

Study on monitoring achievement of performance indicators in the subordinate local companies in Romania

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Abstract

This paper deals with the pursuit of economic indicators which are calculated in local subordinate companies. These indicators are imposed by the Board employee manager contract term. Accounting provides enough information to calculate them but we put the issue of prevention of the ability to stay within budget, projected revenues and expenses, before closing operations of an accounting period (month, quarter, semester, year).

Keywords: company of subordinate local term contract performance criteria, annual procurement program, cash flows, budget revenues and expenditures (BVC), the calculation of the overall degree of fulfillment of objectives BVC

Subordinate local companies

A local company is the subordination of self-financed entity operating under Law No. 31/1990, as amended and the local authority has more than 50% of shares in the capital. It is a manifestation of private - public partnership that is aimed at several aspects such as: decentralization of public services to improve the quality of benefits to the population, a reduction in the administrative apparatus of local and territorial public expenditure reduction, a more efficient utility of resources.

This type of enterprise within the local economy as a system with many dimensions: technical-economic dimension, size, managerial, social dimension, environmental dimension, the financial dimension.

Although subordinate local companies private, public interest activities.

In Romania, they are subject to some specific rules on how management, supply and preventive control.

In terms of governance, the Board concluded a contract with the company's manager of fixed-term mandate. The legal basis of such a contract is GO nr.79/2008.

The annexes to the warrant establishes objectives and performance criteria to be met.

Tracking the objectives of BVC and the performance criteria

In the case study for this topic data were taken from SC TARGURI, OBOARE, PIETE SA ARAD, a contracting authority for public service management consisting of food markets in this city.

Below are presented in Annexes 1 and 2 term contract of general manager of the company in October 2010.

Annex nr. 1

Nr. crt.	Name objectives	U.M.	The period under review in October 2010			Weighting coefficient	Grade the performance review period weighted
			Provisions	Achievements	Degree of compliance%		
0	1	2	3	4	5	6	7
1*	Profit for the year	Thousands lei	377,70	771,21	204,19	0,30	61,26
2	Total receivables	Thousands lei	149,25	84,88	175,84	0,10	17,58
3	Total arrears (overdue payments)	Thousands lei	0	0	100,00	0,20	20,00
4	Salary fund	Thousands lei	1.409,59	1.416,53	99,51	0,05	4,98
5	Fund company driver pay	Thousands lei	44,90	48,57	92,44	0,05	4,62
6	The achievement of performance criteria and performance indicators (Annex 2)	%	100,00	138,98	139	0,30	41,69
Penalty calculated (100 - degree of compliance overall objectives)/%= _____							
Apply a decrease in basic salary of the head company per month _____ Year _____, the sum of _____							
For the situation where the budget revenue and expenditure expected net profit and loss was achieved at the end of the degree of compliance will be considered negative, ie - 100%							
Obs. In case of failure of these objectives, it will present an analysis of failure causes and measures to achieve them							

Annex nr. 2

Calculation of the overall degree of fulfillment of objectives and performance criteria

Nr. crt	Name criteria and performance indicators	UM	The period under review in October 2010			Weighting coefficient	Grade the performance review period weighted col.5 x col.6
			Provisions	Achievements	Degree of compliance%		
0	1	2	3	4	5	6	7
1*	Gross profit rate (Gross profit / C.A.) x 100	%	10,95	22,18	202,56	0,40	81,02
2	Labour productivity (C.A. /total staff number)	Thousands lei / pers.	73,36	73,05	99,58	0,10	9,96
3	Recovery period of the claims (Debt / CA) x 365	Days	13,00	16,00	81,25	0,05	4,06
4	The period for repayment of debt (liabilities / CA) x 365	Days	0	0	100,00	0,10	10,00
5	The share of wage costs (personnel expenses / spending. Of operation) x 100	%	38,53	52,56	73,31	0,10	7,33
6	1000 lei revenue expenditure (total expenditure / total revenue) * 1000	RON	890,55	824,31	108,04	0,20	21,61
7	Royalty	Thousands lei	65,34	65,34	100,00	0,05	5,00
The degree of compliance with performance criteria (sum of the values obtained col 7) 138,98							

*CA = Turnover

The two annexes to the indicators shows that there is one column (6) where the last „weight factor”;. This rate is established the Board and indicates that the entity manager’s assessment, the indicators are not equal in importance.

