

Liquidity ratios. A structural and dynamic analysis, during 2006-2012, of the companies having the business line in industry and construction, listed and traded on the Bucharest Stock Exchange

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Abstract. *Liquidity ratios are used to measure a company's ability to pay short-term debt, assessing the amount of cash and cash equivalents that it has on the short term. Considering the companies listed on Bucharest Stock Exchange among the best performing, due to the high requirements imposed by a stock market, in this paper has been analyzed the way the financial crisis affected the liquidity of companies listed on BSE, acting in industry and construction domains.*

Keywords: Current liquidity ratio, Quick Ratio, Cash Ratio, listed companies.

JEL Classification: G00, G01, G30.

1. Introduction

Liquidity ratios, comparing the company's most liquid assets to the potential chargeability potential, offers a quick way to assess the degree to which the economic entity meets short-term obligations.

It is well known that stock exchanges react most severely to economic changes and the recent financial crisis has had a strong impact on the capital market.

Financial instruments and issuers must meet specific requirements for admission to trading on a regulated market, many of which being subsequent to financial performance criteria. Admission of securities to the capital market and then promotion to a higher category can only be achieved having an excellent financial performance behind that would lead to achieving the required levels of capitalization, continuous profitability for the imposed periods and ensuring future growth potential.

But admission to Bucharest Stock Exchange is not permanent; the company must maintain and constantly improve their performance. Criteria for maintaining capital market require the same performance orientation as the access ones.

Extremely vast specialized literature, national (Stancu, 2007), (Balteş 2010), (Isfănescu, 1999), (Bistriceanu, 2001) and international (Brigham, 2003), (Correia, 2001), (Dyson, 2010), (Halpern, 1994), and the economic practice uses the following ratios (Petcu, 2009), (Petrescu, 2008):

a) Current ratio reflects the coverage of current liabilities from current assets. A very common rule of thumb suggests that a current ratio of 2:1 is about right for most businesses, allowing a shrinkage of up to 50% of current assets, while still covering cover all current liabilities. (Helfert, 2001)

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current debts}} .$$

If the indicator is below 1 or if current liabilities are higher than current assets, the situation can be regarded as a sign of alarm, indicating inventory levels that have become excessive when compared to current needs, utilization of current borrowing power, or future difficulties in operating activities and possible problems in paying debts. Although low levels of the indicator do not necessarily indicate a critical situation, it should still be a major concern for management. In general, the higher the indicator values are, the higher the company's margin of safety is; however, a high value may be the cause of the company's difficulties regarding the collection of customers, or a very low stock rotation speed (Petrescu, 2008), (Vâlceanu, 2005).

b) Quick ratio expresses the company's ability to meet its short-term debts by capitalizing liabilities, short-term investments and cash. The indicator is considered normal if it is between 0.8-1.

$$\text{Quick} = \frac{\text{Current assets} - \text{Stocks}}{\text{Current debts}} .$$

c) **Cash ratio** also called the payment capacity, reflects the company's ability to pay current liabilities from the cash it has. The minimum accepted value of this indicator should be 0.2-0.3, (Petrescu, 2008), to reflect a liquidity guarantee for the company.

$$\text{Cash ratio} = \frac{\text{Cash}}{\text{current debts}}.$$

According to other authors, the numerator includes financial investments, besides cash and cash. There are, also, different views regarding the minimum accepted value, some experts establishing the level of 0.35 for it (Eros-Stark and Pantea, 2001), considering a level over 0.65 as inefficient use of current assets.

2. Research methodology

Considering, on the one hand, performance standards that companies listed on a regulated market must face, and on the other hand, the constraints and difficulties specific to the financial crisis, this paper uses the quantitative empirical analysis of companies which, according to NACE revision 2, have the business line in industry and construction, and have been listed and traded on the Bucharest Stock Exchange, BSE section, categories I; II; III during 2006-2012. Industry includes mining and quarrying, manufacturing, electricity, gas, steam and air-conditioning supply (sections: B, C, D and E, according to NACE revision 2).

The evolutions of liquidity ratios for each NACE entity and structure are analyzed during this period, highlighting the influences of the period of crisis and post-crisis on liquidity.

In December 2013, 51 companies in mining, manufacturing, production and supply of electricity, gas, steam and air-conditioning and constructions were listed and traded on the Bucharest Stock Exchange.

Starting with the financial year 2012, companies whose securities are admitted to trading on a regulated market, are required to apply IFRS individual annual financial statements, in accordance with the Order of the Minister of Public Finance no.1286/2012. In applying these regulations, companies have restated financial statements of 2011, according to legal norms, which led to differences between the financial statements for 2011, the initial version and restated. The corresponding financial indicators for 2011 are extracted from the accounting reporting for the year 2012, according to International Financial Reporting Standards, approved by the Ministry of Public Finance, and presented in the following as 2011r. Whereas analysis of the influence of the 2011 restatement of financial statements on financial indicators is the subject of another work, were presented both liquidity indicators calculation alternatives, and only a brief analysis of the occurring differences.

Liquidity analysis was based on financial statements published on Bucharest Stock Exchange website, and available on each listed company website. All results and graphs are the authors' own calculations and representations, performed on the specified data.

This analysis is only one part of a larger work, the doctoral thesis concerning the financial performance of listed companies.

3. Data analysis

For the mentioned companies, the Current Ratio, Quick Ratio and Cash Ratio were calculated, the average values for each company being presented in Table 1.

Table 1. Evolution of average liquidity ratios, during 2006-2012

Company	Department	The average current ratio - average level per company -	The average quick ratio - average level per company -	The average cash ratio - average level per company -
OMV PETROM S.A.	06 Extraction of crude petroleum and natural gas	6.63	5.41	3.26
ROMGAZ		1.53	1.01	0.35
DAFORA SA	09 Mining support service activities	1.21	0.88	0.12
ROMPETROL WELL SERVICES S.A.		6.99	6.44	1.54
BOROMIR PROD SA BUZAU (SPICUL)	10 Food industry	1.73	1.25	0.14
BERMAS S.A.	11 Manufacture of beverages	2.23	0.47	0.11
SIRETUL PASCANI S.A.	13 Manufacture of textiles	2.34	1.64	0.10
CONTEDE SA DOROHOI	14 Manufacture of clothes	4.81	3.72	2.14
VRANCART SA	17 Manufacture of paper and paper products	1.15	0.76	0.02
ROMPETROL RAFINARE S.A.	19 Manufacture of coke products and products obtained from refined petroleum	0.65	0.45	0.02
SINTEZA S.A.	20 Manufacture of chemicals and chemical products	3.90	2.03	0.69
ANTIBIOTICE S.A.	21 Manufacture of basic pharmaceutical products and pharmaceutical preparations	2.00	1.69	0.18
BIOFARM S.A.		4.73	4.05	2.52
ZENTIVA S.A.		4.49	3.97	1.31
ARTEGO SA Tg. Jiu	22 Manufacture of rubber and plastic products	1.33	0.57	0.06
TERAPLAST SA		1.22	0.80	0.08
ROMCARBON SA BUZAU		0.68	0.47	0.21
MJ MAILLIS ROMANIA S.A.		0.46	0.26	0.02
PRODPLAST S.A.		15.31	13.32	10.14
STIROM SA Bucuresti	23 Manufacture of other non-metallic mineral products	1.22	0.81	0.17
CEMACON SA CLUJ-NAPOCA		0.73	0.51	0.40
PREFAB SA BUCURESTI		1.66	1.30	0.19
COMCM SA CONSTANTA		3.03	2.42	0.33
CARBOCHIM S.A.		1.85	0.80	0.07
TMK - ARTROM S.A.	24 Metallurgical Industry	2.03	1.04	0.07
ALRO S.A.		2.55	1.45	0.65

