

Łuczaj, Jolanta

Article

Internal funding in the dairy industry companies in the Podlaskie province in 2010-2012

e-Finanse: Financial Internet Quarterly

Provided in Cooperation with:

University of Information Technology and Management, Rzeszów

Suggested Citation: Łuczaj, Jolanta (2015) : Internal funding in the dairy industry companies in the Podlaskie province in 2010-2012, e-Finanse: Financial Internet Quarterly, ISSN 1734-039X, University of Information Technology and Management, Rzeszów, Vol. 11, Iss. 1, pp. 76-85, https://doi.org/10.14636/1734-039X_11_1_008

This Version is available at:

<https://hdl.handle.net/10419/147122>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

INTERNAL FUNDING IN THE DAIRY INDUSTRY COMPANIES IN THE PODLASKIE PROVINCE IN 2010-2012

JOLANTA ŁUCZAJ¹

Abstract

Selection of appropriate funding sources for company assets is one of the most important decisions taken by a company. The right capital structure and in particular the relevant relationship between own and external sources of financing have a significant impact on the financial results. The purpose of this paper is to analyze the use of own resources in the funding of assets in the dairy industry in the Podlaskie Province in 2010-2012. The information included in the financial statements of the surveyed companies, as well as secondary data included in the studies of the CSO, was used in the paper.

JEL classification: L66, G32

Keywords: funding sources, capital, funds, dairy industry

Received: 10.07.2014

Accepted: 30.06.2015

¹ University of Technology in Białystok, e-mail: luczaj.jolanta@pb.edu.pl.

INTRODUCTION

The dairy industry is of key significance to the development of the Polish economy. This is evidenced in part by the following data: milk production is a source of income for about 150 thousand farms, milk processing is an essential branch of the food industry (about a 13.5% share) and dairy products are the most purchased food products (about a 15% share) (Pietrzak, 2014, p. 98). In the dairy sector a constant battle to lower prices on the market is observed and this calls for the need to conduct an in-depth analysis of all factors influencing the level of costs in order to undertake the activities enabling their rationalization and reduction. The structure of funding sources for business activity has an influence on costs and financial results (Zuba & Zuba-Ciszewska, 2014, p. 310-315).² For that reason all decisions concerning the choice of funding sources are the most important for enterprise management. The efficiency of dairy companies is particularly important for the development of Podlasie Province where the dairy industry is a significant part of the economy. There are particularly favorable conditions for production and processing of milk in the region. They are due in part to the specific geographic features – it is the region with the severest climate in Poland, the shortest period of vegetation and the lowest soil evaluation indicator in the country. A significant part of farmland structure is composed of meadows and pastures. Podlasie Province is relatively sparsely populated and industrialized, which results in high natural values and low environmental pollution. Podlasie has been included in the program of ecological development „Green Lungs of Poland”. The above conditions particularly European Championships in 2012 is a pretext to attempt to determine whether the commitment of public funds in such major events is justified. The event became a catalyst for the execution of more than two hundred projects including the construction of three football stadiums and the modernization of one financed exclusively from public sources. The scale and structure of funding makes it far more problematic to justify the use of public predispose

the region to produce environmentally clean and healthy food, favoring especially the production and processing of milk. Major dairies operating in Poland are based in the province of Podlasie and the Podlasie dairy industry plays a major part in this industry in Poland. Thus, the condition of Podlasie dairy industry companies has a big impact on the development of the entire economy of the region.

The purpose of this study is to analyse the use of internal financing of assets in dairy enterprises in the Podlaskie Province in the years 2010-2012 and to determine its specificity in relation to other groups of companies operating in Poland.

CHARACTERISTICS OF DAIRY COMPANY ASSET FINANCING SOURCES

Conducting business activity by any enterprise is conditioned by adequate assets (resources). The quality of these resources is of great significance, especially in dairy enterprises since the dairy sector is regarded as the most technologically advanced and complicated department of the food industry. The financial analysis of resources points to the sources of financing the assets which may be classified according to various criteria. When making a classification of funding sources of the enterprise assets from the point of view of ownership rights there is a distinction between internal and external sources of financing, defined as own capital (funds) and external capital (funds). An appropriate relationship between the internal and external assets enables an enterprise to use the benefits resulting from the effect of financial leverage³, and at the same time allows for minimizing the risk of insolvency. The principles establishing the correct relationship by connecting the structure of capital with the assets financed by it, are namely the golden rule of financing⁴, commonly known as the golden⁵ and silver rules of financing⁶ (Łuczaj, 2014, p. 43-44).

