"Dimitrie Cantemir" Christian University
Knowledge Horizons - Economics
Volume 7, No. 4, pp. 42-46
P-ISSN: 2069-0932, E-ISSN: 2066-1061

www.orizonturi.ucdc.ro

NEED AND IMPORTANCE OF DIAGNOSTIC EVALUATION IN TRAVEL AGENCIES

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Abstract *If we know the position of an economic entity in the sector / branch of activity or if we detect failures sighted to develop a diagnostic activity level. A particularly delicate for a financial analyst is the way in which you assess economic and financial indicators that were included in the diagnostic methodology. To make comparisons of the economic and financial situation and performance among firms in developed countries there are specialized state or private bodies showing annual rates average financial sectors.From this information we can conclude that the most profitable sectors, we can see the position of the economic entity from the competition.*

Key words:

Evaluation, economic entity, global diagnostic, diagnostic microeconomic, macroeconomic diagnosis

JEL Codes:

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1. Introduction

Evaluation is a technique for expressing opinions about the value by means of specific procedures, performed by a professional or by a specialized company. The evaluation will not create value, but value estimate, interpreting market. Diagnostic concept comes from the Greek and reflects "discernment ability to objectively define a certain topic after it ... ..in economic events at a company level, her work involves tracking failures, research and analysis of the facts and responsibilities, identifying causes and measures leading to regulate the situation. Activity of a firm diagnosis is necessary not only when it is in difficulty, but also when the economic and financial situation it is normal, but it aims to improve" (Işfănescu *et al.* 1999, p. 46). The steps you go through to developing a firm diagnosis:

- Pointing out the problems analyzed;
- Providing information and analysis underlying documents;
- Analysis and presentation of results in an assessment report.

Global diagnosis of a company includes the following components:

a) macroeconomic diagnosis;
b) microeconomic diagnosis.

2. Components and the role of global diagnosis

Diagnosis analyzes macroeconomic variables basic macroeconomics, with significant influence on business and will consider: inflation, interest rate and currency exchange rate movements.

Diagnosis will highlight microeconomic sectoral and internal factors influencing business value and will include partial diagnoses, structured enterprise functions: legal, commercial, technical, human resources, finance.

Usefulness global diagnosis consists of:

- Determining the size of the risk premium used in the methods yield by detecting endogenous risk factors, such as customs, monetary, fiscal, inflation, and domestic and lack of property documents, lack of commercial contracts, personal unstimulated material;
- Preparation of forecasts useful in the methods of yield;
- Establishing consistency between different diagnostic tests partial and between global diagnosis and evaluation findings actual business;
- Checking the correctness and reliability of accounting data used in the assessment, property maintenance required application methods.

2.1. Macroeconomic diagnosis

The inflation rate expressed as the percent inflation in a given period. The inflation rate has an impact on sales revenue and related costs in the profit and loss, as well as assets and liabilities in the balance sheet Patrimony. The interest rate expressed as a percentage rate on loans or deposits in updated form. In terms of interest rate interest rate risk is assessed and how it influences the economic entity's assets and liabilities and receivables denominated debt as bonds or other securities, listed, but also influence financial charges and income of the kind interest.

If we find that interest rate increases, the increasing interest and financial charges on the valuation date for existing debts contracted at a variable interest rate, or the same effect, for debts to be achieved in the future, contracted at a variable rate or fixed.

If the interest rate falls and the company is in debt to fixed rate, it loses in relation to competitors who can get cheaper resources.

Exchange rate brings influences related to business operations, financial operations and risk related to economic or competitive. Are affected assets and liabilities in foreign currency, whether from commercial operations of the kind of export or import, or the financial operations of the kind of contract or lending.

If during the currency of denomination of any export sales decrease and if he wants to keep the initial profit margin, then you need to increase sales prices to get the same profit and thus lose its competitors prices that will lower.

2.2. Microeconomic diagnosis

This type of diagnosis, carry out the following partial diagnoses: Legal diagnosis, diagnosis trade, technical diagnosis, the diagnosis of human resources, accounting diagnosis.

Diagnosis is designed to verify legal issues regarding business activity or asset being valued (law on the establishment, operation, association, etc.), which involves the analysis of specific elements in the following areas:

- Commercial law, for which analyze the economic entity leases, rental, lease, license;
- Civil law, for which analyze the economic entity acts of ownership of assets;
- Tax law, where the economic entity analyze information on the last review);
- Labor law, where the economic entity analyze individual and collective labor contracts, civil contracts etc;
- Environmental law, a field in which we analyze the economic entity, damages, interest payment, compensation).

