

The analysis of selected parameters characterising economic condition of Paged SA

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Abstract: *The analysis of selected parameters characterising economic condition of Paged SA.* In this paper changes of the major values affecting the economic condition of any enterprise, regardless of the form of business and type of activity were analysed on the example of Paged SA - a representative of wood industry. This values analysis can provide many useful data, namely facilitate the decision of potential investors and contractors. The data can be useful for further, more detailed analysis, primarily in the competitiveness analysis of individual wood industry enterprise at the domestic wood industry market but also compared to companies from other countries.

Keywords: profitability, liabilities, economic condition, wood industry.

INTRODUCTION

Although the analysis of the economic situation of selected company even by the beginner investigator may seem quite simple, but an amateur analyst can skip a number of important economic values. That unfortunately happens quite often. Conducting the analysis in the direction of future investments in the stock market an amateur analyst focuses mostly on values such as net profit and gross profit, values resulting from company functioning in given period.

In addition, beginner researcher in his analysis focuses mostly on the results of period which he is interested in, forgetting that the values of past periods can significantly affect future results and decisions taken by company's managers, related with its future market strategy. An amateur investor is also affected by the current mood of the stock exchange, and so the market psychology, following "the crowd" one time, another time taking decisions "against the market." Failures may result in discouragement to invest in the stock market. While the novice researcher may be affected by current mood, the flawed decisions can bring uncertainty and large losses in the future for prospective contractor.

In the analysis of the company economic situation many factors are used in greater or lesser degree affecting the company situation. The most significant are: the financial result, operating profit, sales revenues, selling costs, receivables or liabilities.

RESULTS

In this paper the analysis of changes in selected economic values of representative of wood industry, Paged SA in 2006-2010 was analysed. The data was taken from the company's quarterly statements publicly available. The analysis was based on changes in the values of the operating profit, changes in sales revenues and changes of short-term and long-term debt.

Figure 1 shows the changes in volume of sales revenues achieved by the Paged SA company in each quarter in 2006-2010. Baselines are the sales revenues achieved by the company in the subsequent quarters of 2005.

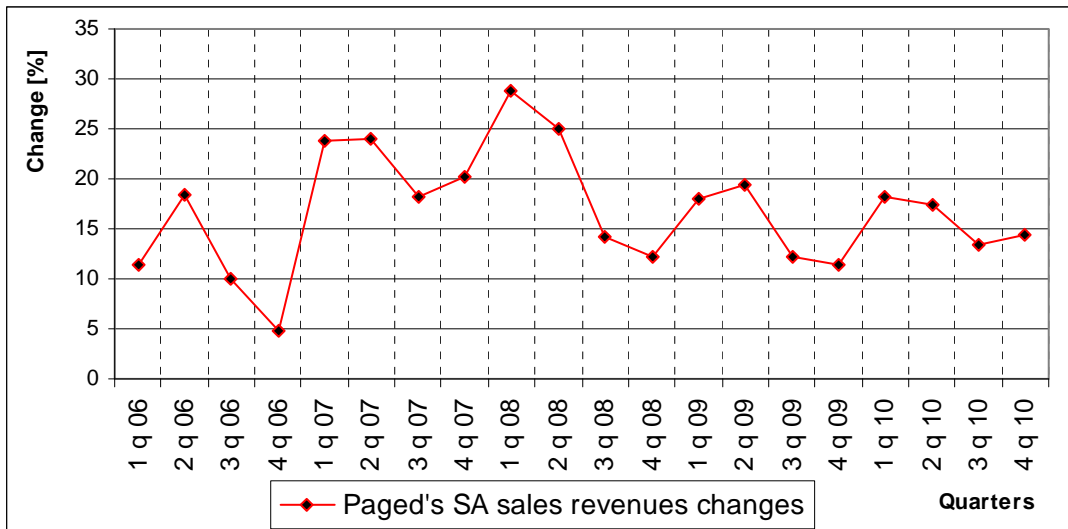


Figure 1. Paged's SA sales revenues changes in 2006-2010 (2005 subsequent quarters = 100%)

Figure 1 analysis shows that the highest values of sales revenues the company received in 2007 and 2008. Results of sales revenues are 20 do 30% higher then the values of sales revenues in 2005. Better results of sales revenues in every first two quarters of the year can be observed. Values of sales revenues in 2009 and 2010 are not as good as in the 1st quarter of 2008, however, they fluctuate from about 10 to 20% of the values in the base year.

Figure 2 shows a graphic illustration of changes in operating profits in the company Paged SA.