When making a choice between the proper sources of financing various criteria should be taken into consideration. The basic criteria are: strategy of procedures for obtaining the funding, extent of freedom

² The influence of capital structure on profitability of dairy enterprises were confirmed by studies conducted by J. Zuba and M. Zuba-Ciszewska.

³ Positive effect of financial leverage takes place if the earning capacity of the entire capital is higher than the interest rate paid on the obtained external capital.

⁴ Also called the golden rule of banking, which specifies that the capital should be at an enterprise's disposal for the duration of using the asset financed by it.

⁵ Accordingly, the fixed assets should be financed totally by own capital.

⁶ Apart from the own capital, the source of financing fixed assets may be long-term liabilities. However, the share capital in constant capital ratio should not be lower than 2/3.

in making choices about using the funds, the effect of financial leverage, entity profitability, financial risk, financial flexibility of an enterprise as well as the relations between monetary flows and planned debts and debt service (Grzywacz, 2012, p. 18).

The basic source of financing the assets of many enterprises is own funding. It has a number of advantages. The high level of internal funding sources diminishes the dependence of an enterprise on other entities and liberates an enterprise from troublesome procedures which are connected with obtaining external sources of financing. The use of internal sources of funding also diminishes the risk of insolvency of enterprises as well as improves the credibility of the enterprise in the eyes of contractors and financial institutions.

Own sources of funding include the funding from shareholding, net profit, depreciation, allocation of resources, acceleration of the cycle of flows as well as tax exemptions and reliefs (Wilimowska & Wilimowski, 2001, p. 466). Additionally, when applying the criterion of capital origin one may distinguish own internal funding and own external funding. Own internal funding means the increase of capital without obtaining external funds.

The increase of capital value takes place in connection with the property transformation (e.g. the sale of indispensable company assets, acceleration of assets turnover, depreciation deductions) or a proper shaping of the capital (e.g. by resignation of owners from the right to the generated profit which is allocated to the development of an enterprise), but also by creating long-term reserves. Own external funding is connected with the increase of capital at the disposal of the business entity from the capital and monetary market, that is from the outside. It means providing an enterprise for an unspecified period of time with private resources which are sources of the share capital and is most often connected with the inflow of funds from the new shares as well as partners' contributions.

Own financing is reflected in the financial statements in the liabilities of the balance sheet, in the position of own funds⁷. Therefore, the mode of presenting them in financial reports depends on the legal form of the activity and binding regulations concerning the creation of this type of funds in different entities. This data is presented in Table 1.

Table 1: The most important components of own capital (funds) and legal form of companies

	Joined stock company	Ltd Company	State owned company	Cooperative	Independent community HCC	Partnership
Type of capital (funds)	Capital		Fund			
Core fund	Joint stock	Share	Initial	Share	Share	Share
Reserve fund	supplementary	supplementary	of the company	supplementary	f. of the unit	

Source: Own study

The core funds are made of the owners' contributions in cash and in-kind. The total value of the declared share is shown in the balance sheet as basic fund, but it may also be corrected by the value of declared but not paid contributions towards the basic fund (i.e. due contributions to the basic fund)⁸ and the value of own shares purchased by the company to sell⁹. The share fund in dairy cooperatives is made up of members' deposits, and because the number of the cooperative members may fluctuate the value of their contributions is also variable.

It is a big disadvantage of this fund. Other own capital is related to self-financing.¹⁰ A more narrow form of self-financing is identified with keeping the worked out net profit in the enterprise which will not be paid to shareholders but allocated to the development of an enterprise (Ostaszewski & Ciciurko, 2009, p. 87). The literature on the subject shows a somewhat broader definition of self-financing as the amount of financial surplus which is understood as profit and depreciation (Waśniewski, 1997, p. 387).

⁷ Due to the fact that the overwhelming majority of dairies are cooperatives in the following part of this paper the term funds will be used.

