

STUDY REGARDING THE ASSESSMENT OF PERFORMANCE OF A PUBLIC INSTITUTION IN THE FORESTRY IN THE REGION SOUTH MUNTENIA

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Abstract

Romania has a natural capital superior to many countries members of the European Union. Sustainability is the field where we can compete at the same level with any country in the European Union, provided that we work with perseverance and realism. In this article we intend to answer the following questions: „How profitable is a public institution in field of forest?“, „What measures can be taken by the public institution analysed to become profitable?“. To know the answers we analysed the financial statements of a public institution in the forestry. Thus we have noticed the non-profitability registered by it over a period of time and we proposed certain measures to overcome this critical point.

Key words: performance, income tax, the result of the exercise, the gross surplus of exploitation

JEL classification: M41

Introduction

The constant concern of the Romanian society in managing with maximum efficiency, effectiveness and economy the resources and finding some viable solutions for preserving genetic and ecological diversity of the woods contributed in a large extent to conserve the environment.

By the authorized public institutions and its activities, Romania developed and implemented over time, a number of projects in the field of forestry, environmental protection, biodiversity conservation, etc. Also, there were developed strategies and policies designed to bring added value to ensure environmental protection and quality of life.

According to the environmental organizations, as well as to the analyses made by various researchers in the field, in the last years the situation of forests all over Romania reached a deadlock due to illegal cutting and large theft of wooden mass.

In this context, we have conducted a study at a public institution in the region South Muntenia whose object of activity is to ensure the integrity of forests in the programs of national and artificial regeneration and we have analysed aspects connected to the current situation of the institution and the degree of achieving the objectives proposed by it, the profitability of the institution, as well as the measures taken by the public institution to become profitable.

Within our research we started from the following questions: „How profitable is a public institution in the field of forestry?“, „What measures can be taken by the public institution analysed to become profitable?“.

The hypothesis supported by us is that the public institution analysed is unprofitable but it can become very easy profitable if it would be undertaken the optimal strategies.

1. The current situation of the public institution in the forestry area

The research efforts that we have undertaken aimed the public institution in the forestry field in the Region South Muntenia, whose property was in 2015 of 55075 hectares of forest.

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From the analysis of the data obtained, results that the largest share of 40 % is held by leaved oak.

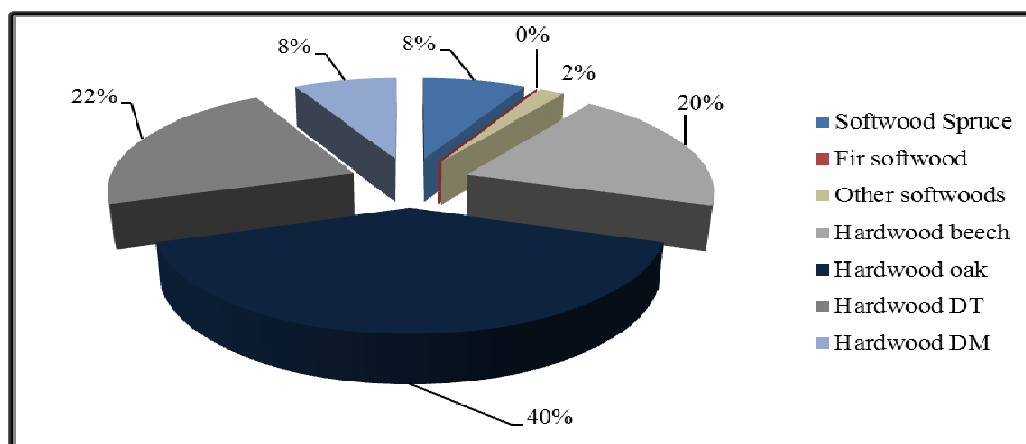


Fig. nr.1 Types of forests in public forest management institution

Also, analysing the information referring to the volume of wood that is harvested annually from the forests belonging to the public institution in the field of forestry- the Region South Muntenia, in the year 2015, the program of harvesting the wooden mass is of 9.412 thousand cubic metres. This volume represents almost 74% of the maximum volume allowable to harvest from the forestry fund public property of the state managed by the administration, calculated according to the legal provisions in force. In contrast in the year 2014, from the forestry fund private property of the state administered by the institution was harvested a volume of 9.076,5 thousand cubic metres of wooden mass. It results that, in the year 2015 was cut more than in 2014 with 335,5 cubic metres.

