



Original Contribution

**ANALYSIS OF PROFIT AND PROFITABILITY OF THE COMPANY
(THE EXAMPLE OF THE "BISER OLIVA", STARA ZAGORA)**

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ABSTRACT

Profit is one of the main objectives of the financial management of the company. It is not only objective, but growth for the company. It is not usually pay for the invested capital, but an instrument which no one company can not develop; at the same time gain evidence of the rationality of governance, the success of the activity and the risk that entrepreneurs take when investing. Profitability is the entity's ability to "produce" profit. The aim of this study was to analyze profit and profitability of a particular company - "Biser Oliva", Stara Zagora and on this basis to give recommendations for increasing profitability.

Key words: market price, financial management of the company, production costs, production

INTRODUCTION

Profit is an economic category and characterizes the financial result of entrepreneurial activity. It is the outcome of an entity and the difference between income from operations, financial and extraordinary income from one hand and operating costs, financing costs, exceptional costs and corporate taxes. Profit is an absolute indicator. This quantity characterizes the entity's operations and profitability relative indicator that characterizes the activities. These quality indicators is a priority when assessing the effectiveness and intensity of production

MATERIAL AND METHOD

In a market-oriented economy issues for gain in manufacturing plants always had a prominent place in the field to analyze financial position. The importance of profit as a category and as an economic indicator increased. The main reason is that the profits - as a form of surplus product and type of added value as a source of revenue to the state budget and a positive factor in the formation of

national income at the macro level and on the expanded reproduction of micro (1).

The profit of the enterprise depends on many factors. Particularly important are the cost of production and services, and market price at which products are sold. Any modification of these two factors in a positive or negative direction leads to changes in profits.

Profit is one of the main objectives of the financial management of the company. It is not only objective, but growth for the company. It is not usually pay for the invested capital, but an instrument which no one company can not develop. At the same time gain evidence of the rationality of governance, the success of the activity and the risk that entrepreneurs take when investing (2).

Profitability is the entity's ability to "produce" gain or in the broadest sense, is profitability. Market economy requires profitability in the enterprise, after paying taxes, not just to cover all its costs, but also to ensure expanded reproduction and prosperity.

RESULTS AND DISCUSSION

The data analysis of the profit of "Biser Oliva", Stara Zagora are presented in **Table 1**.

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Table 1. Profit and profitability of the production of "Biser Oliva", Stara Zagora

indicators	2010	2009	Differences	
			Thousands leva	%
Revenue for ordinary activities	27 106	59 660	- 32 554	- 54,6
Costs for ordinary activities	25 895	54 030	- 28 135	- 52,1
Profit before interest and taxes	2 353	6 738	- 4 385	- 65,1
Profit before taxation	1 211	5 630	- 4 419	- 78,5
Balance (net) profit after tax	1 023	4 935	- 3 912	- 79,3
Net revenues for sales	26 924	59 214	- 32 290	- 54,5
Total assets of the company	49 934	55 451	- 5 517	- 9,9
Own capital	28 240	27 217	1 023	3,8
Liabilities of the company (long and short)	21 694	28 234	- 6 540	23,2

During the analyzed period profit before interest and taxes decreased by 4.385 million levs, or 65.1% in relative size. The financial result before tax for the same period amounted to 1.211 million levs, which is 4.419 million levs in - less than the base period or by 78.5%.

The net financial result (profit after tax) for 2010 was 1.023 million levs. For 2009 net profit was 4.935 million levs or 3,912,000 Levs more. In relative terms the decrease is by 79.3%.

The difference between the net financial result and financial result before tax is paid to appear on state taxes 695,000 levs in 2009 and 188,000 levs in 2010.

Profitability is one of the most - important parameters of the financial position of the company. It reflects the company's potential to generate income and realized. During the period of profitability based on gross operating costs is 4.68%, while in the base period is 10.42%. Reduction is 55.1%. The net return on costs for the year was 3.95 percent at 9.13 percent the previous year. Reported decrease by 5.18% or 56.74% in relative size.