At the end of each month based on accounting information provided to prepare the income and expenditure and performance indicators against which to review the meeting the targets.

The data analysis presented shows that the level of October 2010 exceeded the company planned indicators in particular for those with higher weight, having some problems in recovery.

Possibilities of current tracking objectives

Calculation of the achievement of objectives as outlined above can be made only after the conclusion of the month for accounting purposes

Why we put the question of how we track and prevent a situation like the end, after closing operations to ascertain accounting failure indicators. For this we need some daily operational situations tailored to the specific company.

As noted in the study has taken the company as activity management in a municipality markets.

Customers of the company are legal persons that enter into contracts under which invoices are issued to individuals who receive cash daily. In accounting revenues are recorded in the analytical market (profit centers) and type of income. Because the record does not indicate that all income amounts are received, must be made daily operational situation on the types of revenue receipts and markets (profit centers).

Such a situation helps us to track average daily employment in the goals to be achieved.

As for the costs, their pursuit of preventive materials is for the expenditure through the annual procurement costs for labor and living wage program. Annual procurement program is intended as provided daily running EGO 34/2006, there is a correlation between supply, consumption and the provisions of the income and expenses. Expense items and work life is not a particular problem to be pursued on remand as changes from one month to another are easily controllable. A company like that taken in the study of income from tariffs imposed by the specific food in public they must have very good liquidity. Any imbalance in this funding can create problems even though the company recorded a profit.

Therefore, in such an entity, tracking cash flow is imperative.

SCTOP SA cash flows can be calculated daily by the indirect method as outlined in the following table for October 2010.

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THE SITUATION *Of daily cash flows in October 2010*