Technical diagnosis involves checking at least the following general aspects: the conduct of the production process, tangible aspects etc.

Diagnosis and management of human resources firm aims to identify human resources in terms of evolution, structure, behavior and their efficient use and management team of the economic entity.

Commercial Diagnosis follow the development of sales, sales analysis on products and markets, analysis of enterprise customers, competition study, analyze enterprise suppliers etc.

Diagnosis economic and financial - has a very important role in the evaluation process and aims:

- Summarizes findings from analyzes carried out in other parts of diagnosis;
- Liaising in relation diagnosis and application of evaluation methods (in particular, methods yield).

Financial analysis of the activity of the economic entity can be made taking into account a number of indicators.

2.2.1. Working capital needs for working capital, net cash, net situation in the diagnosis and their role of economic and financial

The working capital need of working capital, net cash position and net financial balance are fundamental indicators that express the state of the economic entity at a time. These indicators are calculated based on the balance sheet, financial accounting document summary. Compare BSI active with the passive.

If you want to see what is the state of balance or imbalance of the economic entity in the long term we use in determining the working capital.

Financial working capital (FWC) is calculated as the difference between long-term liabilities and assets of the economic entity with greater liquidity within a year. Long-term liabilities are those with maturities greater than one year, and assets with greater liquidity within one year relates to intangible assets or other assets not included in the balance sheet, liquidity term exceeding one year .

Financial working capital can also be calculated as the difference between current assets (including cash assets) and liabilities assets (including cash liabilities).

Cash assets (CA) comprise the actual liquidity (availability) and potential investment securities nature (PIS).

Treasury liabilities (TL) include current bank loans

FWC = Long-Term Liabilities – Long-Term Asset; (1)

or

FWC = Current Assets (including cash assets) - Current Liabilities (including treasury liabilities).

FWC = Own FWC + FWC borrowed (2)

Working capital expresses its own financial financial independence travel agency, insofar as the equity of

the economic entity participating in the long-term financial balance.
The working capital loan financial expresses how long-term capital borrowed contribute to achieving long-term financial balance.

Own FWC = Equity - Long-Term Assets (3)

Equity capital + reserves = regulated + current investment subsidies ± result ± revaluation reserve to retained earnings + + reserves - own shares + gains related to equity instruments - allocation of profits - losses related to equity instruments.

Working capital (WC) is determined as the difference between sustainable resources and stainable means, or the difference between permanent capital and assets.
The revolving fund is an indicator steady state or imbalance of an economic entity in the long term.
The revolving fund is intended that part of the permanent capital and used to finance current operating activities.

WC = sustainable resources - means of support; (4)

and

WC = Permanent capital - assets; (5)

Permanent capital = equity + medium- and long-term debt.
Total Capital = Equity + Public property;
Equity (net assets or net position) = total assets - liabilities;
Heritage gross = net assets + liabilities;

Another method for determining working capital:

WC = Current Assets (including AT) - (Operating Liabilities + External Debt Exploitation + Treasury Liabilities) (6)

Short-term financial equilibrium is expressed by means of the need for working capital.
The need for working capital (NWC) shows far as using the proper maturity treasury assets or liabilities can cover flows that are due.

The need for working capital is an asset that shows current assets to be financed from the working capital.
It highlights the difference between the financing needs of the operating cycle (inventories and receivables) and operating liabilities to suppliers, the state budget, employees, etc.

FWC = temporary needs (excluding treasury activities) - Temporary Resources (Assets Less Cash); (7)

and

FWC = Current Assets (except AT) - Current Liabilities (less PT). (8)

and

FWC = Operating FWC + Outside the Exploitation FWC (9)

Operating FWC = Operating Assets - Operating Current Liabilities (10)

Outside the Exploitation FWC=Current Assets - Current Liabilities Outside the Exploitation. (11)

Net cash (NC) shows that at the end of the financial year and the date of the annual financial statements of the economic entity has cash surplus or deficit.

TN = FR - NFR; (12)

and

TN = AT – PT (13)

Situation business value that expresses net returns of members and shareholders if the economic entity should be abolished and is calculated as the difference between total assets and liabilities.