⁸ Companies buying their own shares in a way pay the capital paid by the shareholders and so the value of purchased shares actually reduces the core fund. The Code of Commercial Companies allows for purchasing company own shares only if the shares are to be distributed, sold to company employees, redeemed or liquidated.

⁹ The companies by purchasing their own shares seem to return the paid in share capital, so the value of the purchased shares genuinely decreases the issued capital.

¹⁰ Self-financing is broadly identified with the total capital allocated by an enterprise, regardless of the form and sources of this capital.

The basic source of creating funds for self-financing regardless of a company's legal form is net profit designated for development of the company as well as transfer of the funds from the revaluation of fixed assets after the sale or liquidation of these assets. The decrease of this fund group most often appears as a result of covering the balance sheet loss by them, or when as a result of revaluation of fixed assets their value is decreased (Łuczaj, 2014, p. 44-45). The fund for self-financing in cooperatives may be additionally from registration fees paid in by the members of cooperatives.

In limited companies the element of own funds is therefore also the reserve fund created voluntarily from the net profit, shareholders' contributions or reserve and supplementary funds (as an additional source of financing for the purpose of potential loss coverage or other purposes defined when creating it) and also a revaluation fund¹¹.

The revaluation fund is connected with estimating the value of fixed assets, long-term financial assets and some long-term investments. The increase of this fund results from the increase of the unused reserve for the deferred tax liabilities and its decrease is connected with the revaluation of the redemption of fixed assets, revaluation of enterprise assets resulting from the danger of continuing the activity or making the enterprise insolvent as well as deferred income tax on the previous write-offs updating the value of long-term investments.

The element regarded as internal financing is always the net financial result from a given accounting year since on the balance day there is no decision to divide the profits. The negative financial result (loss) causes the decrease of own capital and a decision about the mode of payment should be made. The positive financial result is connected with the write-off from profits within the accounting year. It reflects the amount of advance payment for dividends for a given accounting year and is presented with the minus symbol, thus decreasing the own fund.¹² If a company has not made a decision concerning the financial result from previous years, the undivided result should be presented in the *profit (loss) from previous years* position. The own financing is also connected with depreciation expenses which may be regarded as sources related to property transformation or

perceived as an element of self-financing (Iwin-Garzyńska, 2005, p. 31). Depreciation is included in the costs, so it decreases the basis for taxation and amount of income tax due. However, it does not cause a real outflow of cash from an enterprise. Therefore, it directly influences cash flows and the amount of income tax liabilities are decreased by what is called a tax credit. The monetary funds coming from depreciation write-offs and tax credits make up the depreciation capital (Iwin-Garzyńska, 2005, p. 184-185).

RESEARCH MATERIAL AND METHODOLOGY

To reach the intended aims of the research the analysis method was used and source documents - financial statements of the researched companies for the years 2010, 2011, 2012 and secondary data included in the CSO publications.

The empirical research covered the Podlasie companies which simultaneously met the following two criteria:

- 1) place of business was located in the province of Podlasie,
- 2) the company operated business classified as per PKD list Class 15.51 „Milk processing and cheese production”.

The application of these criteria allowed for identification of a group of 10 business entities.

ANALYSIS OF OWN SOURCES OF FUNDING IN THE DAIRY INDUSTRY COMPANIES IN THE PODLASIE PROVINCE IN 2010-2012 - THE RESULTS OF RESEARCH

All researched companies (100.0%) operate in the private sector and have private capital, are national, and homogenous in type. None of them planned changes in this respect. The vast majority of the surveyed companies, representing 80.0% of the total study population, functions as a cooperative and 20% are limited liability companies. The structure of the surveyed enterprises by legal form is presented in Figure 1, and the relationship between the level of employment and legal form are shown in Table 2.

¹¹ In 1994-1995 this update affected only the fixed assets and was carried out on the basis of separate regulations due to the need to determine the value of fixed assets owned by companies operating in conditions of high inflation. This capital can not be intended to increase any other group of own fund or to cover the loss until the time when an asset which value has been revalued, is a component of the business assets. After its withdrawal from the register (as a result of sale, transfer in the form of donations, theft or liquidation) the update of its value with revaluation can be used to increase the reserve capital.