Company	Department	The average current ratio - average level per company -	The average quick ratio - average level per company -	The average cash ratio - average level per company -
VES SA	25 Metallic construction and metal products industry, exclusively machinery and equipment	1.13	0.66	0.05
ELECTROMAGNETICA SA BUCURESTI	26 Manufacture of computer, electronic and optical products	1.84	1.48	0.51
CONTOR GROUP S.A. Arad		0.83	0.40	0.02
ELECTROPUTERE S.A.	27 Manufacture of electrical equipment	0.62	0.48	0.08
RETRASIB SA SIBIU		1.27	0.79	0.16
ELECTROAPARATAJ S.A.		3.38	1.66	0.39
GRUPUL INDUSTRIAL ELECTROCONTACT S.A.		2.90	1.69	0.24
ELECTROARGES SA CURTEA DE ARGES		1.38	0.59	0.19
MECANICA CEAHLAU		28 Manufacture of machinery and n.e.c. equipment	2.40	1.58
COMELF S.A.	1.06		0.61	0.09
UZTEL S.A.	4.02		2.15	0.55
ALTUR S.A.	1.36		0.95	0.26
COMP A. S. A.	29 Manufacture of motor vehicles, trailers and semi-trailers	1.53	1.00	0.03
MEFIN S.A.		6.00	2.89	1.19
UAMT S.A.		1.10	0.53	0.03
SANTIERUL NAVAL ORSOVA S.A.		30 Manufacture of other means of transportation	3.88	1.49
VOESTALPINE VAE APCAROM SA	2.95		1.92	1.10
TURBOMECANICA S.A.	1.20		0.34	0.04
AEROSTAR S.A.	3.59		2.84	1.52
S.N. NUCLEARELECTRICA S.A.	35 Production and supply of electricity, gas, steam and air conditioning		3.37	2.04
AMONIL S.A.		1.60	0.98	0.19
C.N.T.E.E. TRANSELECTRICA		1.22	1.18	0.27
IMPACT DEVELOPER & CONTRACTOR S.A.	41 Construction of buildings	5.11	1.56	0.47
SC TRANSILVANIA CONSTRUCTII SA		1.45	0.88	0.42
CONDMAG S.A.	42 Civil engineering	1.63	1.32	0.34

Source: author's own calculations.

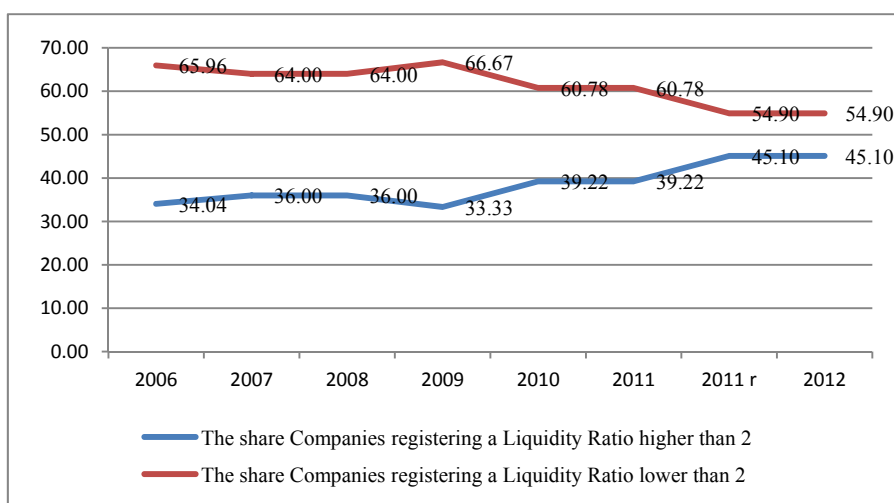
Considering the recommended value for Current ratio, of 2, the companies were grouped according to this indicator's value, the results being presented in Table 2.

Table 2. Companies listed on the BSE situation, depending on the value of 2, registered by the Current Ratio

Specification	2006		2007		2008		2009		2010		2011		2011 r		2012	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Companies registering a Liquidity Ratio lower than 2	31	65.9	32	64.0	32	64.0	34	66.6	31	60.7	31	60.7	28	54.9	28	54.9
Companies registering a Liquidity Ratio higher than 2	16	34.0	18	36.0	18	36.0	17	33.3	20	39.2	20	39.2	23	45.1	23	45.1
Total	47	100	50	100	50	100	51	100	51	100	51	100	51	100	51	100

Source: author's own calculations.

Analyzing the results obtained, can be noted an increase of 43.75% in 2012 compared to 2006, the number of companies that have experienced a rate of current liquidity higher than the recommended value of 2, as it can also be observed in Figure 1. Annually, there was an average rate of increase of 4.8% in the share of companies that have experienced a liquidity ratio higher than 2.

Figure 1. The evolution of the share of companies that have experienced a rate of current liquidity higher and lower than the value of 2

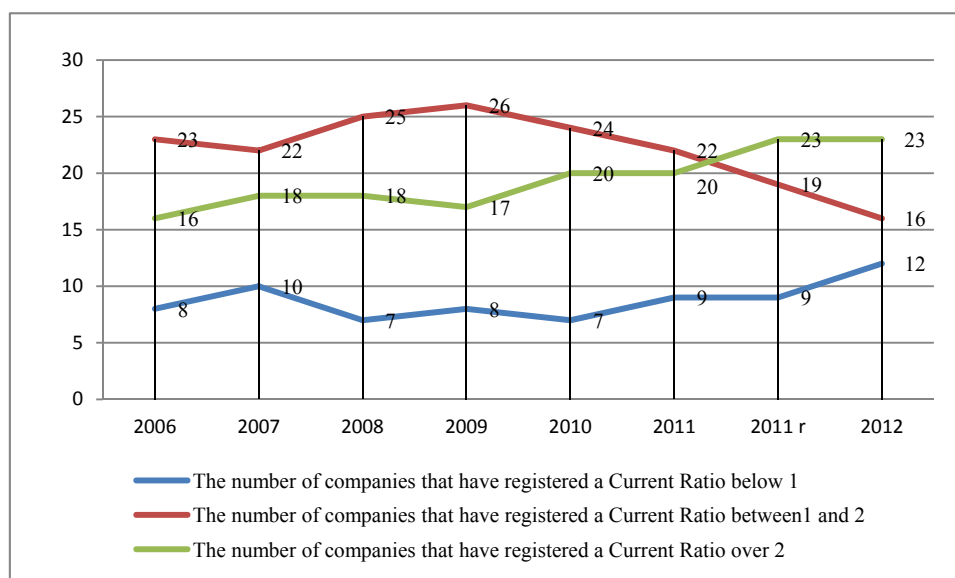
Source: author's own calculations

Considering the existence of a safety margin for the company in case of current liquidity of over 1, the analysis of current liquidity ratio was refined, according to these thresholds: less than 1, between 1 and 2 over 2, classifying the 51 companies in terms of these parameters, situations presented in the Table 3 and Figures 2 and 3:

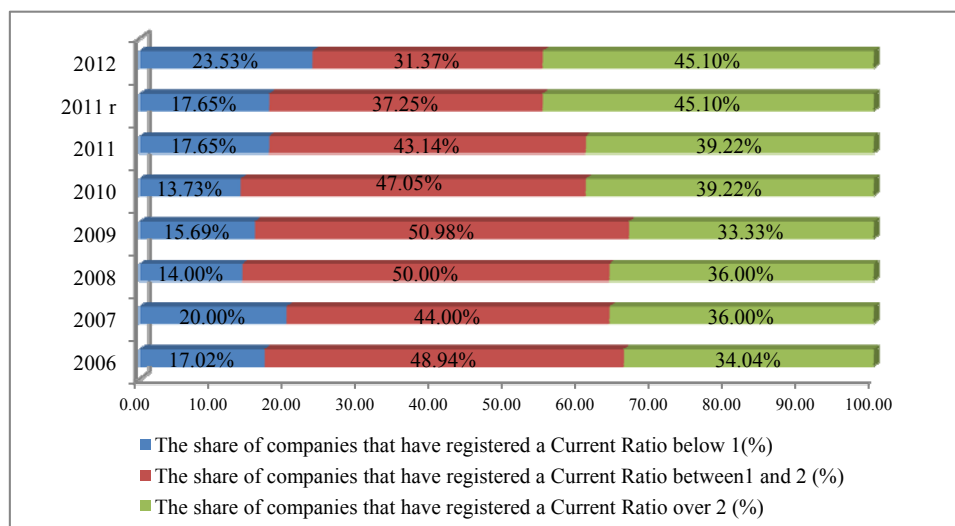
Table 3. Companies listed on the BSE situation, depending on the level of current ratio

Specification	2006	2007	2008	2009	2010	2011	2011 r	2012
The number of companies that have registered a Current Ratio below 1	8	10	7	8	7	9	9	12
The number of companies that have registered a Current Ratio between 1 and 2	23	22	25	26	24	22	19	16
The number of companies that have registered a Current Ratio over 2	16	18	18	17	20	20	23	23
TOTAL COMPANIES	47	50	50	51	51	51	51	51
The share of companies that have registered a Current Ratio below 1 (%)	17.02%	20.00%	14.00%	15.69%	13.73%	17.65%	17.65%	23.53%
The share of companies that have registered a Current Ratio between 1 and 2 (%)	48.94%	44.00%	50.00%	50.98%	47.06%	43.14%	37.25%	31.37%
The share of companies that have registered a Current Ratio over 2 (%)	34.04%	36.00%	36.00%	33.33%	39.22%	39.22%	45.10%	45.10%

Source: author's own calculations.

Figure 2. The evolution of the number of companies, depending on the level of current ratio

Source: author's own calculations.

Figure 3. The evolution of the share of companies depending on the level of current ratio

Source: author's own calculations.

Analyzing the data presented, it is noted that the share of companies that have a current liquidity lower than 1 is the lowest, not exceeding 25%. A reverse relationship exists between the percentage of companies with current liquidity between 1 and 2, and those with current liquidity over 2: although the percentage of companies that have current liquidity between 1 and 2 decreased, the share of those which have current liquidity over 2 increased.

Beyond the numbers, this is not entirely due to an increase in liquidity, but rather the accumulation of receivables and inventories, due to economic difficulties during the crisis.

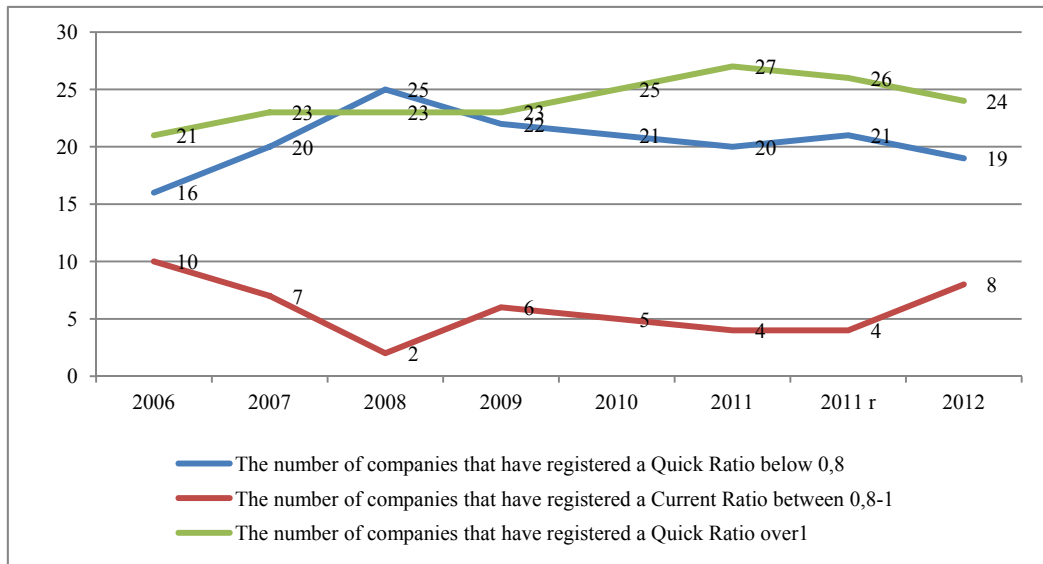
Considering the recommended values for Quick Liquidity Ratio, between 0.8 and 1, the companies have been grouped according to this indicator's value in three groups: below 0.8, 0.8-1, over 1, the situation being presented Table 4.

Table 4. Companies listed on the BSE, depending on the level of Quick Ratio

Specification	2006	2007	2008	2009	2010	2011	2011 r	2012
The number of companies that have registered a Quick Ratio below 0.8	16	20	25	22	21	20	21	19
The number of companies that have registered a Current Ratio between 0.8-1	10	7	2	6	5	4	4	8
The number of companies that have registered a Quick Ratio over 1	21	23	23	23	25	27	26	24
Total companies	47	50	50	51	51	51	51	51
The share of companies that have registered a Quick Ratio below 0.8 (%)	34.04%	40.00%	50.00%	43.14%	41.18%	39.22%	41.18%	37.25%
The share of companies that have registered a Quick Ratio between 0.8-1 (%)	21.28%	14.00%	4.00%	11.76%	9.80%	7.84%	7.84%	15.69%
The share of companies that have registered a Quick Ratio over 1 (%)	44.68%	46.00%	46.00%	45.10%	49.02%	52.94%	50.98%	47.06%

Source: author's own calculations.