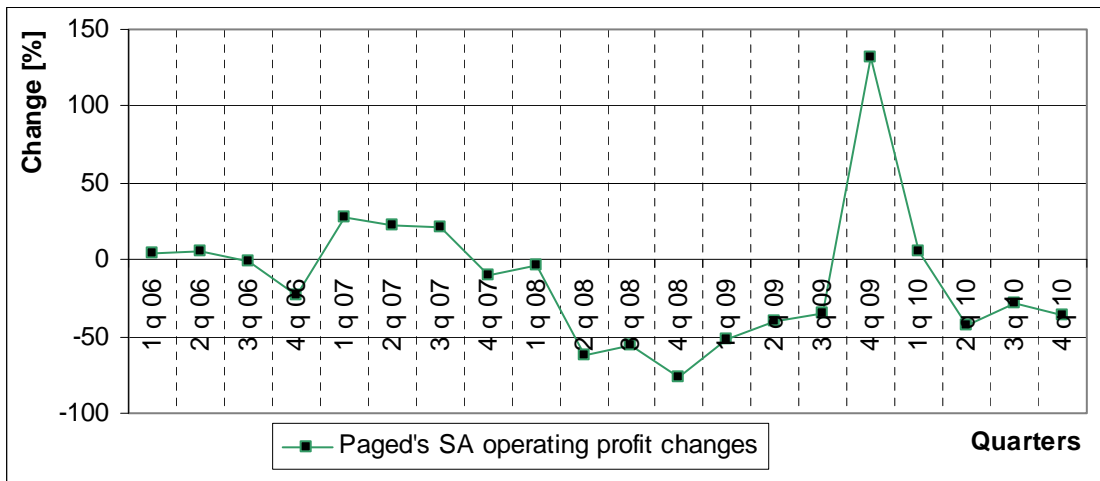


Figure 2. Paged's SA operating profit changes in 2006-2010 (2005 subsequent quarters = 100%)

Operating profits analysis of Paged SA presented in Figure 2 shows that in the first analysed year operating profit values are similar to those from the base year 2005. Only the last quarter of 2006 operating profit values are reduced by about 23% compared to 2005. In the subsequent year the values of operating profits are improving again - the highest value of the operating profit Paged SA reached in the 1st quarter of 2007, it is nearly 28% more then in corresponding period of 2005. The values of operating profit in 2008, however, are reduced to a value of more than half lower than in the base year. In 2009 the operating profit values are improving again. The results of Paged SA reach in the 4th quarter 2009 the value of more than

130% higher than the value recorded in 4th quarter 2005. The decrease in the operating results of Paged SA observed in 2010 may have a negative influence on the company's situation in the future. The values of the operating profits in the last three quarters of analysis represent almost half of the level of operating profit noted in 2005.

The analysis of changes of the company long-term liabilities in 2006-2010 shows Figure 3.

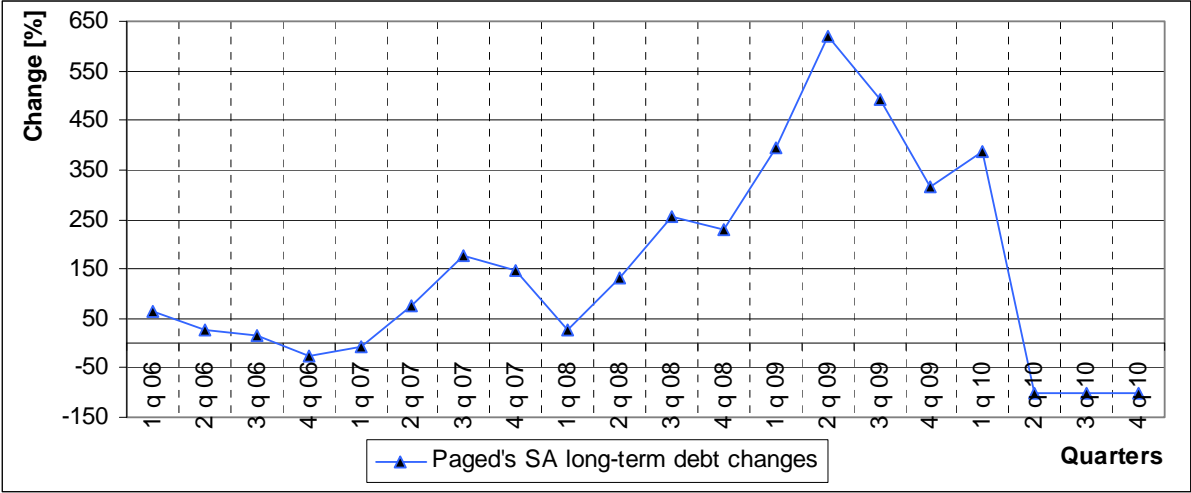


Figure 3. Paged's SA long-term debt changes in 2006-2010 (2005 subsequent quarters = 100%)

The Figure 3 analysis shows that in the initial period of analysis the long-term debt of Paged SA is kept at a near constant level, lower even than in 2005. This situation in the second half of 2006 year can be observed. The lowest long-term debt values are observed in the 4th quarter of 2006 and reached nearly 50% of the liabilities level noted in 4th quarter of 2005. A gradual increase in the level of long-term debt is characterising subsequent quarters of analysis. In 2007, the long-term liabilities in Paged SA reaches already 150% of the value of the base year. The long-term debt of Paged SA in 2008 increases to 250%, and in 2009, up to 650% of long-term liabilities in 2005. Only last analysed year brings lower long-term debt – all the debts were fully paid.