As a result of the site of the public institution in the Region South Muntenia analysed, the situation of private forests at 30 April 2014, presented in the table below, is of 3.101.594 hectares.

Table nr.1 Destination forest land surfaces released for possession

Individuals (ha)	Associative property (ha)	Religious units/education(ha)	Administrativ units (ha)
1.229.107	744.150	148.332	980.005

One of the important objectives currently in the attention of the public institution in the forestry field of the Region South Muntenia is *Zimbrăria Neagră* (Black *Zimbraria*), which benefited in 2015 of a considerable investment. It is about the new Observatory, built on three levels, from where visitors can admire both the rare species of bison, and the beauty of the place.

From the press release sent by the director of the public institution in the field of forestry Region South Muntenia we find out that: „*At the new Observatory you will see a nice investment, where one can look from above, on three levels. Visitors are safe, because those who come there in large groups are usually children. In the last two years they have been in the thousands at the Zimbrăria Neagră*”.

Another important objective of the respective institution is the *Țarcul de Vânătoare de la Bolovani* (The Hunting Paddock from Bolovani), overpopulated with wild boars. As the number of wild boars increased recently from 78 copies in 2012 to 450 in 2016, the institution considers that the solution to this problem is to encourage the hunting parties. According to the recent statements transmitted by the director of the public institution in the field of forestry in the Region South Muntenia: „*We have high expenses and each year we have to*

find solutions or by the harvesting of hunting or by delivery to other hunting paddocks. If we give at least 100 wild boars, we become profitable”.

To know and assess the performance of the institution we have analysed the Financial Statements on a period of two years (2011-2012), especially the Profit and loss account which allowed the determination of the global result but also the forming of an overall assessment over the financial performances of the management of the public institution in the Region South Muntenia.

Table nr.2 The level and the structure of operating revenue-own processing based on data from income statements, 2012, published by public institution analysed

Indicator	Financial year 2011	Financial year 2012
Operating income	24 942 417	26 544 877
Operating expenses	24 914 591	26 491 975
OPERATING PROFIT	27 826	52 902
Financial income	48 812	49 223
Financial expenses	1 549	134
FINANCIAL PROFIT	47 218	50 750
TOTAL INCOME	24 991 229	26 595 761
TOTAL EXPENSES	24 924 058	26 531 634
GROSS PROFIT	67 171	64 127
Current income tax	86 218	81 886
Deferred income tax	0	0
Income tax asset	0	0
NET LOSS	19 047	17 759

To highlight the key information in this table we created two figures, where we presented the situation of the profit in exploitation and the financial one alongside with their competences.

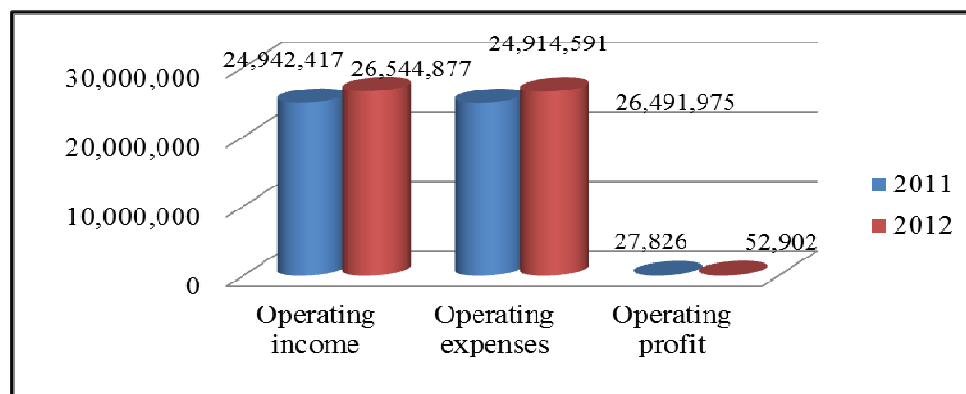


Fig.nr.2 Operating result, 2011-2012, of the public institution analysed

Analysing figure above (fig. nr. 2), we see the almost equal level of the incomes and expenses from the activity of exploitation of the public institution in the field of forestry of the Region South Muntenia, the profit increased in 2012 with 25076, which means 1,9 times. This is a strength obtained by the institution. Instead, in the next figure (fig. no. 3) is obvious a much bigger gap between the financial incomes and the expenses, the financial profit

registering values higher than the one in exploitation; also, in 2012 it registered an increase of 3523 lei (being with 7% higher).