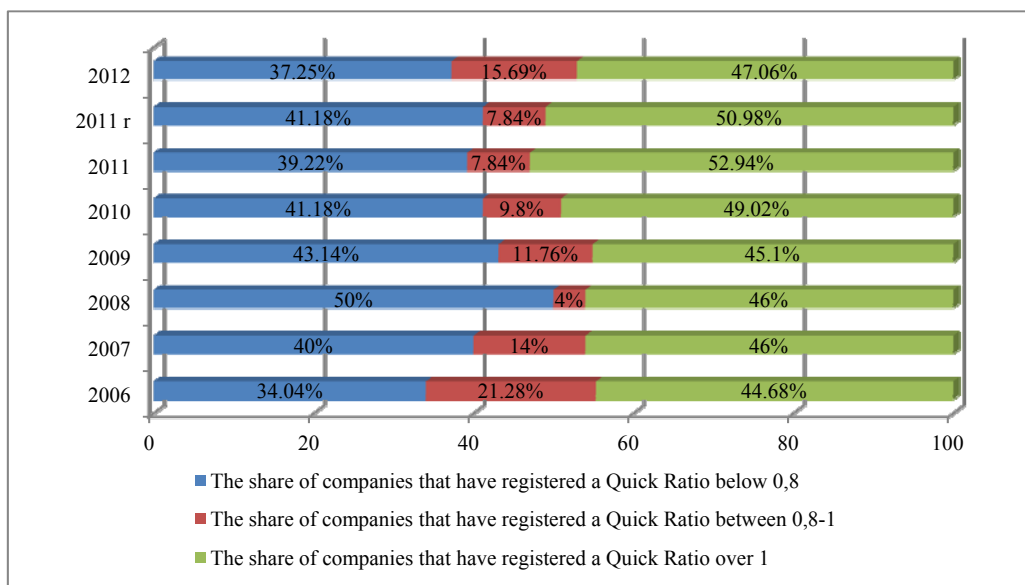
Figure 4. The evolution of the number of companies have registered a Quick Ratio between 0.8-1, above 1 or below 0.8, and it's dynamic during 2006-2012



Source: author's own calculations.

Analyzing the quick liquidity ratio (Figure 4), can be noted that only in 2008 the number of companies that have experienced a quick liquidity ratio lower than the recommended threshold, of 0.8, was higher than that of the companies that have had a quick liquidity of under 0.8. Moreover, the percentage of companies whose quick ratio was below the recommended threshold was significant, of 50 %, half of the companies listed on the BSE having issues regarding the ability to cope with current liabilities. Referring to the share of companies in the total companies, appreciated depending on the values of quick liquidity, it may revealed that the share of companies that have registered a Quick Ratio of over 1 is not significantly different from the percentage of companies that have registered a Quick liquidity ratio below 0,8, while the percentage of companies that have registered a Quick ratio between 0.8-1 has the lowest values, down from 21% in 2006 to 4% in 2008, followed by a recovery to the level of 7 -9% after 2008.

Figure 5. The share of companies that have registered a Quick Ratio between 0.8-1, above 1 or below 0.8, and the dynamics of percentages in the period 2006-2012



Source: author's own calculations.

Two types of companies can be seen, as related to the Quick Ratio: companies with too large liquidity and companies with problems in terms of liquidity.

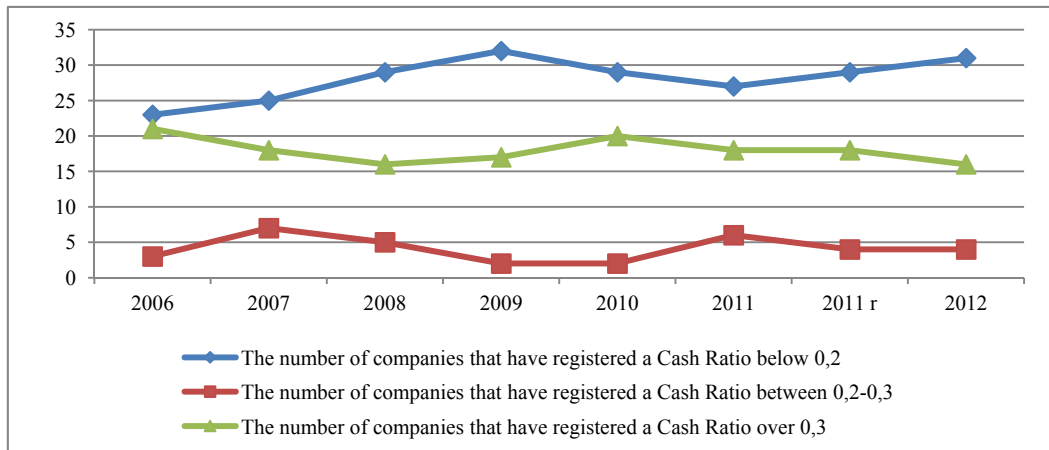
Considering the minimum recommended values for Cash Liquidity Ratio, between 0.2 and 0.3, we have grouped the companies according to this indicator's value in three groups: below 0.2, between 0.2-0.3, over 0.3, the situation being presented Table 5.

Table 5. Companies listed on the BSE, depending on the level of Cash Ratio

Specification	2006	2007	2008	2009	2010	2011	2011 r	2012
The number of companies that have registered a Cash Ratio below 0.2	23	25	29	32	29	27	29	31
The number of companies that have registered a Cash Ratio between 0.2-0.3	3	7	5	2	2	6	4	4
The number of companies that have registered a Cash Ratio over 0.3	21	18	16	17	20	18	18	16
Total companies	47	50	50	51	51	51	51	51
The share of companies that have registered a Cash Ratio below 0.2 (%)	48.94%	50.00%	58.00%	62.75%	56.86%	52.94%	56.86%	60.78%
The share of companies that have registered a Cash Ratio between 0.2-0.3 (%)	6.38%	14.00%	10.00%	3.92%	3.92%	11.76%	7.84%	7.84%
The share of companies that have registered a Cash Ratio over 0.3 (%)	44.68%	36.00%	32.00%	33.33%	39.22%	35.29%	35.29%	31.37%

Source: author's own calculations.

