Financial Performance and Shareholders’ Equity Dynamics – Case of Industry and Constructions Listed Companies

Riana Iren RADU*; Iuliana Oana MIHAI**

ABSTRACT

Equity represents an important element reflecting company’s performance and the efforts of the shareholders and management in the economic development of the entity. This paper brings in a novelty element by the structured analysis of the economic performance, as compared to equity accumulation, but also through the point of view of approaching some pragmatic aspects on the accountability and audit of shareholders’ equity. In this context, this paper aims at performing a complete radiography of equity holding, including through the study of performance coming from its usage, through the study performed on a sample made out of the companies listed at Bucharest Stock Exchange, a full diagnosis of the performances by placing this theme in the context of some scientific researches in this area, but also in the transdisciplinary and interdisciplinary context.

© 2018 EAI. All rights reserved.

JEL Classification L25

Keywords: Shareholders’ equity, performance, financial statements

1. Introduction

Shareholders’ equity indicates the residual type interest of the shareholders in enterprise’s own assets after deducting its debts. Shareholders’ equity was defined this way, being able to present its distinct components in separate line items in the Balance Sheet. For example, all shareholders’ contributions within an enterprise, but also profit/loss carried forward, together with the reserves indicating the profit/loss distribution and those reserves indicating adjustments for maintaining the equity can be presented separately. At the same time, it can be shown the fact that those parts with interests in enterprise’s equity have different rights in what concerns receiving some dividends or capital reimbursement.

Distinct meanings are found within the specialty economic literature reference to capital elements and their different approach according to international accounting references, this subject being widely debated.

The performance of using the capitals of a company can be considered as being the position characterised by excellent results, coming from a continuous effort, developed in a competition framework, through different methods.

The main objective of this paper is represented by establishing a clear and current image of capital’s usage in order to obtain financial performances which are achieved by a number of companies which are listed and traded at the stock exchange from our country and finding the main factors which determine the possibility to obtain and maintain performance.

As secondary objectives coming from the main objective, we mention financial performance analysis on the companies listed at Bucharest Stock Exchange (BVB), from distinct approach angles: by using equity statement, comparative analyses on tackling equity elements from accounting point of view and highlighting the impact of audit on shareholders’ equity.

2. Researches status on shareholders’ equity within the financial reporting according to IFRS and US GAAP conceptual approaches

From the point of view of many authors (Feleagă, 2007, Munteanu, 2012, Petriș et. al., 2004), shareholders’ equity is an instrument which can generate accounting convergence at IFRS level.

The European approaches on shareholders’ equity accounting deal especially with highlighting the financial position of the enterprise within the group of affiliated entities through consolidated accounting.
In the process of financial statements issuance, most enterprises adopt the financial capital concept. Based on this concept, the capital notion is synonym to net assets or to enterprise’s shareholders’ equity. Based on capital’s physical concept, it represents the enterprise’s production capacity.

The previously presented concepts on capital often lead to the occurrence of capital level maintenance concepts (Achim, 2009). According to the financial capital maintenance concept, the profit is obtained only in the case when the monetary value (financial) corresponding to net assets at the end of the period exceeds the financial value corresponding to the net assets at the beginning of the period, after being excluded the distributions to owners and any contributions from owners during the period under analysis. According to the physical capital maintenance concept, the profit is obtained only in the moment when the physical production capacity (operational capacity) of the enterprise, at the end of the period, is higher than the physical production capacity from the beginning of the period, after being excluded the distributions in favour of owners and their contributions during the analysed period. These aspects ensure a connection between capital and profit concepts, as they ensure the referential point without which profit cannot be measured.

The main difference between the two capital maintenance concepts is given by the treatment of the effects of the variation of assets prices and enterprise’s obligations. More exactly, an enterprise has maintained its capital if at the end of the period has a capital equal to the one from the beginning of the period. On a more detailed level, for the financial capital maintenance concept, the following two cases occur (Andrei, Bourbonnais, 2008).

- At the moment when the capital is defined in terms of nominal monetary units, the profit is represented by the increase in the nominal monetary capital, during the period.
- At the moment when the financial capital maintenance concept is defined in terms of units, of constant buying capacity, the profit indicates an increase in the buying capacity which was invested during the period.