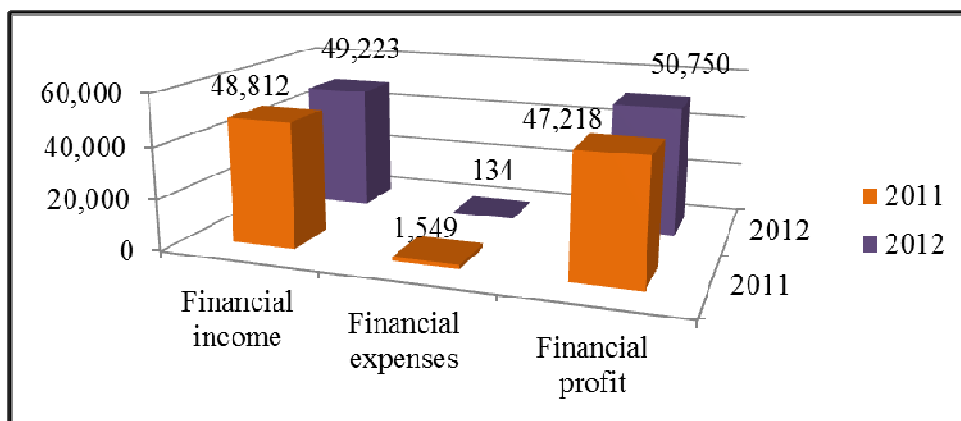


Fig. nr. 3 Financial result 2011-2012 of the public institution in the field of forestry of the Region South Muntenia

The incomes of the institution are considerably diminished by the corporation tax which really changes the profitable situation of the institution in net loss. This loss decreased in 2012 toward 2011 (with 1288 lei), but not enough.

Table nr. 3 Fiscal value and other operating income-own processing after income statements 2012

Indicator	Financial year 2011		Financial year 2012	
	Lei	%	Lei	%
Net turnover	24 493 212	98,00	25 138 763	94,52
Sold production	24 493 212	98,00	25 138 763	94,52
Income from sale of goods	0	-	0	-
Total sales revenues	24 493 212	98,00	25 138 763	94,52
Trade discounts granted	0	-	0	-
Income stcks of products	-295 025	-1,18	177 601	0,67
Income from the production of tangible and intangible assets	2 915	0,01%	7 801	0,03
Other operating revenues	741 315	2,97	1 220 712	4,59
Total operating income	24 942 417	26 544 877		
Share of operating revenue in total revenue	99,80%	-		
		99,81%		
TOTAL INCOME	24 991 229	26 595 761		

Following those mentioned above so far we considered necessary to conduct a graphic on the public institution regarding the sold production by the public institution in the field of forestry- Region South Muntenia during the two years of analysis.

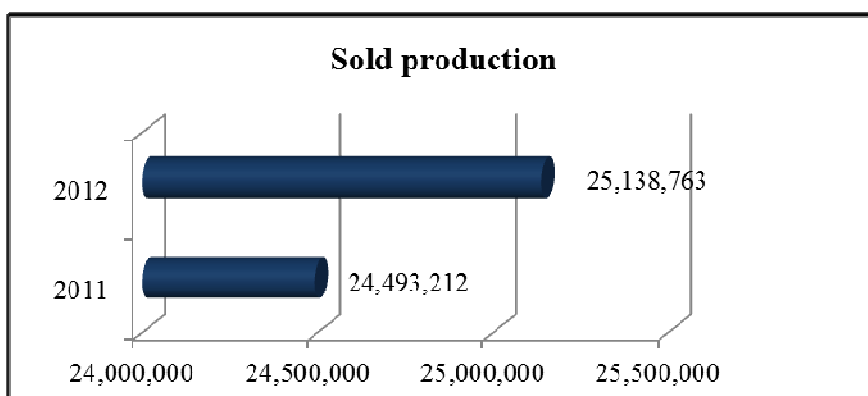


Fig. nr. 4 Sold production of the public institution in the field of forestry of the Region South Muntenia

The production sold increased in 2012 compared to 2011 with 65551 lei, which means 1,026 times. Which proves an effort to increase sales by the institution.