¹² To increase the informational value of the financial statements instead of reducing profit by the advance disbursed as dividends it is presented as a negative value in own fund.

Figure 1: Dairy industry companies in the Podlaskie province by legal form in 2010-2012

Source: Own study based on the conducted research

Table 2: Dairy industry companies in the Podlaskie province by the level of employment and legal form (in %)

Specification	Company's legal form		Total
	Cooperative	LLC	
Companies by the number of employees (average number of employees in 2010-2012)			
up to 49 people	0	0	0
from 50 to 249 people	50	10	60
over 250 people	30	10	40
Total	80	20	100

Source: Own study based on the conducted research

The study showed that as of 31.12.2012 the majority of the surveyed companies (60%) were medium-sized entities (employing 50 to 249 people), 40% of all enterprises were large units (employing more than 250 people). In 2010 the analyzed companies employed a total of 6152 people. In the following year employment decreased by 158 persons (which accounted for 2.57%) and amounted to 5994 people, and then in 2012 it increased compared to the previous year by 585 people (representing 9,76%) and amounted to 6579 people. In total, in the surveyed period the companies employed an average of 6242 employees, and one company employed on average 624 people. The number of employees in large enterprises ranged from 5188 people in 2010, and 5067 people in 2011 to 5647 persons in 2012. Average employment in large enterprises during the period was therefore 5300 people, and the average employment in large enterprises was 1325 people.

Medium-sized companies employed a much smaller number of people: a total of 964 people in 2010, and 927 persons in 2011 to 932 persons in 2012, which during the period gave an average of 938 persons. In terms of one company in the group, the average employment throughout the period amounted to 159 people. In the analyzed period the employment in large companies increased by about 8.85%, and in medium-sized companies there was a slight decrease in the number of employees (3.32%).

Data on the development of funding in the surveyed enterprises operating in the dairy industry in the Podlasie Province in 2010-2012 are presented in Tables 3 and 4. The data presented in Table 3 shows that in 2010-2012 total assets of the studied companies increased steadily (growth rate amounted to 117.12% in 2011 compared to 2010 and 106.55% in 2012 compared to the previous year).

Table 3: Share of own funds of the dairy industry companies in Podlaskie Province in 2010-2012

Specification/years	2010	Struct. in %	2011	Struct. in %	11/10 in %	2012	Struct. in %	12/11 in %
Own funds	1 463 579	63,19	1 650 029	60,83	112,74	1 827 921	63,25	110,78
Total liabilities	2 315 884	100	2 712 467	100	117,12	2 890 013	100	106,55

Source: Own study based on the companies financial reports for the years 2010, 2011 2012

Over the years analyzed, total assets increased by 24.79%. In all the years the own funds of the surveyed enterprises also increased. The dynamics of their growth amounted to 112.74% and 110.78%, so in the first period (2011/2010) it was lower than the dynamics of total assets. Therefore, in 2011, the share

of own fund in total assets decreased compared to 2010 from 63.19% to 60.83%. In 2012, the increase in funds was more dynamic than the total assets and the share increased to 63.25%. Throughout the analyzed period the companies used much more of their own than external sources of financing.

Table 4: Own funds of the dairy industry companies in the Podlasie Province in 2010-2012 (thousand PLN)

Specification/years	2010	Struct. in %	2011	Struct. in %	11/10 in %	2012	Struct. in %	12/11 in %
Total fund, incl.	1 463 579	100	1 650 029	100	112,74	1 827 921	100	110,78
Basic funds	841 733	57,51	958 542	58,09	113,88	1 068 221	58,44	111,44
Due contributed fund	-99 637	-6,81	-128 439	-7,78	128,91	-168 805	-9,23	131,43
Reserve fund	595 634	40,70	674 173	40,86	113,19	752 233	41,15	111,58
Revaluation reserve fund	75 066	5,13	79 099	4,79	105,37	78 668	4,30	99,45
Other reserve fund	5 937	0,41	7 642	0,46	128,72	12 286	0,67	160,77
Retained profit (loss)	-45 292	-3,09	-27 034	-1,64	59,69	-17 661	-0,97	65,33
Profit (loss) net of the financial year	90 139	6,15	86 287	5,23	95,73	102 979	5,63	119,34
Net profit write-offs in the financial year	0	0	-241	-0,01	-	0	0	-