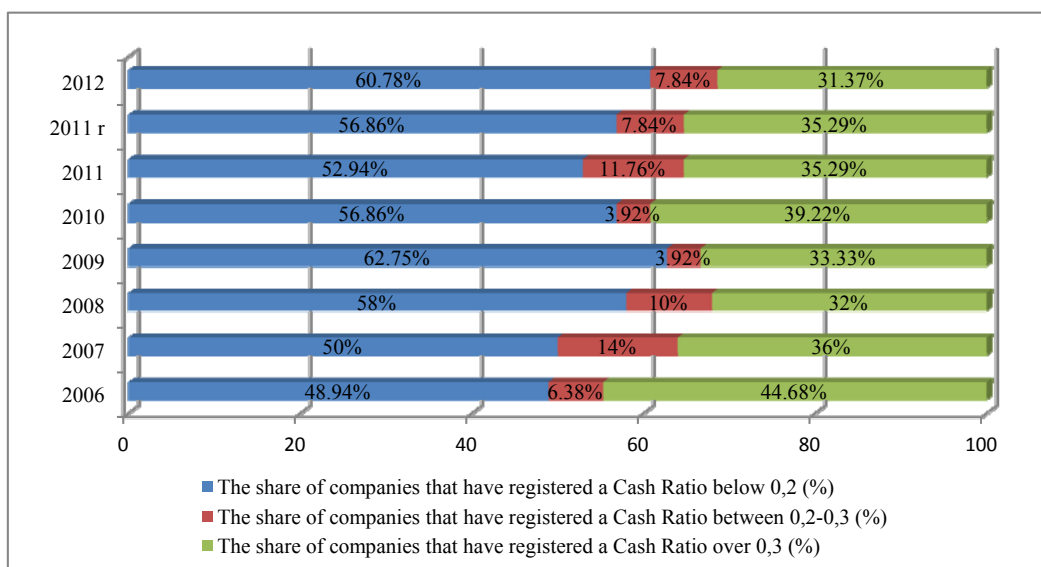
Figure 6. The evolution of the number of companies have registered a Cash Ratio between 0.2-0.3, above 0.3 or below 0.2, and it's dynamic during 2006-2012



Source: author's own calculations.

Considering the less accepted value, between 0.2-0.3, the number of companies registering values of cash ratio between 0.2-0.3 exceeds the number of companies that have experienced cash ratio values greater than 0.3, but is less than the number of companies lying in an alarming position, with cash liquidity below the recommended minimum (Figure 7).

Figure 7. The share of companies that have registered a Cash Ratio between 0.2-0.3, above 0.3 or below 0.2, and the dynamics of percentages in the period 2006-2012



Source: author's own calculations.

Dynamics of weighted by Cash Ratio rates did not change significantly (Figure 7). The Share of companies that registered values of the Cash Ratio below the recommended thresholds increased by an average annual rate of 3.68%, while the Share of companies that registered values of the Cash Ratio above 0.3 increased by an average annual rate of 3.49%. A more pronounced dynamic was registered in case of companies for which Cash Ratio was between 0.2 and 0.3, the share of these companies decreasing annually by an average of 5.72%.

Since the individual values of liquidity ratios for each company, analyzed per years are characterized by a very high variation, the coefficient of variation with high values recorded annually for each period analyzed, over 90%, indicating an arithmetic mean which is not representative, the average annual liquidity ratios have been calculated based on cumulative values of current assets, receivables, cash and cash equivalents and current liabilities of the companies listed and traded on the BSE, the results for the three liquidity ratios being presented in Table 6.

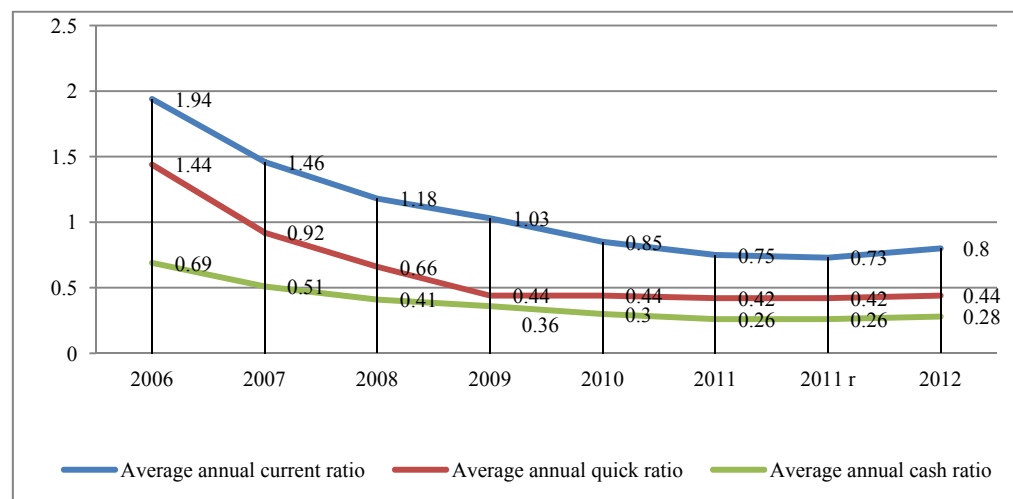
Table 6. Average annual liquidity indicators, registered by industrial companies listed on BSE

Specification	2006	2007	2008	2009	2010	2011	2011 r	2012
Average annual current ratio	1.94	1.46	1.18	1.03	0.85	0.75	0.73	0.80
Average annual quick ratio	1.44	0.92	0.66	0.44	0.44	0.42	0.42	0.44
Average annual cash ratio	0.69	0.51	0.41	0.36	0.30	0.26	0.26	0.28

Source: author's own calculations.

The evolution of average annual liquidity ratios are presented in Figure 8.

Figure 8. The evolution of average annual liquidity ratios



Source: author's own calculations.

According to the calculation methodology proposed, liquidity rates recorded an identical behavior: they decreased during 2006-2011, and showed a slight recovery in 2012, but without reaching the level recorded before the crisis; the average annual current ratio and

quick ratio is below the minimum threshold recommended for these indicators, cash ratio being within the recommended margins, and over.

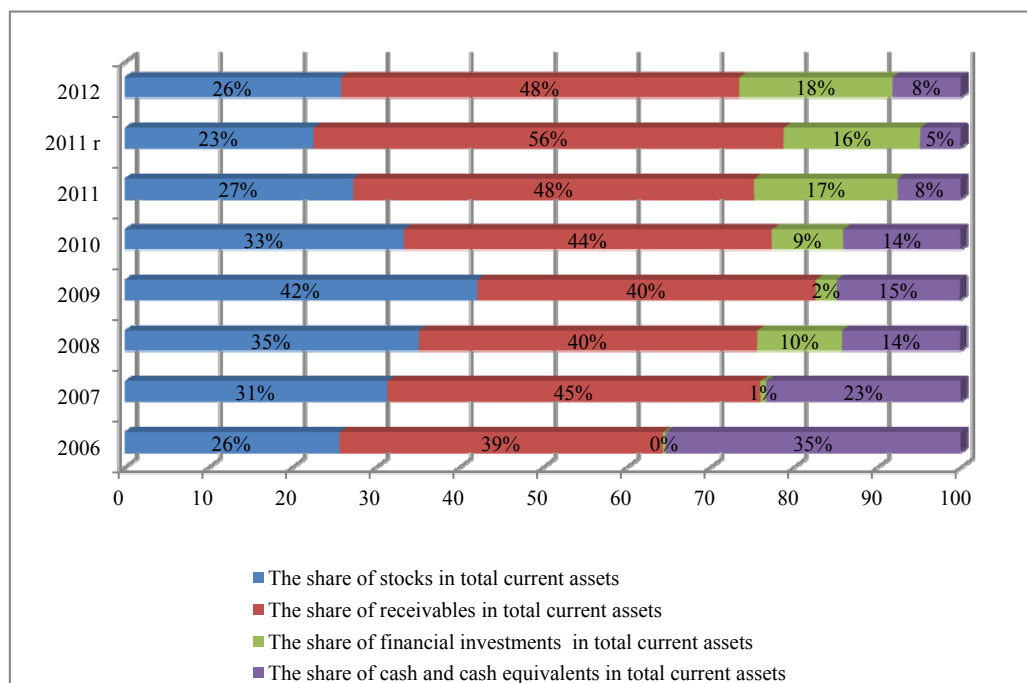
Average annual current ratio decreases from 1.94 recorded in 2006 to 0.8 value recorded in 2012, registering an average annual rate of decrease of 13.67 %. If in 2006 the value of the Average annual current ratio was very close to the recommended level of 2, in 2012 the level is much below the recommended threshold, being even below the recommended level for Quick liquidity ratio.

