

Popescu, Cristian George

Conference Paper

Profitability of Romanian companies on food trade

Provided in Cooperation with:

The Research Institute for Agriculture Economy and Rural Development (ICEADR), Bucharest

Suggested Citation: Popescu, Cristian George (2012) : Profitability of Romanian companies on food trade, In: Agrarian Economy and Rural Development - Realities and Perspectives for Romania. 3rd Edition of the International Symposium, October 2012, Bucharest, The Research Institute for Agricultural Economy and Rural Development (ICEADR), Bucharest, pp. 283-285

This Version is available at:

<https://hdl.handle.net/10419/76852>

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.

PROFITABILITY OF ROMANIAN COMPANIES ON FOOD TRADE

POPESCU CRISTIAN GEORGE¹

Abstract

Through this paper we intend to highlight some answers of the questions that we ask ourselves often be in terms of the entrepreneur who wants to develop a business with some ideas on food trade, either in terms of consumer who knows sometimes the prices of some products are more expensive than other similar food stores. Here are some of the questions that we seek answers in the paper: How profitable are companies operating in the food trade, regardless of their organizational structure? What is the threshold of affordability of food trading enterprises on running a business? What is the contribution to the state budget of an undertaking of this kind and under the laws of Romania as moral are these fees compared to exertion by business to support a business? What would be the daily earnings of a company to survive the current economic circumstances? What major challenges facing NGOs engaged in charitable activities to help disadvantaged groups such as state aid and the legal entity? (some NGOs even assuming important functions that should be the government rule).

Key Words: *financial results, market food, food trade, profitability, NGO*

INTRODUCTION

Relevant answers to questions that we have had we tried to analyze the balance of receipts and payments under return zero that a company should have as concrete examples. We consider current levels of state taxes and the average salary remuneration for work stations in several fields.

To highlight the level of taxation in Romania, especially in terms of charity NGOs, we will consider including a firm with such a profile. We also oppose the legislation in Romania country with the oldest democracy in Europe, England. Thus, we analyze the ethical application of laws in force in Romania according to the principle of social equity (the major taxes should attach great importance to social action).

MATERIAL AND METHODS

We have researched on the Romanian market of food trade, highlighting the financial results of them, but sometime, when we didn't have data, we applied the method of calculation of some indicators. What was important, that every time, we had been reporting to the real market and we have considered all indicators to calculate very exactly the results.

Achieving a ranking by size of enterprises analyzed (in the food trade, commerce or hereafter catering services, hereinafter service), we will first present table summarizing the most important indicators (in RON) for each enterprise profitability under zero. Thus, we postpone enterprises in micro, small, medium and large.

RESULTS AND DISCUSSIONS

We begin to highlight the most important financial results, that we develop further discussions and later the conclusions:

Table 1. Source: author's own calculations

No. of employees	Turnover /month	Turnover /year	VAT to be paid/month	average income /day	activity	Dimension of company
1	11100	133200	957	444	Trade	Micro-company
9	138925	1667100	12983	5557	services	Micro-company
10	175975	2111700	20506	7039	Trade	Small company
24	472200	5666400	54714	18888	Trade	Small company

¹ Lecturer PhD., University of Bucharest

Commenting on the above table, it appears that a family business with the field of food trade activity, must have average daily earnings of 444 lei (without employees, labor is provided by family members) and an enterprise of same field, with 10 employees, with one retail outlet must have daily receipts 7039 lei, over 16 times more. Mention that both companies do not make profits, but not losses (with a return level 0). A larger enterprise, all commercially available, field of activity, with 24 employees, but will have 3 outlets will have a minimum level of earnings of 18888 lei, or 6296 lei each point as a daily average, compared the company had 7039 lei as a single point of sale. Economic, is a predictable result because fixed costs are reported a turnover higher. Also here, it is worth noting that the number of employees refers to the average area per retail outlet thus to an area of about 100 square meters we need seven employees, according to the program each retail outlet is 12 hours a day. Here we add on average about 3 employees for administrative work of each company. Given the above, each company in our example will have different efficiencies depending on the actual amount of activity that is recorded in the table below.