Source: Own study based on company financial reports for the years 2010, 2011 2012

The total value of own funds in all of the studied companies over the researched period systematically increased from the amount of 1.463.579 thousand PLN in 2010, by 1.650.029 thousand PLN in 2011, up to the amount of 1.827.921 thousand PLN in 2012. The basic fund had the largest share in the total own funds in all the studied years. The share of declared basic fund in the total sum of funds in the subsequent years fluctuated in the range of 57.51% to 58.44% of the own funds. The growth rate of the declared value of funds amounted to 113.88% in 2011 compared to 2010 and 111.44% in 2012 compared to the previous year. The declared value of basic funds increased from the amount of 841.733 thousand PLN in 2010, by 958.542 thousand PLN in 2011 to 1.068.221 thousand PLN in 2012. The position due contributed fund correcting their value to the actual contribution to funds accounted for 6.81% in 2010, by 7.78% in 2011, up to 9.23% of the own funds value in 2012. It can therefore be concluded that the share of actually contributed basic funds decreased over the studied years by 2.42 percentage points.

The second largest position in the own funds represented the reserve fund. Its value also increased steadily throughout the period considered: from the

amount of 595.634 thousand PLN in 2010, by 674.173 thousand PLN in 2011 and 752.233 thousand PLN in 2012 (growth rate amounted to 113.19% and 111.58% respectively). Reserve fund accounted for 40.70% in 2010, 40.86% in 2011 and 41.15% in 2012 of own funds. This data indicates a similar share of contributed basic funds and reserve funds in the structure of companies' own funding sources.

The next largest own source of funding included positive financial results (throughout the whole period) and revaluation funds. In the period from 2010 to 2012 the share of net profit in the own funds was variable and ranged from 5.23% in 2011 to 6.15% in 2010. The share of revaluation funds in the structure of own funds in 2010-2012 steadily decreased and fluctuated in the range of 5.51% to 4.59%, even though its value during the period slightly increased. The other elements had a smaller share in financing the assets.

Comparison of asset financing with own funds by dairy companies in Podlasie Province to the food industry companies and to a group of industrial companies operating in Poland in total in 2010-2012 shows significant differences. These data are presented in Table 5.

Table 5: The share of own funds in financing business activities of business entities operating in Poland in 2010-2012 (in %)

Specification / years	2011		2012		2013	
	Share of own funds in total funds	Share of basic fund in own funds	Share of own funds in total funds	Share of basic fund in own funds	Share of own funds in total funds	Share of basic fund in own funds
Total companies	51,52	48,99	49,83	47,47	50,83	46,89
Total dairy industry companies	49,51	43,13	48,73	41,71	50,54	40,02
Dairy industry companies in Podlaskie Province	63,19	50,6	60,83	50,31	63,25	49,21

Source: Own study based on: financial statements of the researched companies of 2010, 2011 2012 and CSO data, comp.; Balance sheet financial results of business entities in 2012 CSO, Warsaw 2013, p. 51-52; Balance sheet financial results of business entities in 2011 CSO, Warsaw 2012, p. 68-69; Balance sheet financial results of business entities in 2010 CSO, Warsaw 2011, p. 64-65; Balance sheet financial results of business entities in 2009 CSO, Warsaw 2010, p. 64-65; Balance sheet financial results of business entities in 2009 CSO, Warsaw 2009, p. 54-55

The presented data shows that throughout the researched period Podlasie dairies used their own funds to a much higher degree than both food industry companies that had a dairy department and the total number of companies operating in Poland. The share of dairies' own funds was higher by more than eleven percentage points in all the examined years (the difference oscillated in the range of 11 to 13.68 pp) than in each of the compared groups. The presented data also shows that the share of core fund in dairy companies was significantly higher than in other groups of companies. This may be related to the specifics of the dairy industry. Core funds (share funds) in dairy cooperatives are of great importance for the business of cooperatives. They are formed from contributions made by the cooperative members, milk producers (whose number may change over time), contributions from members and possibly the balance sheet profit left in the cooperative. Fund reduction may occur following the repayment of the contribution to the members that resign from the membership in the cooperative, and as a result of balance sheet loss incurred by the cooperative. So the share fund reflects the relations of cooperative members - milk producers with the company. The farmer's contributions enable them to get the associated benefits from the sale of milk to the cooperative and on the other hand, the