The average annual quick ratio registered in 2006 the level of 1.44, above the recommended threshold, decreasing during the analyzed period by an average annual rate of 18.81%, the level reached in 2012 of 0.44% being below the minimum recommended.

The average annual cash ratio throughout the period under review had values over the minimum accepted level, which indicates that, although subject to the negative effects of the financial crisis, industrial companies listed on the BSE however, have a proper management of current liabilities, successfully facing due payments. Despite these positive reviews, the average annual cash ratio also decreased by an average annual rate of 13.67%, alarmingly approaching the minimum level, starting with 2010.

These evolutions of liquidity indicators were due to changes in the structure and values of the components of total current assets and total current liabilities.

Figure 9. *The share of the components of total current assets*



Source: author's own calculations.

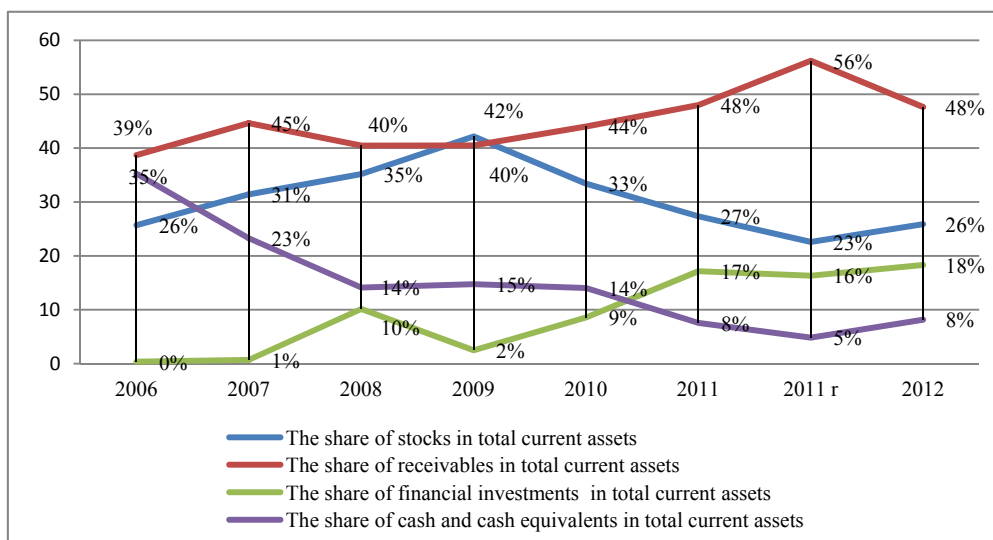
During 2006-2007, stocks, receivables and cash and cash equivalents occupied similar weights in the current assets, financial investments being almost nonexistent. Since 2008, there has been a slight increase in the share of debt and a massive increase in the share of financial investments amid the sharp fall in the share of deposits in total current assets.

The share of stocks in total current assets grew by 20% in 2009, as compared to 2008, due to commercial difficulties during the crisis, as in 2011-2012 to return to levels close to those of 2006.

Looking at the Figure 10, can be noted that, regardless of the evolution, receivables held the largest share of current assets, being exceeded by stocks only in 2009, and only by 2 percentage points: stocks held in 2009, 42% of total current assets, and claims 40% of total current assets.

The lowest percentage of current assets is held by financial investments. If in 2006 they were almost nonexistent, in 2012 they came to account for 18% of total current assets. Beginning with 2010, financial investments have had a higher share than cash and cash equivalents.

Figure 10. Evolution of the share of current assets components



Source: author's own calculations.

The dynamic analysis of structural changes in the elements of current assets indicates that the share of liquid assets in the total current assets records the strongest decrease, from 35% in 2006 to 8% in 2012.

The highest average annual rate of change was registered in the share of cash and cash equivalents in current assets, decreasing by an average annual rate of 21.67%. On the counter pole there was the change in current assets share of financial investments, which recorded an average annual rate of growth of 46.26%.

The most reduced dynamics was registered in the share of stocks in total current assets, which increased by an average annual rate of only 0.11%.

Individual developments of each indicator, presented based on chain indexes, are shown in the Table 7.

Table 7. Individual chain indexes for total current assets elements

Specifications	Individual indexes (Chain indexes $I_t = I_{n+1}/I_n$)								Average rate of change
	2007- 2006	2008- 2007	2009- 2008	2010- 2009	2011- 2010	2011r- 2010	2012- 2011r	2012- 2011	
TOTAL CURRENT ASSETS	117.96	106.68	107.42	107.49	109.99	127.68	108.10	108.10	9.54
TOTAL Stocks	144.23	119.46	128.72	85.15	90.03	86.36	102.29	102.29	9.66
TOTAL Receivables	136.08	96.70	107.51	116.82	119.91	163.08	107.30	107.30	13.40
TOTAL Short-term financial investments	229.35	1576.34	26.41	368.90	220.32	243.48	115.44	115.44	16.83
TOTAL Cash and cash equivalents	77.83	64.71	112.18	102.26	59.31	43.99	116.48	116.48	-36.83
TOTAL current DEBTS	133.15	124.10	114.01	120.98	114.37	117.15	92.68	92.68	15.84
Share of stocks in current assets (%)	122.27%	111.98%	119.84%	79.22%	81.86%	67.63%	94.63%	94.63%	0.11%
Share of receivables in current assets (%)	115.36%	90.65%	100.09%	108.68%	109.02%	127.72%	99.26%	99.26%	3.52%
Share of financial investments in current assets (%)	194.43%	1477.63%	24.59%	343.20%	200.31%	190.69%	106.79%	106.79%	46.26%
Share of cash and cash equivalents in current assets (%)	65.98%	60.66%	104.44%	95.13%	53.92%	34.45%	107.75%	107.75%	-21.67%

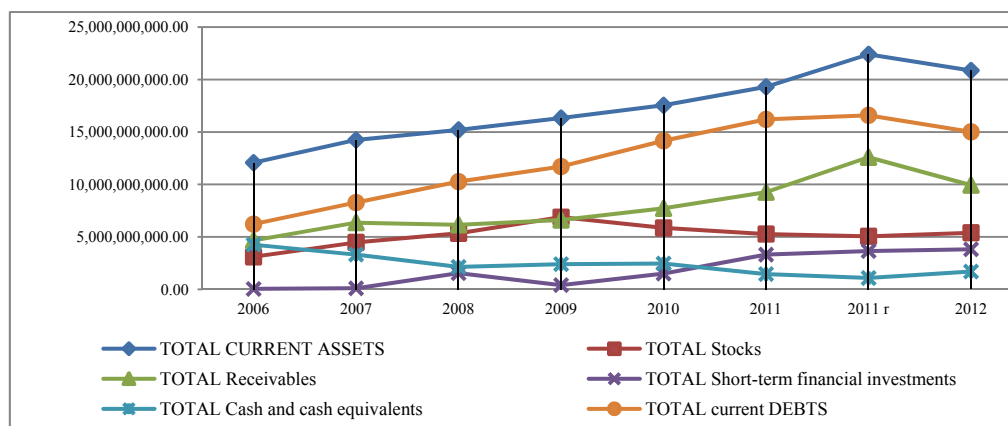
Source: author's own calculations.

