RESEARCH OF THE WEALTH AND FINANCIAL SOURCE OF THE AGRICULTURAL ENTERPRISES

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Key words: agricultural enterprises, financial index, liquidity, indebtedness.

CONCLUSION

After 10 years, follow up 90's, number of company's jump in increase, and so after the fritter of implements, the venture interests decrease continually in the agriculture from 2001. In nation-wide level, correlated to 2000, in 2003 the number of company's decrease by 7% (6). In the county Intensity of the bad effects of weather (drought, flood) cut down on the increase of agricultural enterprises, also in the future. General cause of the shift ratio between the implements and current assets, which serve the enterprise more than one year, is the subsidence of the rate of resource. Inside the tangible assets the ratio of investments in 4.5%, although in rate equal to tangible assets, it shows more than 60% increase according to 2000. To achieve the investments, the companies use own and foreign source, the latter can feel in the long-term indebtedness. The enterprises have to attend such a craggy increase because it may cause liquidity problems. Enterprises obligated to use their free source toward pay back their obligations (5). For the smooth operation the own liquid sources of enterprises are low (indexes of liquidity and indebtedness) so for finance the operation they need credit and encouragement. Encouragement's can cause blasts in long term if the effects of these encouragements do not improve the efficiency and do not keep the environment (interest subsidy, guarantee). Joining to the European Union had not get any considerable effect on the development of financial index. Our Union membership impinge on the financial conditions of agriculture enterprises needs a large research.

ABSTRACT

The operation of enterprises needs many kinds of implements and financial sources. During my research, I examined the formation of the agricultural enterprises in Jász-Nagykun-Szolnok County, I search for answer to the finance, the increase of the long term indebtedness and the deterioration of efficiency. The examined period is 2000-2004. In 2002, there were 1481 economical organisation in the county. 576 agricultural enterprises use number 29 tax return, basis of double-entry bookkeeping 860 agricultural enterprises worked like individual enterprises.(4)

I examined

- how changes the liquidity, indebtedness, efficiency and the profitable indexes
- after the continuous bad weather (in the end of 90's) how changes the financial conditions and the interest of venture, of the county's inhabitant
- what was the effect of the joining to the European Union on the implements and sources of the enterprises.

INTRODUCTION

Analysis of the wealth and source of enterprises gives information about the operation, the financial and income condition. Examination of the available 5 years makes the dynamic comparison and forecast for the next years possible. (2) I analysed the agricultural (01 TEAOR) enterprises make number 29 avowal.

MATERIAL AND METHODS

During my research I used the tax returns, which was sent to the Tax and Financial Control Department (APEH) of Jász-Nagykun-Szolnok County. These concentrate and unidentifiable dates concern the examined 5 years period between 2000 and 2004.

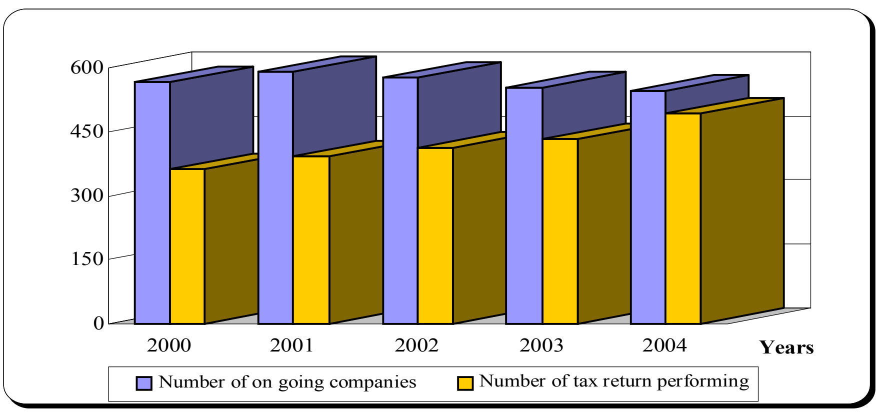
I drew the inference from my available dates with the help of financial indexes on the score of wealth conditions of domestic agricultural enterprises. Development of the numbers of agricultural economic companies represents more and more companies fulfil tax return liability (Figure 1).