Date	Initial availability Balance	Total revenue	Claims receivable	Amount net revenues	Total expenditure	Debt Payment	Net Payment Amount	Net Cash Amount
0	1	2	3	4=2-3	5	6	7=5-6	8=1+4-7
.10.2010	3.030.296,30	16.722,10	238.465,84	-221.743,74	29.419,81	591.215,32	-561.795,51	3.370.348,07
.10.2010	3.036.444,02	13.911,13	238.465,84	-224.554,71	0,00	592.405,19	-592.405,19	3.404.294,50
.10.2010	3.042.101,19	15.686,50	238.465,84	-222.779,34	0,00	593.500,11	-593.500,11	3.412.821,96
.10.2010	3.043.643,80	6.530,84	234.699,45	-228.168,61	3.504,89	592.548,26	-589.043,37	3.404.518,56
.10.2010	3.022.520,87	10.285,25	227.006,59	-216.721,34	388,58	559.651,13	-559.262,55	3.365.062,08
.10.2010	3.017.841,91	5.748,34	227.025,66	-221.277,32	303,05	554.836,24	-554.533,19	3.351.097,78
.10.2010	3.015.184,18	23.574,44	248.637,12	-225.062,68	1.143,17	556.055,87	-554.912,70	3.345.034,20
.10.2010	2.828.584,31	7.774,97	259.209,54	-251.434,57	384,24	486.720,94	-486.336,70	3.063.486,44
.10.2010	2.828.897,24	8.479,80	259.209,54	-250.729,74	0,00	486.781,50	-486.781,50	3.064.949,00
.10.2010	2.829.142,20	10.655,64	259.209,54	-248.553,90	0,00	486.828,91	-486.828,91	3.067.417,21
1.10.2010	2.799.858,38	6.326,62	250.161,98	-243.835,36	1.753,30	449.425,85	-447.672,55	3.003.695,57
2.10.2010	2.803.854,35	56.235,08	265.146,26	-208.911,18	34.807,71	452.390,05	-417.582,34	3.012.525,51
3.10.2010	2.794.597,16	19.323,95	288.444,18	-269.120,23	21,02	452.370,59	-452.349,57	2.977.826,50
4.10.2010	2.795.905,76	65.332,94	368.309,98	-302.977,04	8.963,05	485.426,99	-476.463,94	2.969.392,66
5.10.2010	2.789.365,34	13.896,17	367.199,31	-353.303,14	2.756,14	472.408,60	-469.652,46	2.905.714,66
5.10.2010	2.789.365,34	7.840,34	367.199,31	-359.358,97	0,00	472.408,60	-472.408,60	2.902.414,97
7.10.2010	2.789.365,34	8.069,37	367.199,31	-359.129,94	0,00	472.408,60	-472.408,60	2.902.644,00
8.10.2010	2.787.865,83	3.857,26	364.039,84	-360.182,58	1.179,29	468.848,31	-467.669,02	2.895.352,27
9.10.2010	2.853.741,77	5.811,01	358.575,79	-352.764,78	3.071,85	358.540,21	-355.468,36	2.856.445,35
9.10.2010	2.854.739,82	4.370,15	356.082,57	-351.712,42	1.284,27	356.633,43	-355.349,16	2.858.376,56
1.10.2010	2.855.467,95	5.041,92	355.651,13	-350.609,21	500,00	356.693,23	-356.193,23	2.861.051,97
2.10.2010	2.829.941,97	13.212,83	381.386,21	-368.173,38	816,39	356.835,29	-356.018,90	2.817.787,49
3.10.2010	2.832.796,59	11.129,88	380.956,55	-369.826,67	272,23	357.304,59	-357.032,36	2.820.002,28
4.10.2010	2.835.024,90	12.254,70	380.956,55	-368.701,85	0,00	357.735,88	-357.735,88	2.824.058,93
5.10.2010	2.852.578,32	15.655,18	371.375,69	-355.720,51	422,49	363.971,02	-363.548,53	2.860.406,34
5.10.2010	2.866.410,43	16.660,18	368.688,00	-352.027,82	555,35	360.898,54	-360.343,19	2.874.725,80
7.10.2010	2.889.428,82	14.616,94	357.895,48	-343.278,54	2.003,87	363.387,72	-361.383,85	2.907.534,13
8.10.2010	2.929.675,83	15.472,58	337.798,91	-322.326,33	154,01	367.466,32	-367.312,31	2.974.661,81
9.10.2010	2.948.993,00	32.615,12	350.265,53	-317.650,41	13.985,02	374.018,79	-360.033,77	2.991.376,36
9.10.2010	2.981.722,35	34.076,55	350.265,53	-316.188,98	284,22	380.353,36	-380.069,14	3.045.602,51
1.10.2010	2.998.563,52	40.371,80	219.455,78	-179.083,98	407.081,54	443.367,77	-36.286,23	2.855.765,77
TOTAL		504.817,48	9.398.983,01	8.894.165,53	485.635,68	13.432.221,89	-12.946.586,21	90.596.043,17

The daily analysis of these amounts can lead to optimal cash balance for the activity to achieve the purposes of the income and expenditure.

If we have excess cash can make investments in short-term deposits or overdraft from a schedule of receipts and payments by the end of the month or for a certain period.

If the balance is very high may be an analysis of the annual investment sources of financing their upside. If the company is short of cash at certain times of the month to take measures: discussions with suppliers to defer payments, reduce procurement, freezing investment, attracting short-term funds, closed / optimization unprofitable centers.

Conclusions

In a company where operative management is ensured by the contract of mandate is necessary to achieve certain performance measures.

In that report information - optimal management decision for monthly accounting reports are not sufficient but requires constant monitoring as possible (daily) certain types of income and expenditure items with a major influence in the calculation of performance indicators.

For the company that became a case study Synthesis scheme of this report may look like.

<i>Annual Information</i>	<i>Monthly summary information</i>			<i>Operative informations</i>		
Annexes to the balance sheet and statements	The calculation of investment financing sources	Calculation of performance indicators	B. V. C.	Daily execution of the annual procurement	Daily cash flow statement	Statement of revenues collected daily
Analysis of strengths, weaknesses and opportunities						
Current and strategic decisions						

In case the company is headed by term contract accounting information should be useful as reports of personal responsibility directed towards a center.

Accounting must contribute to the preparation of reports based on areas of responsibility assigned to managers.

Managerial accounting focuses on reporting activities (no registration) operational data on expenditure and revenue.

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