Analyzing trends throughout the period 2006-2012, total current assets recorded an average annual rate of growth of 9.54%, supported by the growth of total stocks by an average annual rate of 9.66%, 13.4% of claims and total financial investments of 13.4%.

Cash and cash equivalents recorded an average annual rate of decline of 36.83%.

Although current assets increased, the stronger average annual rate of growth of debt, by 15.84%, caused the aforementioned evolutions of liquidity ratios.

Figure 11. The evolution of total current assets elements



Source: author's own calculations.

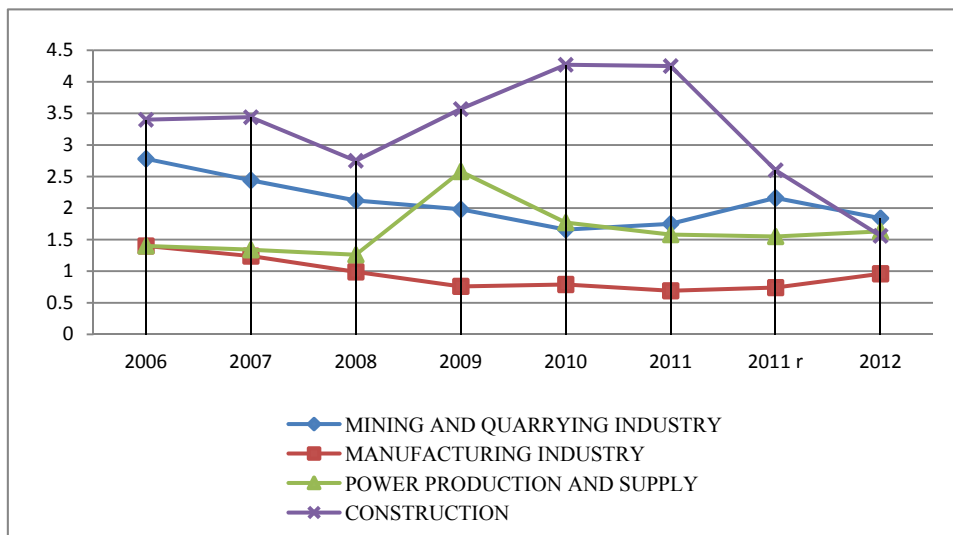
At the level of industries, a comparative analysis of average liquidity ratios, at the level of divisions, according to NACE classification Rev.2, presented in the Table 8 and Figures 12, 13 and 14, reveals:

Table 8. Average rates of liquidity, on industry divisions, according to NACE, rev. 2

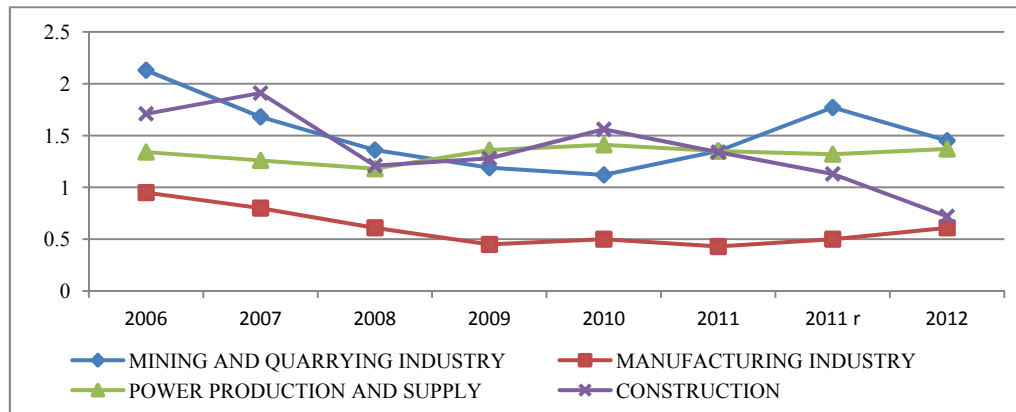
Section. According to NACE. rev.2	2006	2007	2008	2009	2010	2011	2011 r	2012
Annual average Current Ratio								
MINING AND QUARRYING INDUSTRY	2.78	2.44	2.12	1.98	1.66	1.75	2.16	1.84
MANUFACTURING INDUSTRY	1.40	1.24	0.99	0.76	0.79	0.69	0.74	0.96
POWER PRODUCTION AND SUPPLY	1.40	1.34	1.26	2.58	1.77	1.58	1.55	1.63
CONSTRUCTION	3.40	3.44	2.75	3.57	4.27	4.25	2.60	1.56
Annual average Quick Ratio								
MINING INDUSTRY	2.13	1.68	1.36	1.19	0.72	1.35	1.77	1.45
MANUFACTURING INDUSTRY	0.95	0.80	0.61	0.45	0.50	0.43	0.50	0.61
POWER PRODUCTION AND SUPPLY	1.34	1.26	1.18	1.36	1.41	1.35	1.32	1.37
CONSTRUCTION	1.71	1.91	1.21	1.28	1.56	1.34	1.13	0.72
Annual average Cash Ratio								
MINING INDUSTRY	1.53	0.82	0.73	0.36	0.45	0.55	0.53	0.55
MANUFACTURING INDUSTRY	0.11	0.12	0.10	0.10	0.10	0.05	0.06	0.13
POWER PRODUCTION AND SUPPLY	0.44	0.23	0.22	0.58	0.18	0.16	0.16	0.31
CONSTRUCTION	0.84	1.07	0.42	0.29	0.32	0.27	0.22	0.07

Source: author's own calculations.

