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THE CAPITALIZATION OF THE ACCOUNTING INFORMATION IN THE PROCESS OF STOCKS ANALYSE

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"ABSTRACT" The information is justifying its importance by the fact that its detailed aspects which contains can lead to signified economies and to the fusion of the stocking operations and procedures, when it is used the elaboration of decisions.

The most complex structure, as data basis offered to the economic analysts, is represented by the accounting whose ability of coverage of the economic phenomena and processes, as well as of the patrimony existence in analytical and synthetic information, can serve to the characterization of the position of the company, including to the environment, through recording the material and financial changes with these ones.

The stock analyse is possible through the elaboration of the accounting information,   able to give in a synthetic manner the image of funds immobilizations in stocks for production and for sale, and in an analytical manner the value of each type of stored up goods.

Being considered the „cheapest" resource, the information justifies its importance by the fact that the detail aspects it contains may lead to significant savings and to flowing of stocking procedures and operations given that it is used in decision-making.

At the same time, one should note that a sound economic analysis that allows the knowledge and regulation of a production system is based on two categories of resources, as follows:

a. internal resources, which reflect the actual functioning of the company, its state sat certain moments in time and derive from the evidence system, respectively, financial accountability and administration;

b. external resources, resources that are external to the company , which are necessary both to directing the activity and adjusting the objectives but also in view of reporting own result to them..

If for internal information, the requirement is to be organised in compliance with the needs of the analyses the information exchange with the exterior environment must be achieved so that the information obtained responds to requirements regarding usefulness, accuracy, value and cost in order to be used efficiently when analysing the economic environment and determine changes at the company level in accordance with the objectives measured in time and space.

The most complex structure, as database available to economic researchers is the accountancy, whose capacity to include economic processes and phenomena but also duet o the ownership in synthetic and analytical information may serve to defining the position of the company also towards the environment by recording financial and material exchange with it.

In order to get to know the financial situation of the economic unit and the efficiency of its administration is necessary, amongst others, in order to analyse the degree of liquidity of various existing stocks as well as those that are about to be exhausted, in other words to assess their capacity to transform themselves at a faster or slower speed in liquidities. The amounts that result from the use of raw materials and other supplies become again available in a period that depends on the time while these materials are stocked by the company prior to being used. These stocks are necessary to overcome the insecure delivery periods by suppliers and to feed non stop working in the production process to obtain final products.

The stocks which are currently being processed are an element whose ID is incorrect because, in many cases, is followed by careless ordering services, meaning planning release and supervision.

Often, the services concerned, of convenience in determining the exact requirements, intentionally creates stocks of the same kind, very high in terms of quantity to avoid, without effort, any risk of "breaking" the pace of production. This easy safety unnecessarily immobilizes funds. A good organization should be able to avoid a rupture of rhythm, using a current stock as small, allowing an optimal rotation of capital.

In which regards the finite products stock, this must permit regular insurance of sales during the year. The importance of financing which is given tot hem, is done according to the possible synchronization of the fabrication and sales rhythms.

Therefore, it requires such an analysis of data from the managers of departments, which should consider the main objectives of stocks analysis,[1], which can be summarized as it follows:

- *Tracking the total and the actual stock categories (St1)* comparative to the optimal ones (StO), minimum or medium ante calculated ones, and the determination of the stocks over or lesser optimal ones and the stock immobilization (St1 > StO);
- *Establishing the causes* which caused actual stocks above or below the optimum or minimum setting and opportunities to reduce unnecessary liquidation of assets in stocks;
- *The analyses of material values gaps, of the degree in which they affect the continuity of the productivity process, establishing the generating causes and the immediate steps to remedy these steps*

The Scope of this analysis is to allow for corrective activities in the planning-control-execution analyses, using the data that define the state of the system.

Achieving this analysis is possible by processing accounting information, able to provide synthetic image how the funds assets in stocks for production and sales, and how analytical value of each type of goods stored.

At the same time, there can be seen situations that refer to the production volume for a certain period of time, the volume of delivery and the volume of consume transposed in expenditure. The data recorded in accounts represent „raw material" for late ruse, being presented as reports and indicators which characterise the economic and financial situation of the company at a certain moment.