During my analysis, I focus more indexes. Mainly

- changing of the structure;
- development of efficiency;
- attention of profitable,
- extent of the cover;
- liquidity;
- rate of the indebtedness.

Figure 1

Development of the numbers of on going and tax return performing agricultural companies



Source: KSH, APEH

RESULTS AND DISCUSSION

First I did the analysis of structure. In case of implements the most considerable changes were the following

- the implements increased by 54%;
- the investments decrease nearly double higher than nation-wide dates (8%);
- participation of resources inside of current assets decrease from 64% to 51%;
- claims increased double in the examined period. Inside the claims the rate of the claims of costumers is 52%;
- invested implements increased by 68%, current assets increased by 38% in the examined years.

In the examined years the most important changes with the source are the following

- value of capital resources increased by 47%, but the participation inside the source decreased by the half of the nation-wide rate 3% between 2003 and 2004 (5) and do not achieve 50%;
- liabilities increased by 64% on the whole(in 2004 it is 54%), inside it the

short term liabilities increased 23% while the long term liabilities increased 2.8 times between 2003 and 2004;

- in 2004, from the liabilities, the short term liabilities represented higher rate unlike the nation-wide data (49.6%) (5), but the long term liabilities shows dynamical growth in the county;
- the floating capital in the rotation of current assets, in the interest of production, always appear current assets varieties (determined proportion of resources, claims and financial implements) the value which work as capital increased by 67% (1).

Fundamental goals of companies are the production needs contraction of current assets as less as possible. I assessed the efficiency on the basis of the balance and the dates of the statement of results. I examined the effective use of implements and source with the help of 2 financial indexes:

- velocity of circulation index
- inverse efficiency index (3)

The *velocity of circulation* represents that the implement and source how many times does it return in the revenue and how many times does the capital recover return in 1 year. During my analysis I established that with the exception of Capital recovery II index, every velocity of circulation index what I counted, indicate deteriorating tendency surely the examined implement and source return less and less in revenue (Table 1). Capital recovery II index indicates 41% improvement. The reason is the reduction of subscribed capital is 11% while the net revenue in the numerator increased by 27%.

Table 1

Development of the velocity circulation in the examined period

Name/Years	2000	2001	2002	2003	2004
Invested implements	2.025	2.022	1.753	1.419	1.527
Current assets	1.736	2.136	2.005	1.928	1.594
Capital recovery I	1.845	1.936	1.623	1.572	1.593
Capital Recovery II	2.902	3.821	3.942	3.715	4.102
Debt	1.990	2.310	2.266	1.741	1.539
Long term liability	7.744	9.083	9.085	3.816	3.463
Short term liability	2.678	3.098	3.018	3.202	2.771
Floating capital	4.938	6.881	5.970	4.847	3.751
Implements/Sources	0.930	1.033	0.929	0.811	0.767

Source: own calculating

From the *efficiency* indexes I used only *inverse* (revenue/demanding of source) (Table 2) which presents how large implement and source needed to reach 100 Ft revenue, presented in Ft. In connection of subscribed capital with the exception of efficiency index, the index declined in every case (source needed to reach a unit revenue) because more and more implement and source needed to reach a unit revenue. The highest declination (35%) was in the floating capital, the highest increase (42%) was in the subscribed capital.

Table 2

Changing of the index of efficiency

Name/Years	2000	2001	2002	2003	2004
Invested implements	2.025	2.022	1.753	1.419	1.527
Current assets	1.736	2.136	2.005	1.928	1.594
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Profitable indexes measure the business risk (7). The enterprise is profitable if the revenue exceeds the costs and expenditures. In my analysis I examined only those values which have positive profitable. I compared the implements to trading profit and I compared the sources to the usual profit of the enterprise. The implements, the floating capital and the capital resource were the most profitable in 2001 while the other sources, what i counted out, were the most profitable in 2002 (Table 3). Trading profit in 2001 and 2004 were the highest while the usual profit of enterprise in 2002 and 2004 were the highest. From the indexes, what i counted, the most profitable was the floating capital, it set up 27 Ft profit with 100 Ft value.