The objective corresponding to the financial statements is to supply information on the financial position, on performances and on the enterprise's financial position modifications, which are useful to the large area of users for economic decisions-making (Baker, Battner, 1997). At the same time, an enterprise's financial position is directly influenced by controlled economic resources, by its financial structure, by solvency and liquidity and by its possibility to adapt to the changes of the environment where it develops its activities. The information on the financial position is offered mainly by the Balance Sheet. Shareholders' equity indicates the interest of residual type pertaining to the shareholders in an enterprise's own assets, after deducting its debts. This way, shareholders’ equity was defined, being able to present its diverse components on separate line items in the Balance Sheet. For example, within an enterprise, all shareholders contributions, but also retained earnings, at the same time with the reserves which indicate earnings' distribution and those reserves indicating the capital maintenance adjustments, can be presented separately. Such classifications can be relevant to those using financial statements within the decision making process, at the moment when there are legal restrictions or restrictions of other type regarding the capacity of an enterprise to distribute or to use shareholders’ equity in a different way. At the same time, it can be shown the fact that these parties with interests in the enterprise’s capital have different rights on receiving some dividends or on capital reimbursement. Reserves’ achievement is sometime required by law, by statute or by other diverse normative documents, in order to ensure a protective supplementary measure against the loss effects for the enterprise and specific creditors.

The shareholders’ equity value recorded within the Balance Sheet depends on the possibility to assess both assets and liabilities. Usually, the cumulated amount corresponding to shareholders’ equity cannot correspond but by accident to the market value corresponding to the shares of the enterprise or with that amount which can be resulting from selling the net assets piece by piece or the entire enterprise, involving activity's continuity (Bartov, Goldberg, Kim, 2005).

The industrial and commercial activities are usually found as enterprises with sole associate, as partnerships, but also as different types of enterprises with state capital.

The regulatory and legal framework for such enterprises is often different from the one applied in the case of companies.

In the globalization tendencies context, the international approaches on shareholders’ equity tend to balance, especially from the perspective of intra-group reporting internationally performed. In this context, we can talk about the accounting convergence phenomena triggered at the beginning of the years 2000 by IAASB and by its correspondent from the United States, an accounting normalization body (FASB). Through this process, important structural changes have been performed on the International Accounting Standards, some of them being completely replaced, others being partially replaced, process involving adopting the IFRSs which draw near the European accounting norms to the American accounting reference. The general principles for ensuring the standards application at international level deal first of all with conformity to the public interest, with assurance, by applying a true image and with fulfilment of the criteria preceding the decision-making process.
At international level, emphasis is put on the presentation of an enterprise's financial position through the financial statements, this presentation embracing two basic forms, both including shareholders' equity elements, the presentation of the financial position from the point of view of capitalised assets (assets = debts – shareholders' equity) or capitalised liabilities under shareholders' equity form = assets – debts.

In the financial representation, the financial position statement ranks the assets and shareholders’ equity elements according to the ascending degree of liquidity and to their maturity date. Starting with the application of Law no. 85/2014 on insolvency procedures, the premises for applying the international accounting principles to the companies found in insolvency general or simplified procedure have been created in Romania.

Returning to the financial position situation, the ranking of assets and shareholders’ equity elements has, besides this objective, also the objective of assessing the payment capacity of the assumed commitments. Accordingly, both in what concerns the American accounting reference and the European one, the liquidity and solvability analysis represents one of the main objectives of representing the financial reporting in the actual format.

In the presented context, the objective of IAS 1 (Financial statements presentation) is to indicate entity’s global performance following to the global profit/loss quantification process.

The global profit/loss presents thus the shareholders equity modification in the dynamics of the analysed period, following to some transactions or other events, rather than the modifications resulting from transactions with the owners.

The elements staying at the basis of assessing the global profit/loss are constituted from income collected by the entity and expenses performed by it in the analysed period. The IFRS European accounting reference offers the entities the option to present expenses in the current profit or loss, either according to their nature, or according to their functions, with the recommendation to present their analysis in the global profit/loss statements with the purpose of giving credibility to the enterprise’s performances through this presentation, both at the date of issuing the statement and in the next prognosis interval.