Also, detailing the level and the structure of the exploitation expenses it was noticed the absence of expenses+56+ regarding environmental protection registered in accounting by the respective public institution.

To highlight the share of each expense in the activity of exploitation to the total of expenditures of the analysed institution, it was created the following table.

Table nr.4 Operating projects expenditures expressed as a share of operating income (in percentage) - own processing after income statements 2012

Indicator	Financial year 2011		Financial year 2012	
	Lei	%	Lei	%
Raw materials and consumables wich:	1 893 469	7,59	2 203 343	8,30
- other material expenses	52 961	0,21	132 373	0,49
- ther external charges (eergz and water)	261 012	1,05	314 260	1,18
Expenditure on goods	0	0	0	0
Personnel expenses, wich:	13 782 392	55,30	14 485 935	54,59
a) wages and salaries	10 574 612	42,43	11 069 217	41,72
b) social security and welfare expenses	3 207 780	12,87	3 416 718	12,88
Expenditure on external supply	1 224 545	4,91	1 129 849	4,26
Other taxes, duties and similar	414 862	1,66	460 743	1,74
<i>Environmental protection costs</i>	0	0	0	0
Other operating expenses	5 898 745	23,66	6 251 948	23,56
Value adjustments on fixed assets, current assets and adjustment of provisional	88 410	0,35	243 427	0,92
Total operating expenses	24 914 591	99,96	26 491 975	99,85
TOTAL EXPENSES	24 924 058		26 531 634	

Analysing the data in the table above, it results the following:

- the share of 55,30% for the year 2011 and 54,59% for the year 2012 highlights a relatively high share in the total of expenses by the salaries and salary contributions of the employees of the analysed institution;
- the exploitation expenses make up almost entirely the total expenses of the public institution in the forestry field in the Region South – Muntenia (99,96% and 99,85%);
- the value adjustments to assets over which we see a very small value relative to the total expenses represent another interesting aspect;
- it is observed the higher value of expenses with the adjustments in 2012 toward 2011 of 2,75 times (with 155017 lei) which is actually due to buying a quite small value tool.

Regarding the next figure (fig. no. 5) it is observed that the largest share in the total exploitation expenses is held by staff costs and then by those with raw materials used by the institution.

Thus, staff expenses increased in 2012 toward 2011 with 703, 543 (1,05 times) being 6,57 bigger than the expenses with raw materials.

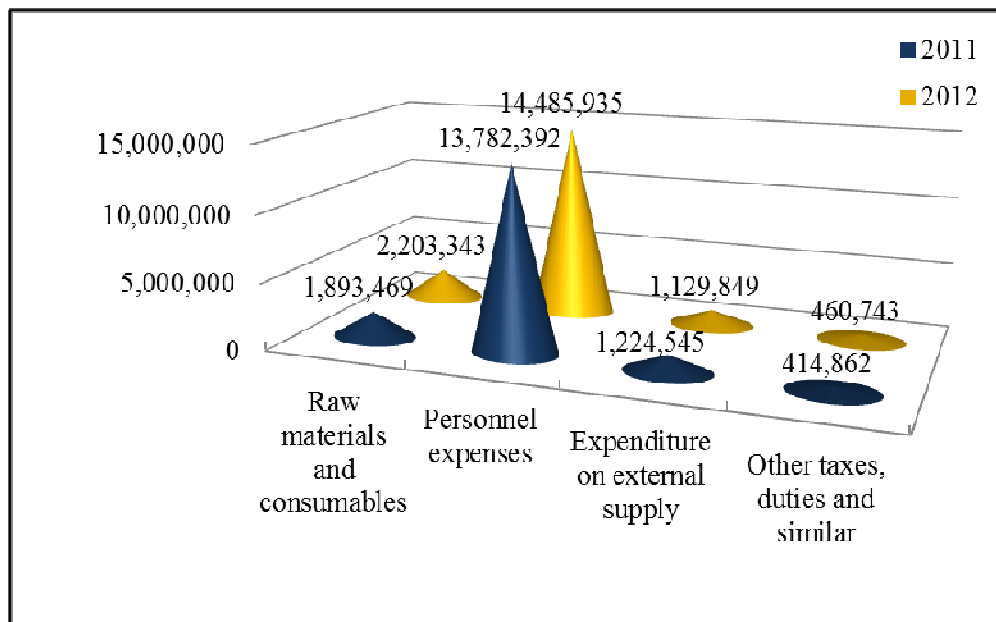


Fig. nr. 5 The main groups operating expenses of the public institution in the field of forestry of the Region South Muntenia

Referring to the interim management balances presented in the table below (table no. 5), in French vision these offer information regarding the profitability of the enterprise on various information.