Application:
Presumably, the balance sheet, we have the following situation (table 1):

Table 1. *Situation of assets and liabilities*

ASSETS	AMOUNTS	LIABILITIES	AMOUNTS
Intangible assets	200	Capital	400
Tangible assets	500	Rezervation	100
Financial assets	100	Result for the year	100
Stocks of raw materials	100	Long-term loans	700
Stocks of goods	100	Providers	100
Receivables from customers	100	Effects payment	30
Received Effects	150	VAT payment	70
Deductible VAT	50	Credits in the current account	100
Sundry debtors	150		
House in lei	100		
Bank foreign exchange	50		
TOTAL ASSETS	1600	TOTAL LIABILITIES	1600

Determine:
a) Net situation (SN);
b) financial working capital by the two methods;
c) its working capital and working capital loan;
d) the need for working capital;
e) net cash;
f) the manner in which the financial balance.

Solution:
a)Situation net = total assets - liabilities = 1600 - (700 + 100 + 30 + 70 + 100) = 600 lei;

b)
b1) FWC = long-term liabilities - long-term assets;
so,

FWC = company's liabilities to the unit for more than one year - term assets with liquidity of more than one year = (equity + capital borrowed for a period longer than one year) - (property + other intangible assets that are a liquidity assets but more than one year) = (capital + reserves + profit or loss + long-term loans) - fixed = 1300-800 = 500 lei.

b2) FWC = Current Assets (including AT) - Current Liabilities (including PT);
AT = actual liquidity (availability) + potential liquidity (investment securities) = 100 + 50 = 150 lei;

PT = Current bank loans = 100 lei;

Assets = inventory + receivables customers received + effects + VAT deductible+ sundry debtors = (100 + 100) + 100 + 150 + 50 + 150 = 650 lei

Current Liabilities = providers + effect payment + VAT payment = 100 +30 + 70 = 200.

FWC = (650 + 150) - (200 + 100) 800-300 = 500 lei.

c) Own FWC = Equity - long-term assets = (capital + reserves + profit or loss) - fixed = (400 + 100 + 100) - (200 + 500 + 100) = 600-800 = - 200 lei

Borrowed FWC = FWC – Own FWC = 500 - (-200) = 700 lei

d)FWC = Current Assets (except AT) - Current Liabilities (less PT) = (stock + customer claims received + effects + VAT deductible + sundry debtors) - (suppliers + effects payment + VAT Payment) = (100 + 100 + 100 + 150 + 50 + 150) - (100 + 30 + 70) = 650-200 = 450 lei

e)TN = FR - FWC = 500-450 = 50;
or TN = AT - PT = 150-100 = 50 lei.

f)FWC = 450 lei FR = 500 lei
TN = 50 lei

The need for working capital is financed entirely from the working capital, resulting in a surplus of cash.

3.Conclusions

Diagnosis applicable business is a preliminary step to fixing the process, and allows the knowledge of their core business, realized or unrealized potential entity.
Components of comprehensive diagnosis of the type of business must respond influencing factors, and the intended purpose of the evaluation.
In French literature discusses the following diagnoses: environment entity (situation, business environment, economic and financial environment), profitability, solvency funding. In literature, especially in Anglo-Saxon practice assessments, diagnosis role global, or at least some components already mentioned, is much lower,

showing utility methods yield especially when you have estimated the systematic risk (economic) and the financial (given the indebtedness of the business). Overall, global diagnosis differs in diagnosis of the entity (financial diagnosis is of paramount importance), which belongs to the branch of business activity (e.g. demand, government policy, the average return on capital, legal regulations, etc.), the macroeconomic situation and evolution (e.g. country risk, political, economic growth, inflation rate etc.) ".(http://www.econ.ubbcluj.ro/documente2014/Suport%20admitere%20masterat%202014%20AMFE,%20DE,%20EXCA,%20MCAC.pdf).

A particularly delicate for a financial analyst is the way in which you assess economic and financial indicators that were included in the diagnostic methodology. To make comparisons of the economic and financial situation and performance among firms in developed countries there are specialized state bodies or private, published each year, the average financial ratios by sector (Isfănescu, 1999, p. 108).

From this information we can conclude that the most profitable sectors, we can see the position of the economic entity from the competition.

Selection and ranking analysis indicators is considering several aspects of tradition, economic development, etc.

When applying methods yield, we compute indicators based on historical data and forecasts we draw on them and we will prioritize profitability indicators and profitability. Financial diagnosis will have secondary role in the case of property valuation methods.

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