As opposed to IFRS, US-GAAP does not standardise the Profit and Loss Account form, so that there are possible and accepted forms providing unique stages in US-GAAP (where the expenses are classified according to their functions, as well as multi-stage forms where the operating and non-operating elements are displayed distinctly).

In accordance with US GAAP, the global profit/loss elements consist in income and expenses, as well as in earnings and losses considered as part of the global profit/loss, but being excluded from the net income. This presentation within “Views on shareholders’ equity elements from accounting and financial perspective” paragraph has been performed with the purpose of observing the most representative conceptual aspects on the shareholders’ equity elements in the international approach parallel on two relatively different accounting systems, found in accounting convergence procedure, both American and European.

The theme on US GAAP - IFRS dysomorphism has aroused the interest of many researchers, once MOU Treaty was signed at Norwalk (2002) between IAASB and FASB.

3. Case study on accounting - financial performance and shareholders’ equity dynamics for the companies listed at industry and constructions exchange

This study aims to highlight the integrating vision between the classical financial analyses and the analyses performed based on indicators proper to the capital market, together with a careful search, identification and determination of specific, but also determining relations among performance specific elements.

The purpose of the applicative research performed within this paper has at its basis the importance of shareholders’ equity value as reported to the total assets of an entity, especially for the companies listed at BVB, whose main objective is to draw in new financing sources through potential investors and to obtain profit in the so hard actual economic context.

Accordingly, we had in mind a series of objectives and hypotheses in order to achieve this applied study which has as main hypothesis the financial performances corresponding to the studied companies, established from shareholders’ perspective, being affected quite hard in the period characterised by the financial crisis, its consequences being still visible at present.

The analyses performed started from the following research hypotheses:

**Hypothesis 1.** For the companies listed and traded at Bucharest Stock Exchange, which develop activities within industry and constructions, a special contribution to obtaining the net profit/loss is ensured by the operating profit/loss.

**Hypothesis 2.** The crisis period and the period immediately after have affected significantly the performance of companies in obtaining profit, but they have managed to overcome the difficult period at present.
Hypothesis 3. Companies show special interest to performance criteria achieved from net profit perspective, cash-flow generation having a smaller importance. Accordingly, in most cases, net profit registration is not doubled in order to generate net positive treasury.

The main objective of this study is to analyse the financial performances of enterprises which are traded and listed at Bucharest Stock Exchange from the perspective of their possibility to generate profits in the difficult economic period after the year 2008, together with the assembly of increased economic exigencies which the Romanian enterprises must overcome following to the process of adhesion to the European Union.

The secondary objectives, resulting from the characteristics of the main objective, analyse the following:

- Researching the profit/loss structure, by highlighting the contribution generated by the financial profit/loss to achieving the gross profit/loss;
- Analysing the ways through which the financial crisis period has negatively influenced the financial performances of the enterprises listed at BVB;
- Ensuring some answers to the question: “Did all companies listed and traded at BVB manage to overcome the adversities from the crisis and recession period?”
- Identification of the possible causes generating profit/loss variation and the amplitude of the respective variations;
- The double perspective analysis of financial performance, on obtaining profit and giving out cash-flow;
- Testing the connection between the financial performances evolution dynamics and the period of being listed at BVB.
- Analysing the structure and dynamics of the fiscal year profit/loss.

A. Study on synthetic indicators in dynamics on a group of 13 entities listed at Bucharest Stock Exchange

In a first stage, the analysis focuses on assessing the disparities in constructions sector for a group of 13 listed companies, following that the analysis shall be translated to the global market dimension. The analysis in dynamics of the main economical-financial indicators within the group indicates that from negative economic performance point of view, CONDMAG S.A. BRASOV (COMI) Company is in the first place, being suspended from trading at present, although it holds significant shareholders’ equity and achieves in average the highest turnover from the group; however, the average economic performance reflected in profit is at the lowest level from the group. The presentation of the structure financial indicators starts with the dynamics of the turnover evolution in the analysed group of companies.

