

## The analysis of selected parameters characterising economic condition of Grajewo SA

JUSTYNA BIERNACKA

Department of Technology, Organisation and Management in Wood Industry,  
Faculty of Wood Technology, Warsaw University of Life Sciences (SGGW)

**Abstract:** *The analysis of selected parameters characterising economic condition of Grajewo 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 Grajewo 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, Grajewo SA in 2007-2010 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 Grajewo SA company in each quarter in 2007-2010. Baselines are the sales revenues achieved by the company in the subsequent quarters of 2006.

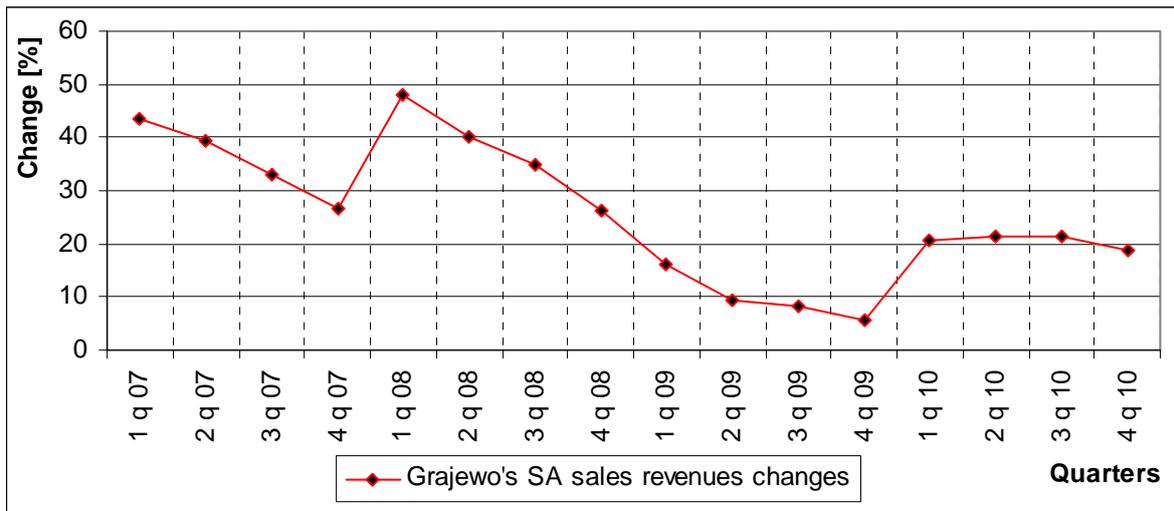


Figure 1. Grajewo's SA sales revenues changes in 2007-2010 (2007 subsequent quarters = 100%)

Figure 1 analysis shows that sales revenues in the first quarter of the analysis are at a satisfying level, which is over 40% more than in the base year. In subsequent quarters of 2007 the sales revenues reduces. Value of sales revenues increases again in 1<sup>st</sup> quarter of 2008. This is the best result company Grajewo SA obtained in the entire period. The good results of sales revenues, however, did not persist in a further period. In subsequent quarters of 2008 and even 2009 the sales revenues decreases and reach the lowest level throughout all analysed period in the 4<sup>th</sup> quarter of 2009. The values of the end of 2009 are only slightly higher than those from 2006, which reflecting the company difficulties of selling its products. In 2010, the situation improves and sales revenues oscillates at around 20% more than in the year 2006.