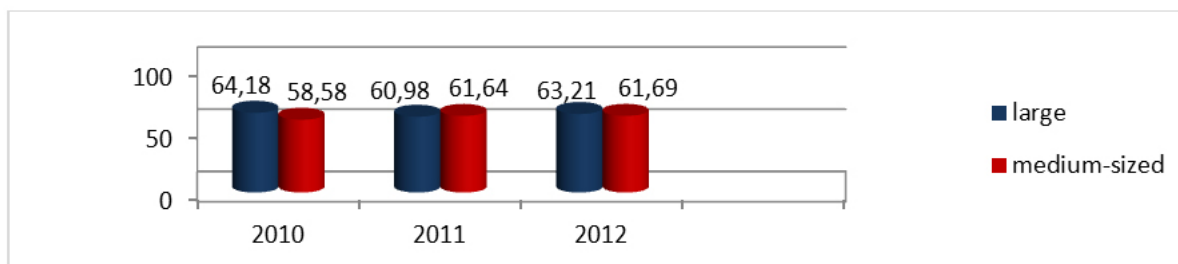
company gets the necessary fund to do business and has a guarantee of raw milk supplies. Ensuring continuity of supply of good quality raw milk was a major problem in Polish cooperatives in the researched years. The high share of this fund in dairies indicates a favorable situation and should get therefore unambiguous positive assessment. Because dairies in the Podlaskie province have had for many years the leading positions in the rankings (due to the volume of sales, processing of milk, financial results and the highest in Poland milk prices offered to farmers - cooperative members) and production of milk is developed the companies have a high level of share fund.

Such a high level of own funds in the researched companies was also influenced by the level of the reserve fund and positive net financial results. The reserve fund (current reserve) is formed in dairies of net profit allocated to development of the company as well as transfer of funds from revaluation of fixed assets after the sale or liquidation of those assets and contributions made by cooperative members in the form of the entry fee. A high level of supplementary fund (approximately 40% of own fund) thus results in the good condition of Podlasie dairy companies.

Deeper analysis of own resources of financing in the studied companies depending on the number of employees points to significant differences in the groups of large and medium-sized enterprises. These data are presented in Figure 2 and Table 6.

¹³ The surveys conducted by the author in the dairy industry companies of Podlasie province show that some of the surveyed entities reported as a threat to the continued functioning the problem with obtaining raw material and withdrawals of contributions by farmers.

Figure 2: The share of own funds in large and medium-sized companies of the dairy industry in the Podlaskie Province in 2010-2012 (in %)



Source: Own study

Table 6: The own funds in large and medium-sized companies of the dairy industry in the province of Podlasie in 2010-2012 (data in %)

Specification/years	Structure								
	2010			2011			2012		
	Large	Medium	Total	Large	Medium	Total	Large	Medium	Total
Total fund, incl.	100	100	100	100	100	100	100	100	100
Basic funds	57,97	53,57	57,41	58,84	51,52	58,09	59,24	51,17	58,44
Due contributed fund	-7,41	-1,64	-6,81	-8,51	-1,44	-7,78	-10,10	-1,31	-9,23
Reserve fund	41,04	37,40	40,70	40,74	41,89	40,86	40,90	43,42	41,55
Revaluation reserve fund	4,88	7,28	5,13	4,60	6,53	4,79	4,12	5,91	4,30
Other reserve fund	0,38	1,18	0,41	0,34	1,53	0,46	0,55	1,79	0,67
Retained profit (loss)	-2,03	-12,21	-3,09	-1,18	-5,70	-1,64	-0,58	-4,53	-0,97
Profit (loss) net of the financial year	5,17	14,42	6,15	5,18	5,67	5,23	5,87	3,55	5,63
Net profit write-offs in the financial year	0	0	0	-0,01	0	-0,02	0	0	0

Source: Own study based on the companies financial reports for the years 2010, 2011 2012

