cibotariu, Ș. (2008) *The Enterprise Finances*, Didactică și Pedagogică P.H., Bucharest, p. 233.
- Government Order no. 909 in December 29, 1997, updated, for approving the methodological norms of applying Law no. 15/1994 regarding the depreciation of fixed capital into tangible and

intangible assets, modified and completed through Government Order no. 54/1997.

- Hada, T. (2010) *The Enterprise Financial Management*, 2nd edition, Aeternitas P.H., Alba-Iulia, p. 50.
- Labille, J.P. (2007) *Financial Analysis*, Paris, 3rd edition, p. 130.
- Law no. 15 in March 24, 1994 regarding the depreciation of fixed capital into tangible and intangible assets.
- Order no. 746 in June 9, 1994 for approving the methodological norms of applying Law no. 15/1994 regarding the depreciation of fixed capital into tangible and intangible assets.
- Pântea, I. P. (2009) *Romanian Financial Accountancy*, Intelcredo P.H., Deva, p.41.
- Stancu, I. (2002) *Finances*, 2nd edition, Economică P.H., Bucharest, p. 797.
- The Ministry of Public Finances Order no. 1802 in December 29, 2014 – part I for approving the Accountancy regulations regarding the individual annual financial statements and the consolidated annual financial statements.
- The site of Albalact, [www.albalact.ro](http://www.albalact.ro), the item Despre noi (About us), accessed on January 15, 2015.