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

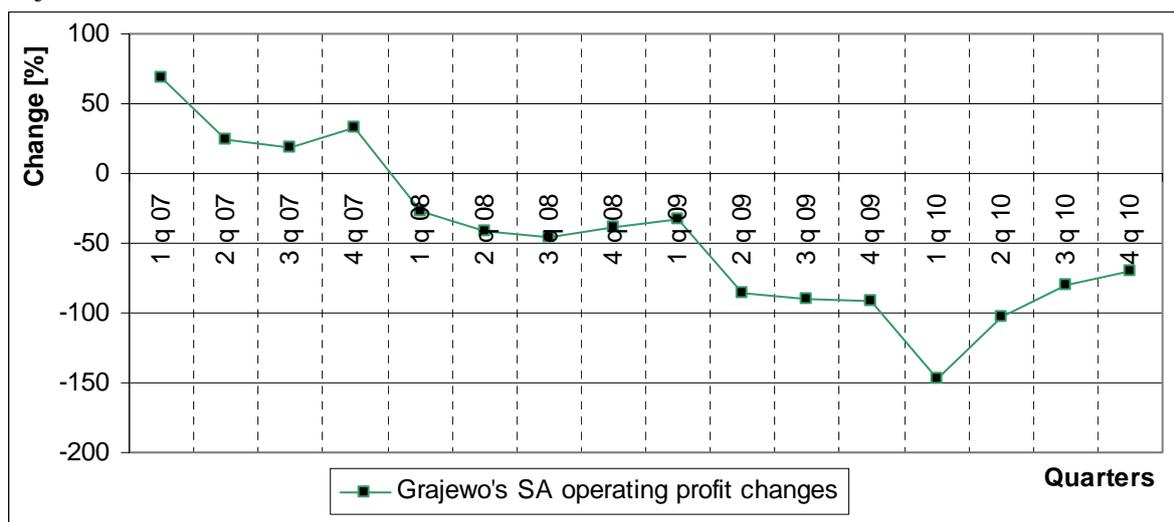


Figure 2. Grajewo's SA operating profit changes in 2007-2010 (2006 subsequent quarters = 100%)

Analysis of changes in operating profits of Grajewo SA presented in Figure 2 shows that in almost the entire period of the analysis operating profits results reduces. Initially, in a 1<sup>st</sup>

quarter 2007, the company has recorded values of operating profits of more than half higher than value from the corresponding quarter of previous year. In the next year of analysis operating profit reduces again and records values lower at about 50% than in 2006. Year 2009 does not bring the company an improvement in operating profits. Values in this year continues decrease and reach almost 100% less than the results obtained by the company in 2006. The lowest score of operating profit was recorded in 1<sup>st</sup> quarter of 2010 and it was almost 150% less than in 2006. The results of subsequent quarters of 2010, however brings hope, that if the trend continues, the results should reach a satisfying operating profit, higher than in the year 2006.

The analysis of changes of the company long-term liabilities in 2007-2010 shows Figure 3.

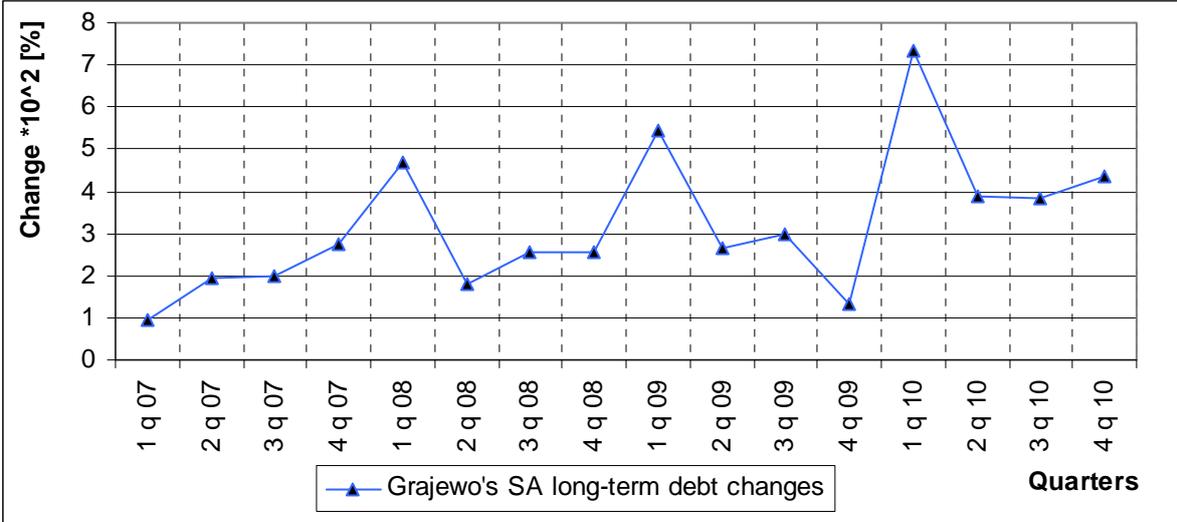


Figure 3. Grajewo’s SA long-term debt changes in 2007-2010 (2006 subsequent quarters = 100%)

The Figure 3 analysis shows that company Grajewo SA long-term liabilities steadily increases. The lowest level of long-term debt can be observed in the initial period of analysis, namely in the 1<sup>st</sup> quarter of 2007, the highest level in the 1<sup>st</sup> quarter 2008, 1<sup>st</sup> quarter 2009 and 1<sup>st</sup> quarter 2010. The highest value of long-term liabilities in the entire analysed period was observed in the 1<sup>st</sup> quarter of 2010 and reached more than 700 times of the value from 2006. Such results of long-term liabilities may cause negative effects in the future.