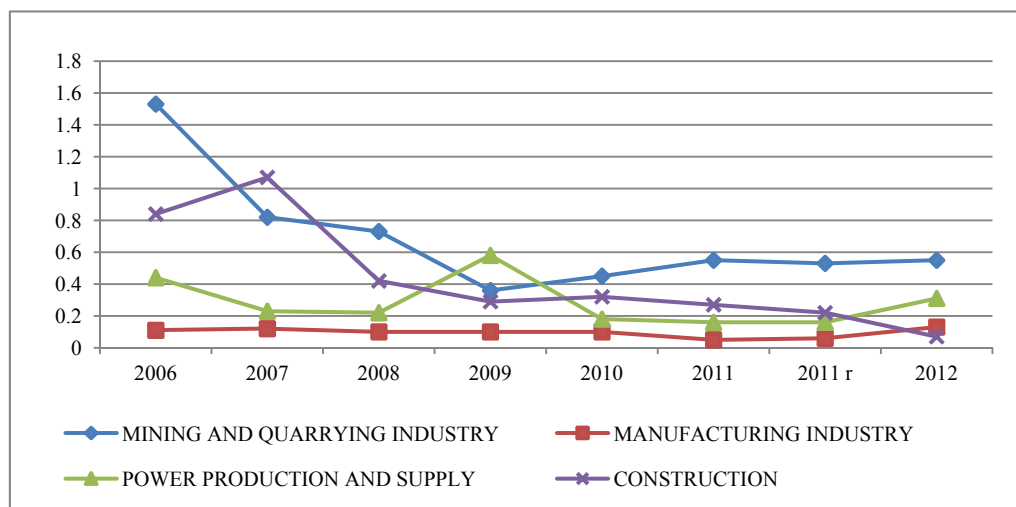
Figure 12. Average Current Ratio, on industries



Source: author's own calculations.

Figure 13. Average Quick Ratio, on industries

Source: author's own calculations.

Figure 14. Average Cash Ratio, on industries

Source: author's own calculations.

For the entire period under review, the manufacturing industry had the lowest liquidity ratios, regardless of their type, except for quick liquidity ratio, which, in 2012 was the lowest in construction.

The moment when there were recorded the lowest average annual levels of liquidity vary by industry: the manufacturing industry had the lowest levels recorded in 2011, for all ratios, while in constructions, the minimum level was reached in 2012. In mining and quarrying, the period with the lowest average annual levels of liquidity was 2009-2010, and for the production and supply of electricity, in 2008, for the annual average quick and current ratio and 2011 for the annual average cash ratio.

Not least must be outlined the occurring differences in financial indicators of liquidity, due to IFRS implementations:

- No difference: the number and the share of companies that have registered a Current Ratio below 1; the number of companies that have registered a Current Ratio between 0.8-1; average annual quick ratio; Average annual cash ratio.
- Slight Differences: the number and the share of companies that have registered a Quick Ratio below 0,8; the number of companies that have registered a Quick Ratio over1; average annual current ratio; the share of companies that have registered a Quick Ratio over 1.
- Greater differences, of 5%-15%: the number and the share of companies that have registered a Current Ratio between 1 and 2; the number and the share of companies that have registered a Current Ratio over 2; the share of stocks in total current assets; the share of receivables in total current assets the share of financial investments in total current assets; the share of cash and cash equivalents in total current assets; individual chain indexes of each component of total current assets. Beyond the numeric values, these differences shows that harmonization of the financial reports was an imperative, for a true and fair view of each company's financial position and performance.

4. Conclusions

Considering the liquidity rates, computed for each company during 2006-2012, the following issues must be noted: The number of companies that have experienced a rate of current liquidity higher than the recommended value of 2, increases annually with an average rate of increase of 4.8%. The share of companies that have registered a Quick Ratio of over 1 is not significantly different from the percentage of companies that have registered a Quick liquidity ratio below 0.8, while the percentage of companies that have registered a Quick ratio between 0.8-1 has the lowest values, down from 21% in 2006 to 4% in 2008, followed by a recovery to the level of 7-9% after 2008. Dynamics of weighted by Cash Ratio wasn't significantly for companies that registered values of the Cash Ratio less than 0.2 or greater than 0.3. The share of these companies increased by an average annual rate of 3.49-3.68%. A more pronounced dynamic was registered in case of companies for which Cash Ratio was between 0.2 and 0.3, the share of these companies decreasing annually by an average of 5.72%.

At industry and construction level, liquidity rates recorded an identical behavior: they decreased during 2006-2011, and showed a slight recovery in 2012, but without reaching the level recorded before the crisis; the average annual current ratio and quick ratio is below the minimum threshold recommended for these indicators, cash ratio being within the minimum accepted margins, and over. Average annual current ratio decreases by an average annual rate of 13.67%, the average annual quick ratio decreases by an average annual rate of 18.81 average annual cash ratio also decreased by an average annual rate of 13.67%. This evolution is due slight increase in the share of debt and a massive increase in the share of financial investments amid the sharp fall in the share of deposits in total current assets, occurred since 2008. Regardless of the evolution, receivables held the largest share of current assets, being exceeded by stocks only in 2009, and only by 2

percentage points: stocks held in 2009, 42% of total current assets, and claims 40% of total current assets. The lowest percentage of current assets is held by financial investments. If in 2006 they were almost nonexistent, in 2012 they came to account for 18% of total current assets. Beginning with 2010, financial investments have had a higher share than cash and cash equivalents.

The dynamic analysis of structural changes in the elements of total current assets indicates that the share of total liquid assets in the total current assets records the strongest decrease, from 35% in 2006 to 8% in 2012. The highest average annual rate of change was registered in the share of total cash and cash equivalents in current assets, decreasing by an average annual rate of 21.67%. On the counter pole there was the change in current assets share of total financial investments, which recorded an average annual rate of growth of 46.26%. The most reduced dynamics was registered in the share of total stocks in total current assets, which increased by an average annual rate of only 0.11%. Although current assets increased, the stronger average annual rate of growth of debt, by 15.84%, caused the aforementioned evolutions of liquidity ratios.

At the level of industries, a comparative analysis of average liquidity ratios, at the level of divisions, according to NACE classification Rev.2 emphasizes that for the entire period under review, the manufacturing industry had the lowest liquidity ratios, regardless of their type, except for quick liquidity ratio, which, in 2012 was the lowest in construction. The moment when there were recorded the lowest average annual levels of liquidity vary by industry: the manufacturing industry had the lowest levels recorded in 2011, for all ratios, while in constructions, the minimum level was reached in 2012. In mining and quarrying, the period with the lowest average annual levels of liquidity was 2009-2010, and for the production and supply of electricity, in 2008, for the annual average quick and current ratio and 2011 for the annual average cash ratio.

The differences in financial indicators of liquidity, occurring at the level of year 2011, due to IFRS implementations, are greater than 5% for the number and share of companies that have registered a Current Ratio between 1 and 2; the number and share of companies that have registered a Current Ratio over 2; the share of stocks in total current assets; the share of receivables in total current assets; the share of financial investments in total current assets; the share of cash and cash equivalents in total current assets; individual chain indexes of each component of total current assets. This may cause future problems in comparing performance indicators.

Liquidity ratios cannot be interpreted out of economic context or without correlating them with other financial indicators. Considering that this analysis represents only a one part of a larger work on the financial performance of listed companies, and summarizing mentioned items in analyzing liquidity, it may be noted that listed companies at Bucharest Stock Exchange, acting in industry and construction, didn't face major challenges related to payment of current liabilities, at least in terms of cash ratio. Although liquidity ratios are lowering industrial companies listed on the BSE however, have a proper management of current liabilities, successfully facing due payments, coping well with the period of crisis and recession.

5. Acknowledgments

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