The entire activity meant to ensure the necessary production materials is subordinated also to control function of the stock, which may be attributed to various circles of the organisational structure. Immediate feedback is in the centre of every control mechanism which describes the process and which measures and establishes the tolerance limits. Thus, the financial and analytical accountancy information must serve the stock administration activity in order to determine the stocks being stocked, the moments and the necessary quantity to redo the stocks, maintaining the evidence over the stocked quantities etc.   Duet o the fact that the stock management difficulties affect several company functions , we consider that the information enclosed in accountancy reports must be available in various formats, applicable to users; requirements. By providing accurate and timely data collected and stored, computer systems have the capacity to synthesize and present information at the appropriate level of detail, the functions and different locations.

In this way any of the quality problems, the causes of stock deficit or the development of optimal stocks, are known immediately and studied on the three stages: purchasing, production, sales, alternative plans can be implemented.

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[1] Radu F., Dincă M., Buşe L., Siminică M. – Financial and economic analysis and diagnosis of business – Reprograph Publishing House, Craiova, 1999

Given their role in maintaining financial and economic balance of the company, inventory is tracked in the dynamic and analyzed at each stage of production process. Information on stocks allows diagnosis activity in terms of profitability and the degree of autonomy of the firm.

We believe that, in relation to information supplied by stock accounting, and by the adjacent compartments of supply and distribution activities, can be detected harmful phenomena of normal business activity. Developing the right decisions is only possible in case of a permanent system of supervision and control of stocks size and movement, system which allows an causal factors approach of negative symptoms, of the deviations from the normal rules of operation.

This approach is particularly useful as the objective is more complex. For example, a deviation of the value of stored goods over a certain limit claims a factorial diagnosis which involves the rotational speed of the stock, the materials needed for production, the planned production volume, the cost of storage, etc. It is not enough to reveal whether a product is good or not; is essential to understand the cause – effect mechanism that generated it.

Disorders that occur in business function can be the result of deficiencies concerning:
- Development of supply and sale programs;
- Organization of supply, transportation, storage, handling and delivery activities for the stored goods, so that there is a correlation between resources and objectives.

Creating a database of stock, processing and interpretation of information obtained, the ultimate goal is to analyze past activities to enable better understanding of the future possible. Such analysis, combined with an economic financial diagnosis, forms the basis for the decisions in the strategic management. Operational model can therefore be[2]:

Stages of diagnosis   *Analysis Operations*

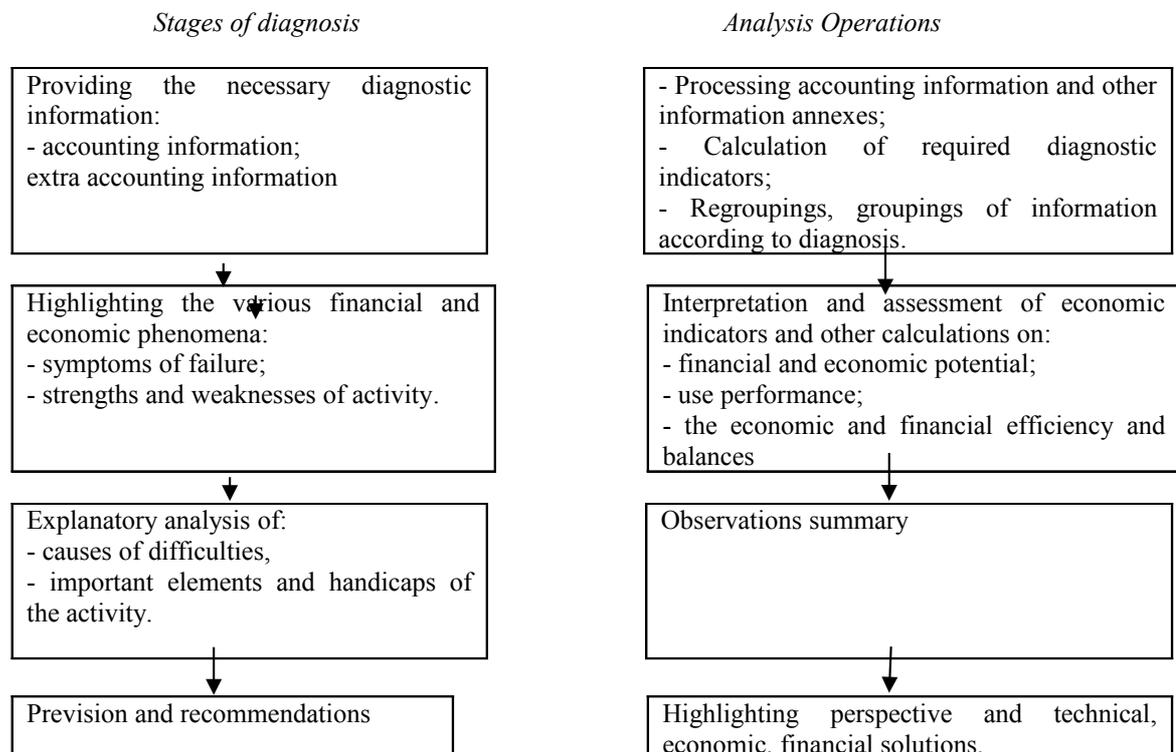| Providing the necessary diagnostic information: - accounting information; extra accounting information	- Processing accounting information and other information annexes; - Calculation of required diagnostic indicators; - Regroupings, groupings of information according to diagnosis.
Highlighting the various financial and economic phenomena: - symptoms of failure; - strengths and weaknesses of activity.	Interpretation and assessment of economic indicators and other calculations on: - financial and economic potential; - use performance; - the economic and financial efficiency and balances
Explanatory analysis of: - causes of difficulties, - important elements and handicaps of the activity.	Observations summary
Prevision and recommendations	Highlighting perspective and technical, economic, financial solutions.

Figure 1 - The scheme of the operational model of economic financial diagnosis

Existing data on the income and expenditure budget, in accounting and in the technical and operational activity of a company with productive activity, are structured in Table 1. With

[2] Cohen E. – Analyse financiere – Paris, 1990.

their help it can be determined the extent in which the actual stock match, on totally and per cell, to the optimal expected (annual).

Table no. 1

Nr. crt.	Name of items	Optimal stocks (antecalc.) Sto	Effective stocks St1	Differences (St1-StO)	Percentage
1	Raw materials	56.825	59.433	2.608	4,59%
2	Materials	18.530	18.468	-62	-0,33%
3	Finite products	21.600	22.820	1.220	5,65%
4	Production in progress	9.450	9.200	-250	-2,65%
5	Goods and packaging	4.830	4.560	-270	-5,59%
6	Total stocks	111.235	114.481	3.246	2,92%
7	Turnover	587.600	599.450	11.850	2,02%
8	Number of turns of the stock (CA/St)	5,28	5,24	-0,05	-0,88%

Based on the data included in this table, it may be concluded that the company has overcame the optimal stock with a total amount of 3.246 thousand lei, the cause being the over storage of raw materials of 2.608 thousand lei and of the finite products of 1.220 thousand lei.

In which regards the supply strategy is found a rhythm superior to daily raw materials consume, generating financial immobilisations with 4.59% bigger than the planned ones.

For the materials, the consumption was not correlated with supplies cadence, appearing the possibility of stock tearing, with a probability of 0.33%.

We can appreciate that the detailed analysis of appearance causes of stocks over the optimal ones, in the supply stage, such as supply of materials, and raw materials over needs, foresight and erroneous contracting of quantities to be supplied, the supply before term, seasonal or for supplementary needs, and ceasing the manufacture of a product or activity with a section, reduce the risk over storage..

Regarding the stock below the optimal level it must be noted that can be generated by the lack of raw materials and materials to supplier, providing the wrong quantities supplied, delays in purchasing, supply at lower prices than those listed, overcoming specific consumptions and refusing to receive poor quality materials, which requires an anticipation of these external and internal causes.

Starting from information provided by accounting reports, broken down by categories and types of raw materials and consumables, related to information on relationships with suppliers, has separated the conclusion that there are deficiencies in the organization of supply. The over storage phenomenon, occurred as a result of a lack of correlation of the supply rate with the consumption of raw materials, amid a change in the production program. A fragmentary and incomplete communication between departments resulted in excessive property funds in stocks.