During the period analyzed the relationship between the financial result before tax and net sales (gross return on sales) is 4.50% at 9.51% in the base year 2009. In relative size reduction is 52.7%.

The relationship between the financial result after tax and net sales revenue (net return on sales) is 3.80% for 2010 and 8.33% for 2009. Reduction is a 54.4%. Net indicators give the accurate information about the real profitability of the company, since taking into account the impact of the tax burden.

Profitability of production are presented in **Table 2.**

Return on equity at marks - a big drop compared to other indicators. The gross profitability decline was a 79.30% and the net is 80.03 %. The gross profitability for 2010 was 4.28 % at 20.68 % for 2009. Net profitability indicators are respectively 3.62 % and 18.13 %. The return of liabilities for 2010 is 4.72 % or 73 % less - than the previous year. The gross profitability on capital is 5.58 % at 19.95 % the previous year.

Table 2. Indicators of profitability of the "Biser Oliva", Stara Zagora

indicators	2010	2009	Differences	
			Thousands leva	%
Gross profitability based on operating costs,%	4,68	10,42	- 5,74	- 55,1
Net profitability based on operating costs,%	3,95	9,13	- 5,18	- 56,74
Gross profit on sales,%	4,50	9,51	- 5,01	- 52,7
Net profitability on sales,%	3,80	8,33	- 4,53	- 54,38
Gross profitability of own capital, %	4,28	20,68	- 16,4	- 79,30
Net profitability of own capital, %	3,62	18,13	- 14,51	- 80,03
Gross profitability of the liabilities	5,58	19,95	- 14,37	- 72,03
Net profitability of the liabilities, %	4,72	17,48	- 12,76	- 73,00
Capitalization Rate of gross assets	0,024	0,101	- 0,077	- 76,24
Rate of net capitalization of assets	0,0205	0,0890	- 0,0685	- 77,0
Operating profit margin, %	8,74	11,38	- 2,64	- 23,20
Turnover of capital	0,539	1,068	- 0,529	- 49,53

The capitalization rate on assets shows how the profit from one lev enterprise assets. The ratio of net capitalization of assets is reduced by 0.0685 points or 77%. In 2009 the ratio had a value of 0.0890 points and 0.0205 in 2010 points.

Overall profitability indicators showed a significant reduction in the period. Profitability

of the company fell, the decline of equity share capital is - greater than that of debt. Base year for equity has been higher - return on debt, and for reporting in 2010 the situation is the opposite.

Factors that determine the rate of profitability are presented in **Table 3**.

Table 3. Factors that determine the rate of profitability of the "Biser Oliva", Stara Zagora

Factors	Values	%
The profitability ratio of sales revenue	- 0,0453	- 54,4
Reduce the net amount of sales income	0,1	119,9
By reducing the financial result for the period	- 0,1453	- 174,3
Rate of profitability	- 0,1451	- 80
To reduce liabilities	- 0,0066	- 3,6
By reducing the financial result for the period	- 0,1385	- 76,4
The profitability ratio of liabilities	0,1276	- 73
By reduce liabilities	- 0,0527	30,1
By reducing the financial result for the period	- 0,1803	- 103,2
Rate of capitalization of assets	- 0,0685	-77
By reducing assets	0,0098	11
By reducing the financial result for the period	- 0,0783	- 88

CONCLUSIONS

The main factor with negative impact on all factors is the reduction of net financial result for the period analyzed. The largest influence of this factor appears to reduce the profitability revenue from sales – 174, 3 %. Overall, however, this ratio decreases at least of all, thanks to the positive impact of the reduction of the net sales revenue for the period. The main factor for the declining profitability of the "Biser Oliva" is the reduction in the volume of profits. Despite good overall financial results clearly expressed tendency to seriously reduce the profitability of the firm.

Decrease of the profitability of the company's equity is 18, 13 % in 2009 to 3, 62 % for 2010. In relative size reduction is by 80 % profitability on capital employed decreased from 17 to 48 % in 2009 to 4,72 % in 2010, in percentage by 73 %. The main factor for the declining profitability of the "Biser Oliva" is a reduction in volume of profit.

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