The analysis of own resources of financing in companies indicated different structure of the financing sources in the two groups of companies. The declared core funds in large companies had a significantly greater share in the structure of funding sources in all the researched years. The share of funds actually made in the two groups of companies was at a similar level and declined steadily. Supplementary funds had a stable share in large entities (range 41,02-40,74), in medium-sized companies this share was increasing systematically and reached from 37,40 to 43,42% of own funds. Profit in large enterprises showed small dynamics throughout the period (from 5,17 to 5,87%), while in the medium-sized enterprises the share of net profit in the financing sources decreased from year to year from 14,42% in 2010 to 3,55% in 2012.

The analysis of companies' own sources of financing also shows significant differences depending on the legal form of the business. These data are presented in Tables 7 and 8.

Basic funds in both limited liability companies and cooperatives had a larger share of funds from their own sources of funding in total in the years 2011 - 2013. Very large differences exist in all the years in the structure of own sources of financing of enterprises from both groups. The structure in co-operatives was similar to the previously presented data, while in the limited liability companies there were no other equity items than basic fund and financial results. These companies are not obliged to build up reserve fund and positive financial results of the current periods are allocated to cover losses of the previous years or are managed in a different way.

Table 7: Share of own funds in companies of the dairy industry in the Podlasie Province in 2010-2012 by legal form (in %)

Specification / years	2010		2011		2012	
	cooperatives	LLC	cooperatives	LLC	cooperatives	LLC
Total own fund, incl.	63,30	61,86	60,72	62,44	62,83	76,55

Source: Own study based on the companies financial reports for the years 2010, 2011, 2012

Table 8: Structure of own funds in companies of the dairy industry in the Podlasie Province in 2010-2012 by legal form (in %)

Specification/years	Structure								
	2010			2011			2012		
	Cooper.	LLC	Total	Cooper.	LLC	Total	Cooper.	LLC	Total
Total own fund, incl.	100	100	100	100	100	100	100	100	100
Basic fund	52,94	53,57	57,41	54,31	110,96	58,09	55,40	101,54	58,44
Due contributed fund	-7,33	-1,64	-6,81	-8,34	-	-7,78	-9,89	-	-9,23
Reserve fund	43,82	37,40	40,70	43,78	-	40,86	44,05	-	41,55
Other reserve fund	5,52	7,28	5,13	5,14	-	4,79	4,61	-	4,30
Revaluation reserve fund	0,44	1,18	0,41	0,50	-	0,46	0,73	-	0,67
Retained profit (loss)	-0,67	-12,21	-3,09	-0,58	-16,46	-1,64	-0,33	-10,03	-0,97
Profit (loss) net of the fin. Year	5,28	14,42	6,15	5,21	5,50	5,23	5,43	8,49	5,63
Net profit write-offs in the fin. Year	0	0	0	-0,02	-	-0,02	-	-	-

Source: Own study based on the companies financial reports for the years 2010, 2011, 2012

This poses a threat for these entities. In addition, these companies struggle to ensure continuity of supply of raw material in the required amount because they are not as linked by fund with commodity milk producers as cooperatives are. Cooperatives managed differently. Studies have shown that all cooperatives allocated total or part of the net profit to self-financing funds. The net profit of the financial year also shows significant differences, despite the fact that in all the analyzed companies it was positive throughout the period.

In cooperatives the dynamics and structure of the net profit for the fiscal year followed a similar pattern throughout the period. In limited liability companies the achieved result was very different in different years. Its share in the financing of assets was highest in 2010 (accounted for 17.60%), in the following year it was only 5.5% and 8.49% in 2012. The conducted study showed that the Podlasie dairy companies operating in the form of LLC in the studied years recorded an almost 7% drop in net profit (6.80%), and the net profit generated by the dairy cooperatives increased by almost 29.23%.