Table 3

Development of the profitable between 2000 and 2004

Name/Years	2000	2001	2002	2003	2004
Invested implements	6.2 Ft	14.7 Ft	12.4 Ft	-3.2 Ft	13.0 Ft
Current assets	5.3 Ft	15.5 Ft	14.2 Ft	-4.3 Ft	13.5 Ft
Personal capital	-1.7 Ft	7.6 Ft	7.0 Ft	-8.7 Ft	6.7 Ft
Subscribed capital	-2.8 Ft	15.1 Ft	17.1 Ft	-20.6 Ft	17.2 Ft
Subscribed capital+capital surplus	-1.8 Ft	9.1 Ft	9.7 Ft	-11.4 Ft	9.6 Ft
Debt	-1.9 Ft	9.1 Ft	9.8 Ft	-9.6 Ft	6.5 Ft
Long term liability	-7.3 Ft	35.8 Ft	39.3 Ft	-21.1 Ft	14.5 Ft
Short term liability	-2.5 Ft	12.2 Ft	13.1 Ft	-17.7 Ft	11.6 Ft
Floating capital	-4.7 Ft	27.2 Ft	25.8 Ft	-26.8 Ft	15.8 Ft
Implements/Sources	2.9 Ft	7.5 Ft	6.6 Ft	-1.8 Ft	6.5 Ft

Source: own calculating

One important factor discretion of enterprises is the relation of the wealth and capital, which represents the *indexes of capital cover* (Table 4). (3) The invested implements cover which is called capital adequacy index unlike nation-wide data, in 2003 already decreased beneath 100%, although in 2004 increased over the nation-wide data (93.4%) (5) with a few percentile. This level means that the invested implements are financed not only from capital resource. Liability cover index remains under 100% value, it means claims came in quickly to the enterprise as the liabilities had to be compensated. It should say favourable. (7)

Solvency is a facility of enterprises, which shows that can the enterprise fulfil to its onerous title. Liquidity is the long term interest of enterprise, because the forthcoming durable paying problems may cause breakdown. (2)

Liquidity indexes compare liquid implements and source to one another, but liquid implements converting into cash devoid from one another, so we can make several liquidity indexes to examine the solvency. In my dissection, I analyse the condition of enterprise with 4 liquidity index (Figure 2). (7)

Liquidity index determines the solvency with the help of correlating rate of liquid implements (current assaets) and source (short-term liabilities). In my dissection, its average rate is 1.6, which fall off the nation-wide data. (5)

Quick liquidity index shows the ratio of liquid implements and source ignores the resources. The index rate is already acceptable which shows growth. Like the nation-wide data of 2004 the liquid implements cover the 80% of the short term liabilities. (5)

Table 4

The change of cover in analysed years

Name/Years	2000	2001	2002	2003	2004
Capital resource cover	50.41%	53.34%	57.27%	51.60%	48.14%
Invested implements cover	109.75%	104.44%	108.01%	90.22%	95.86%
Debt cover	46.75%	44.70%	41.02%	46.60%	49.83%
Floating capital cover	35.16%	31.04%	33.58%	39.78%	42.48%
Current assets cover	64.84%	68.96%	66.42%	60.22%	57.52%
Liability cover	26.07%	26.82%	29.96%	25.49%	32.24%

Source: own calculating

The *cash ratio* index shows the liquidity of the available stocks and liquid assets. The index rate far fall off the expectable value 1, it just near to 0.3. It means, they can not cover the short-term liabilities with the appropriation of stocks and liquid assets. 46% advance in the index rate result of the 23% rate of increase of short term liabilities in denominator and the 38% average rate of increase of current assets in numerator, eventuated.

Solvency shows the all time solvency, how many times the implements of enterprise cover instead of the desirable 1.5. Regard its dynamics it is unfavourable, because it shows decline tendency. In 2004 the solvency rate (2.0) did not reach the data of the originating year (2.14). Agricultural enterprises have not get any liquidity problems, although generality of indexes they only approach the desirable rate.