Tabel 2. Source: author's own calculations

No. of employees	Expenses Suppliers	Net wage bill	Utilities expenses	Fixed expenses	Other expenses	Taxes	Trade margin	Field work
1	6394	0	200	958	96	0	Average 40%	Trade
9	70023	11922	2500	5173	12992	9421	Average 60%	services
10	101368	10605	2500	13947	5304	8189	Average 40%	Trade
24	272005	27485	7500	38091	14500	21227	Average 40%	Trade

With the companies listed have no benefit with employees they will pay taxes to the state budget as following:

Tabel 3. Source: author's own calculations

No. of employees	Taxes	VAT TOTAL
1	0	957
9	9421	12983
10	8189	20506
24	21227	54714

Even if VAT is a tax paid by Romanian citizens is collected and transferred to the budget by the customers (people), so that is a tax paid by the final consumer through or by companies. Company with 9 employees with activity in service will pay more money to the state budget than the company with 10 employees, due to higher wage for people working in services.

Taking those mentioned before, we analyze the minimum average daily revenue per enterprise cost-effectively zero current legislative circumstances Romania.

For the family business, labor is provided by family members, so it will record expenditure on wages and related taxes. Such a deal can't be developed only in the form of micro companies, most times it is either self-employed or working in the trade sector with small district stores with different products. The latter should have a minimum average daily earnings of 444 lei, which equates to a month with 25 working days with a volume of 11100 lei. There is a difficult to achieve amount, on the contrary, as the working day is from 8 hours to 12 hours (maybe even more, but harder to covered family members), this implies that the worst hour such an undertaking should have minimum 55 lei revenue that is economically acceptable.

Worst are companies with a larger number of employees. Thus, for business, a company with 10 employees can only have one workstation with an area of greater exposure equivalent to a mini or even a district supermarket (approx. 100 sq.). Average daily sales volume amounts to 7039

lei per day which equates to earnings of approximately lei 586 per hour. Given that there is only one cashier this volume would be quite difficult to achieve, because it is assumed that in an hour more than 30 clients can be run, the average amount of revenue for them is approximately 20 lei per purchase. Is virtually impossible to have this number of customers, even if the mean value of 20 lei shopping is acceptable (mean shopping - studies).

For companies focused on services, with an average of 9 employees, falling in the category of micro, minimum daily average receipts should be 5557 lei for a minimum subsistence level (in terms of zero profitability). Year, such a firm should have a minimum turnover 1667100 lei or the equivalent of 384000 euro. Apparently an amount not difficult to achieve, depending very much on the type of activities catering provided. I would say rather that for some industries catering services sector is more difficult to achieve.

For the last example it is a business enterprise with a trade in food, with three outlets, the average daily receipts should be 6296 lei on each site to achieve a profitability zero. It is noted that this average drops over the number of outlets. We could say that the average daily amount of revenue is still relatively high, hard to reach by a trader in the current economic situation in Romania.

In conclusion, we see that the current situation of the national economy, there is high pressure in terms of taxation on businesses in Romania. This is because in conditions of profitableness zero, each economic agent of the review are required to pay taxes to the state budget consistent.

What happens to NGOs whose work is purely charitable and benefit society? Romanian state practice a principle of diverting funds collected by the non-profit legal entities in order to respect the principle of reallocating funds social purpose?

The most important issue facing these organizations would be related to pay VAT. Under the current Tax Code, these organizations are exempt from VAT, but not entitled to deduct all or part. An NGO has two choices: either to declare the VAT, looking to trade (income from such activities entitle the deduction of VAT) or not having declared taxable business income. Of both the state budget has won and NGOs, regardless of the activities they provide are totally disadvantaged.

To give an example, I chose the UK economy. In the UK, VAT is paid by NGOs as well as in Romania, but the rates for groups of products that are in this country are only for those NGOs who have a charitable activity (without a service company). VAT on most goods used by these organizations is recovered, with some categories of products and services with a reduced rate of VAT (such as drugs). Unfortunately for us, all countries with older democracies have implemented such facilities to organizations who are recognized merit in their community service, making Romania exception to this rule. Thus, in Romania, the central funding from the state budget are not redirected in a widely accepted by law to work for the society, such as NGOs charity.

CONCLUSION

The companies in Romania who work in the food trade are subject to high levels of debt through higher taxation and taxation activities while being exposed to high competitive field of great interest, because they represent food trade.

NGOs, regardless of the activities they perform in Romania laws are disadvantaged due to their undifferentiated business enterprises, and also by the Tax Code there is no way to support these legal entities for the society. Thus, the accumulated funds from the state, because of high taxes in Romania, have no natural circuit of restoring the economy to support activities providing services company.

BIBLIOGRAPHY

- [1] Romanian Financial Law, GD. no. 125/2011, published in M. Of. no. 938 from 30.12.2011
[2] HM Revenue & Customs, (HMRC), <http://www.hmrc.gov.uk>