The Figure 4 shows a graphic illustration of changes in the values of Paged SA short-term debt in the years 2006-2010.

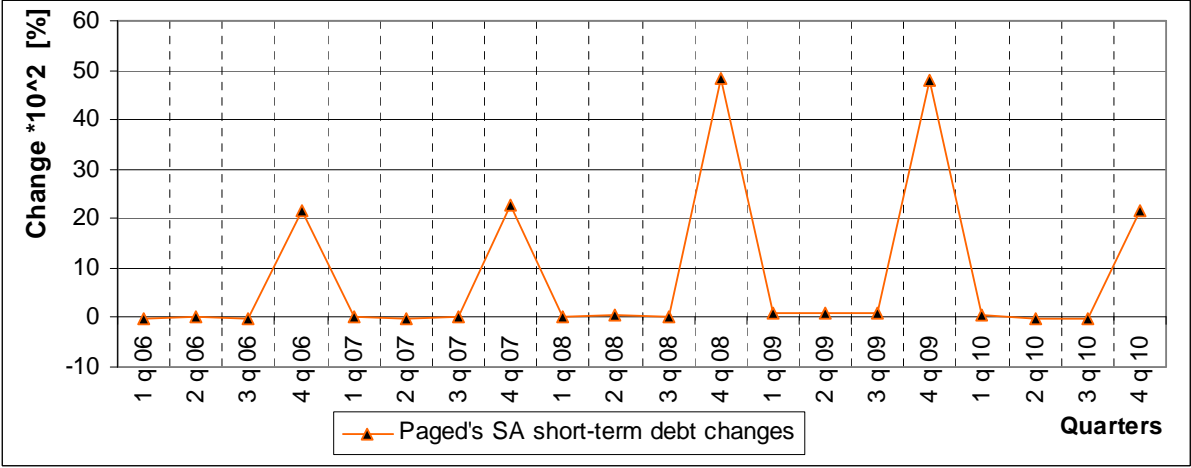


Figure 4. Paged's SA short-term debt changes in 2006-2010 (2005 subsequent quarters = 100%)

One of the biggest changes in the components of Paged SA balance sheet during analysed period in the case of short-term liabilities can be observed. Analysis of the data illustrated in Figure 4 allow to note that in last quarters of each year the company's short-term debt increases. The highest increases in short-term debt can be observed in 4th quarter of 2008 and 4th quarter of 2009.

CONCLUSIONS

Analysis of selected economic values, that characterize the economic situation of Paged SA allow to note that the results of the company are decreasing since 2008. With rising liabilities revenues from sale is reduced. The collapse of worldwide sales as a result of the economic crisis may be a factor causing this situation. Rising costs of company's functioning with the sales revenues and operating profits remaining a similar or lower level than in 2005 do not allow for a positive perception of the future.

Analysis of more than one year of company functioning and the reference of economic values to a single continuous period in the company's history only allows to reliably assess of the entity. It is also important to use several economic values, because considering only a selected value can not give the correct picture of the whole economic situation of a company.

Analyst studying the economic situation of a company having the most important data directly from the company should also uses the data related with national economy and the information derived from foreign markets. In the case of the Polish economy the most important information that could affect the company are the results of inflation, which may be associated with an increase in energy and fuel costs and the potential increases in interest rates, which may affect the cost of credit.

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Streszczenie: *Analiza wybranych wielkości charakteryzujących kondycję ekonomiczno – finansową przedstawiciela przemysłu drzewnego, spółkę Paged SA. W niniejszym opracowaniu poddano analizie zmiany najważniejszych wielkości ekonomicznych wpływających na efektywność gospodarowania każdego przedsiębiorstwa niezależnie od formy prawnej jego działalności oraz branży, w której funkcjonuje. W pracy ocenie efektywności gospodarowania poddano przedstawiciela przemysłu drzewnego, spółkę Paged SA. Analiza przedstawionych wielkości dostarczyć może wielu pomocnych danych, przede wszystkim ułatwić ocenę sytuacji ekonomiczno – finansowej przedsiębiorstwa potencjalnym inwestorom i kontrahentom oraz posłużyć w dalszych szczegółowych analizach konkurencyjności jednostki na rynku drzewnym w Polsce a także na tle innych przedstawicieli branży na świecie.*

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