Order of magnitude of the liabilities we can conclude the rate of indebtedness of enterprises. (3)

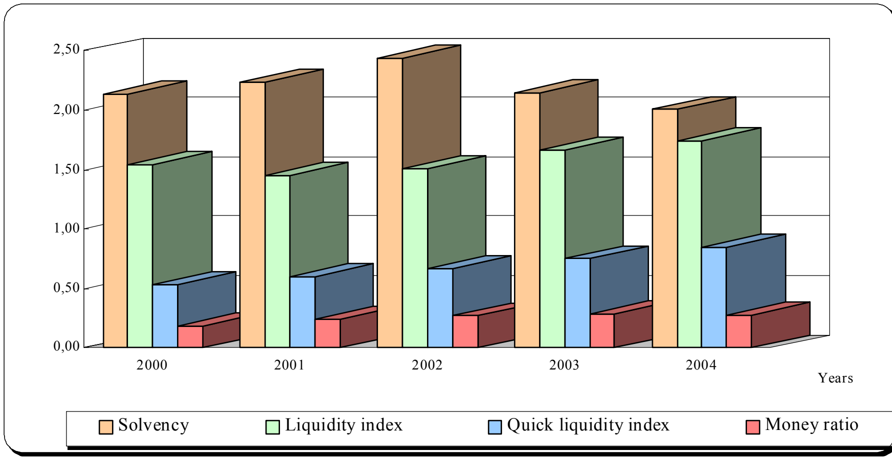
From the indebtedness it can represent that the enterprise can not cover how large magnitude of the implements. Absolute rate of increase of implements exceeds by 7% the increase of capital resource. I represented the rate of indebtedness by the following indexes

- indebtedness indexes;
- indebtedness ratio;
- coefficient of harmony.

I examined of 3 indexes from the *indebtedness indexes*. Indebtedness index moderates from 65% to 58%. Main cause is that the ratio of increases of current assets (38%) left the increase of the short-term liabilities (23%) which is int. he numerator. In front of this tendency the long-term indebtedness increased from 19% to 32%. Main cause is that the long-term liabilities increased by 2.8 times. Regards any kinds of indebtedness index, the indexes can be said favourable, because they are under the desirable 80.

Figure 2

Development of liquidity indexes

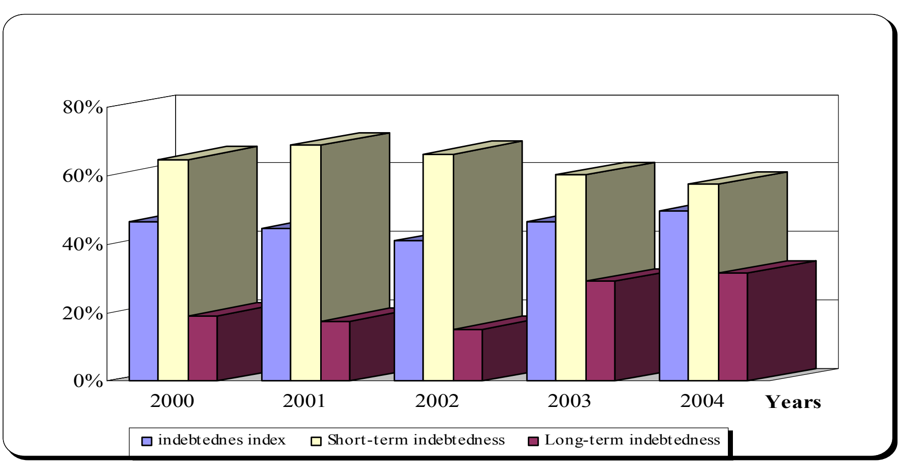


Indebtedness ratio, the debt/equity ratio, in 2004 exceeded by 12% the data of originating year, which mainly ascribe to the 64% increase of debt. Regard rate of debt/equity ratio, it was 1.04 in 2004, which is favourable. The rate under 1 do not cause problem in the operation but increase the risk of capital outplacement. (7)

Coefficient of harmony represents indebtedness by the ratio of debt inside the complete capital. In the examined years after a 10% subsidence it shows nearly the rate of originating year (higher with 6.6%). Indebtedness ratio and coefficient of harmony indicate that the amount of the factors, which determine the liquidity of enterprise, decrease and the factors, which determine the liquidity of enterprise, decrease and the factors which assist the profit, increase. (3)

Figure 3

Development of the indebtedness indexes



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