The same cause was at the basis of faster consumption of raw materials, the new production structure demanding this thing, to which it was added the closing of a contract with the suppliers in a more advantageous price than anticipated.

Corrective measures that we consider necessary in this case refers to:
- amending the plan of adequately supply corresponding to the new production conditions;
- increasing the range between supplies, or reducing the ordered quantities of raw materials up to the programmed level;
- supplementation, where possible, of the quantities of materials that are in deficit;
- permanent access and analyze data in a common ground established, on the existence and stored for consumption goods production, the supply compartment and at the annual accounting..

Concerning the production level resulted finite products stock with 1.220 thousand lei over the programmed value, and the stocks production in progress with 250 thousand lei less than it was planned.

Failures in the manufacturing process should be investigated and in terms of causes that lead to production than necessary stocks, such as: the existence of lots or remaining pending orders, increasing the duration of the manufacturing process, production delays due to technical reasons, the increase in the volume of activity, the existence of rejects, changing varieties or the lack of rhythm in production.

Meanwhile, for necessary production stocks is required such an analysis to detect the causes of its generation, of which mention: the gaps in production due to lack of raw materials and change varieties, reducing costs to the program, decrease of the fabrication cycle, production period under the provisions.

The production in course registers a decrease of 2.65% to the foreseen level and this one, as a result of the accelerated production in the last part of the year and of the deficit of materials which affected in a certain measure the production process.

Changing the structure of production generated over storage of finite products which were mainly formed of sorts whose production has ceased. It is felt such a lack of connections between information and control work production and the distribution of products in making a production for the market.

Disposal is affected by over storage of finite products with 1.220 thousand lei, part of increasing production to the end of the year, knowing that demand in this period is growing, but was not linked with marketing policy of companies, not found in time, which hasn't found markets on time.

Another reason is the lack of stock packages that prevent appropriate circumstances delivery of finished products to customers. Their deficit is the largest, being of 5.5%.

Tracking, in the dissolution stage, the progress of disturbing cause that determine *over necessity stocks* means to take into account the production growth, the range changes, costs growth, the existence of a faster pace of production to sales, slowing or stopping the shipment of products due to poor quality, lack of transport or disposal, the management of arbitral awards.

The solutions that can be adopted concerns:
- adjustments in the distribution, assistance in the production process is delayed. To recover the amount in the finished products should be stored in a policy-based sales discounts on products hardly marketable, taking into account that follows a period of lower demand;
- a better coordination between the activities of various services and information for their leaders in time lead to ensure the items that contributes to streamlining the supply of finished products.

Inventories as required in the dissolution state are caused by not manufacturing some products, by changing varieties of assortments in favour to those with a lower cost, reduction of costs, and the existence of a faster rate than the one of production.

Although turnover has been a positive development, in addition to yielding a value of 11,850 thousand Lei compared to ante calculated level, the stocks growth with 2.2%, compared to only 2.02% of turnover, resulted in a decrease in number of stocks turns of 0.88%. This means additional financial fixed assets to be reduced by measures taken in each stage of the economic circuit.

Conclusions

Some of the causes mentioned above are of objective, linked to changes in the volume or structure of production, as a result of new market conditions of supply and / or sales. In

these cases, to cover its financial needs, the company may request and receive short term loans or other forms of financial support.

But also may appear subjective causes as: activity without rhythm, cost overruns, uncompetitive quality of business products, and storage of more than required materials, which sometimes require vigorous and sustained measures to liquidate their occurrence.

We believe that the stocks analysis is necessary to continue the kinds of materials and products to ascertain whether the company had no shortage of some materials and other stocks than necessary. It is useful to track and slow-moving inventory development or no movement and how to act for their liquidation.

The liquidation measures of formation causes of some optimal Measures to liquidate the formation causes of stocks over the optimal ones regard the preparation on time and in close relation to the need for domestic production supplied with the internal production program, on time knowledge of contractual obligations, preparing schedules of supply in accordance with orders or production releases in the series of products, supplies rhythmic materials, use primarily in stocks of materials than necessary, offsetting the supply.

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