The Figure 4 shows a graphic illustration of changes in the values of Grajewo SA short-term debt in the years 2007-2010.

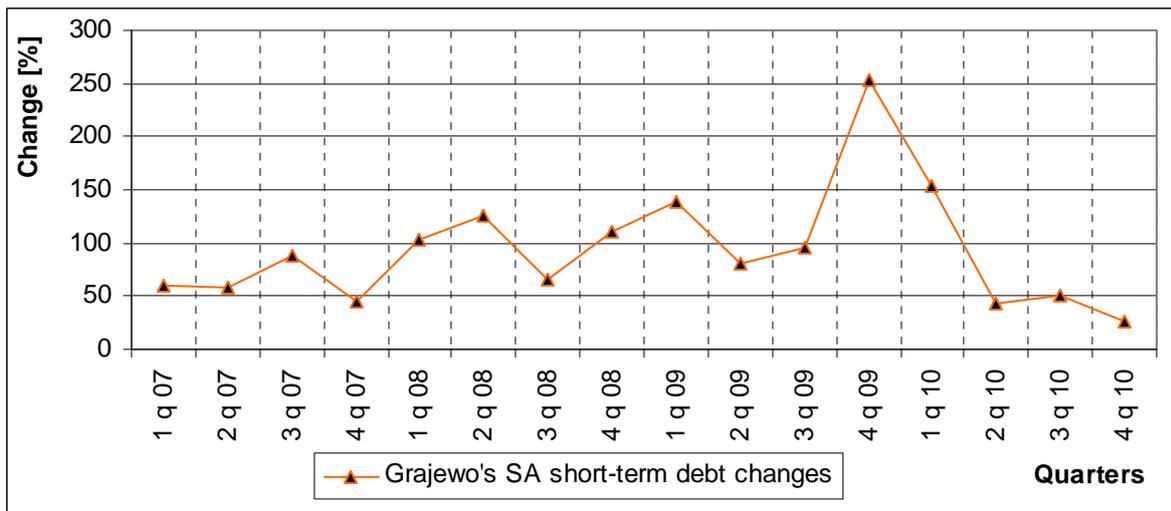


Figure 4. Grajewo's SA short-term debt changes in 2007-2010 (2006 subsequent quarters = 100%)

Short-term debt of the Grajewo SA company, which shows Figure 4, in the entire period oscillates at a similar level. In the two early years of analysis company's short-term liabilities achieve maximum level of 150% of short-term debt in 2006. Only at the end of 2009 in the 4<sup>th</sup> quarter the value of company's short-term debt reaches value 25 times higher than that in year 2006. 2010 year seems to be promising, because short-term liabilities reduces to a level less than half higher than recorded in 2006.

## CONCLUSIONS

Analysis of selected economic values that characterising the economic situation of the company Grajewo SA suggests that the good situation of the company were noted only in the 2007 of the 4 years selected for the analysis. In this period the company reached a satisfactory amount of sales revenues and operating profits, while its liabilities remained at a inconsiderable level. Subsequent years of company's functioning bring the collapse in sales revenues, what results a necessity to financing current company's functioning by loans, which can be seen in company's debt level in subsequent years.

Analysis of selected economic values, that characterize the economic situation of Grajewo SA allow to note that the year 2009 was particularly successful for the company. In this year Grajewo SA recorded the highest values of operating profit, while repay its short-term and long term liabilities. 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 Grajewo 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 Grajewo 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.*

Corresponding author:

Justyna Biernacka  
Department of Technology, Organisation and Management in Wood Industry,  
Faculty of Wood Technology, Warsaw Agricultural University (SGGW)  
02-776 Warsaw, ul. Nowoursynowska 159  
e-mail: justyna\_biernacka@sggw.pl