Table nr.5 Interim management balances - own processing after income statements 2012

Indicatori	Financial year 2011	Financial year 2012
Income from sale of goods	0	0
Expenditure on goods	0	0
Trading margin ¹	0	0
Sold production	24 493 212	25 138 763
Trade discounts granted	0	0
Income costs products stocks	-295 025	177 601
Income producing assets	2 915	7 801
Production year ²	24 201 202	25 324 165
Consumtions from third parties	10 511 761	11 270 677
Value added	13 689 441	14 053 488
Income from grants (acccount7411)	1 203 287	1 259 128
Staff costs	13 782 392	14 485 935
Other taxes, duties and similar	414 862	460 743
Gross surplus of exploitation (EBE)	695 474	365 938
Operating expenses related to depreciation of fixed assets	1 309 374	1 280 209
Income from value adjustments to tangible and intangible assets	0	0
Operating expenses related to the adjustments for current assets	88 410	252 660
Income from value adjustments for current assets	0	9 233
Operating expenses for provisions	0	0
Operating income from commissions	-11 179	-10 112
Other operating income	741 315	1 220 712
Operating profit	27 826	52 902
Financial income	48 812	50 884
Financial expenses	1 594	134
Extraordinary income	0	0
Extraordinary expenses	7 873	39 525
The result before tax	67 171	64 127
Tax (current and deferred)	86 218	81 886
Net result for the year – loss	19 047	17 759

¹ Trading margin refers to the commercial activitz carried out bz the trader, distribution or from the purelz commercial producers.

² It includes the value of goods and services produced by the company to be sold, stored or used for their own needs.

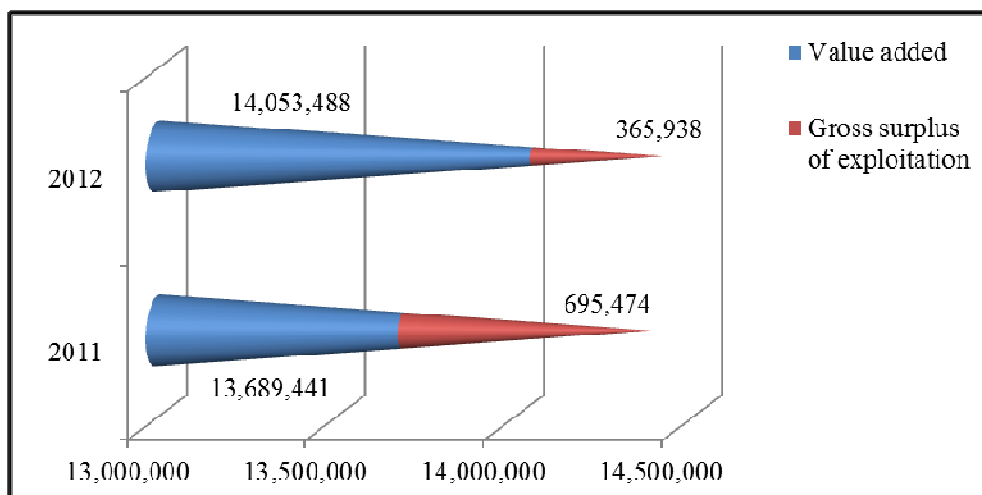


Fig. nr. 6 Value added and EBE

Data on intermediate management balances highlight that the objective regarding profitability to each level of accumulation was not achieved. The net result being considerably influenced by the tax related to the previous and earlier activity.

In our opinion within the public institution would be necessary to implement some measures to increase revenues from exploitation (such as the encouraging of wild boar hunting - due to the exaggerated number of copies 450) and reducing the wage bill to become profitable on short term.

2. Conclusion

As a conclusion the public institution in the field of forestry Region South-Muntenia must rethink its spending and renegotiate contracts with customers so that the profit earned to exceed the tax owed to other years. We believe that there are possibilities but they are not exploited enough.

After the discussions with a part of the employees of the public institution in the field of forestry in the Region South Muntenia we can say that it is wanted a permanent care to improve the regeneration of forests, and for the foresters being a constant task.

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