CONCLUSION

The conducted study showed that companies operating in the dairy industry in Podlasie province in 2010-2012:

a) systematically increased their assets by financing it largely with their own sources of financing. The share of own fund (funds) in the value of total liabilities exceeded 60% in all the examined years. The value of own funds grew dynamically throughout the period – the growth was approximately 23.08%.

b) throughout the period they recorded the greatest share of core fund in their own funds. The share of core fund declared fluctuated in the range from 57.51% to 58.44%. The second largest position in the own funds was the reserve fund, with over 40% share in all the studied years. The own funds were increased by the positive financial result in all the studied years.

c) had quite a stable structure of their own sources of financing and that such a high proportion of own funds provides financial security and stability of commodity milk supply.

d) used their own funds to a much higher degree than other food industry companies and enterprises operating in Poland in general. In all the examined years the share of own funds in dairies was higher by more than eleven pp than in other entities (the difference fluctuated in the range of 11.00 to 13.68 pp).

e) had a very high share of core funds in their own sources of funding compared to other groups of companies. This fact is undoubtedly related to the specifics of the dairy industry and the region and the good competitive position of dairies from this region of Poland. The high share of core fund in the dairy industry is very beneficial and results from strong fund ties of milk producers with dairy cooperatives. The high level of own

funds of the surveyed companies was also influenced by the level of share fund and positive net financial results.

f) shaped differently the structure of own fund depending on the legal form of business. Own fund in limited liability companies consisted solely of the core fund and financial results reducing their value. LLC are not obliged to create reserve fund and positive financial results were used in a different way. No supplementary fund and weaker relations with milk producers pose a threat to the functioning of this group of companies. In the studied years dairies operating in the form of LLC recorded an almost 7% drop in net profit (6.80%) and net profit generated by the dairy cooperatives increased by almost 29.23%.

REFERENCES

- Bem, D. (2007). *Amortyzacja podatkowa środków trwałych oraz wartości niematerialnych i prawnych jako źródło finansowania wewnętrznego, metody amortyzacji, problemy*. Studia i Prace Kolegium Zarządzania i Finansów, Zeszyt Naukowy nr 82, Warszawa: Oficyna Wydawnicza SGH.
- Dyduch, A., Sierpińska, M., Wilimowska, Z. (2013). *Finanse i rachunkowość*. Warszawa: PWE.
- Grzywacz, J. (2012). *Kapitał w przedsiębiorstwie i jego struktura*. Warszawa: Oficyna Wydawnicza SGH.
- Iwin-Garzyńska, J. (2005). *Kapitał amortyzacyjny w zarządzaniu finansami*. Warszawa: PWE.
- Kowalczewski W. (2000). *Zarządzanie środkami trwałymi w przedsiębiorstwie*. Warszawa: Dialog.
- Krzemińska, D. (2000). *Finanse przedsiębiorstwa*. Poznań: Wydawnictwo Wyższej Szkoły Bankowej.
- Łuczaj, J. (2014). *Finansowanie własne*. In D. Ostrowska (Ed.), *Źródła finansowania działalności a sprawność przedsiębiorstw działających w Polsce*. Warszawa: Difin.
- Łuczaj, J. (2014). *Własne źródła finansowania działalności w przedsiębiorstwach przemysłu spożywczego w latach 2009-2012*. In M. Walicka (Ed.), *Wybrane problemy zarządzania, finansów i rachunkowości w Europie Środkowo-Wschodniej*. Białystok: Bauhaus.
- Ostaszewski, J., Ciciurko, T. (2009). *Finanse spółki akcyjnej*. Warszawa: Difin.
- Pietrzak M. (2014). *Inwestycje w majątek trwały a wyniki ekonomiczno-finansowe spółdzielni mleczarskich*. Warszawa: Zeszyty Naukowe SGGW, Ekonomika i Organizacja Gospodarki Żywnościowej nr 106.
- Waśniewski, T. (1997). *Analiza finansowa przedsiębiorstwa*. Warszawa: FRR w Polsce.
- Wilimowska, Z., Wilimowski, M. (2001). *Sztuka zarządzania finansami*. cz II. Bydgoszcz: Oficyna Wydawnicza Ośrodka Postępu Organizacyjnego .
- Zuba J., Zuba-Ciszewska M. (2014). *Wpływ kapitału własnego na rentowność i bezpieczeństwo finansowe wybranych spółdzielni mleczarskich w Polsce*. Stowarzyszenie Ekonomistów Rolnictwa i Agrobiznesu, Roczniki Naukowe, Tom XVI, Zeszyt 2.