![Figure 1. Yearly distribution of the turnover value and its distribution as compared to the average](image1.png)

Source: issued by the authors, based on the data reported by entities through financial statements

![Figure 2. Distribution/entity of the turnover values and its distribution as compared to the average](image2.png)

Source: issued by the author, based on the data reported by entities through financial statements

As you can observe in the above presented chart, the horizontal distribution analysis shows the concentration of the business (75% of turnover) for 4 listed entities. The balance companies (9) managed to cumulate 26% of turnover. In order to correctly assess the financial performance capitals correlation report, in the continuation of the analysis, the 4 companies shall be treated differently. The dynamics of total income
evolution (regarded as sum of operational and financial income) in the analysed group of companies indicates a trend similar to the one of the turnover previously analysed.

As it can be observed from the chart presented above, the horizontal distribution analysis shows business concentration (72% of VT) for 4 listed entities. The balance companies (9) managed to cumulate 28% of turnover.

Shareholders’ equity evolution dynamics (regarded as the image of the patrimonial accumulation of the participants to the creation of legal entities in the analysed group of companies) indicates a yearly depreciation trend quite accentuated, generated by the line \( y = -376740 \times X^2 + 5E+06 \times X + 9E+06 \). Accordingly, even if in the case of the turnover, it started under the influence of conjunctural factors to redress after the crisis period, at shareholder’s equity level, the depreciation has been producing its effects.

At entities’ level, it is observed that the performance of CONCAS SA BUZAU entity, although it holds smaller equity than the average in the group, has managed to enter in the first 4 dominant positions from the market. At the same time, it is maintained the deficiency observed in the case of CONDMAG S.A., which, although it holds a consistent shareholders’ equity, it does not manage to transform it to performance.

The gross profit evolution dynamics (reflecting the financial performances in the group of companies analysed) indicates the efficiency of using equity in reaching this performance. As it can be observed in the charts below, the efficiency is in a reverse proportionality ratio with shareholders’ equity and the turnover achieved in average.
As it can be noticed in the chart presented above, the horizontal distribution analysis shows the above average distribution of the profit/loss of 3 impact companies, out of the total of 4, out of which COMI is suspended at trading, with an above average minimal performance value.

B. Analysis on the weighting of each activity sector in the total of exchange capitalization

The companies listed at BVB are structured per activity sectors, based on NACE (Classification of Economic Activities in the European Community) code. By analysing the sectors’ weighting in the total capitalization in what concerns exchange capitalization, we find that the financial brokerage and extractive industry have had the highest weighting in the total exchange capitalization, with reversal of positional situations in the period 2010-2012. At the level of 2009, but also in the period 2013-2016, the extractive industry had been classified at the top of exchange capitalization, being preceded by financial brokerage, this reversed position being in the period 2010-2012. The weighting from processing industry, the transports, communications and storage weighting had been placed at a considerable distance in the total of capitalizations at the stock exchange, the balance sectors being of much lower weighting.

C. Assessing the financial performance based on Equity Statement

Tackling the financial performances from Equity Statement point of view can be done with the following analyses: the fiscal year profit/loss dynamics and structure analysis, the sensitivity analysis and leverage ratio, net profit – cash flow report analysis (Feleagă, 2007). These three performed studies highlight the evolution of the performances from financial point of view, embodied in achieving net profits, the ratio and the way the operational, financial profit/loss contribute to generating gross profit/loss and the ratio of the operational profit/loss variations, determine the net profit/loss value. We paid special attention to the financial performance aspect under double conditioning: obtaining net profit and registering positive variation of net treasury, being analysed, in this context, the cash-flow evolution and the causes influencing this evolution.

Fiscal year profit/loss structure and dynamics’ analysis

In order to establish the profitability flows under the aspect of profitability margins on those levels specific to the activity areas such as financial, operational domains, it can be done a structuring of the Profit

---

**Figure 7.** The yearly distribution of gross profit and its distribution as compared to the average

*Source: issued by the author, based on the data reported by entities through financial statements*

**Figure 8.** Distribution/entity of gross profit and its distributions as compared to the average

*Source: issued by the author, based on the data reported by entities through financial statements*

**Figure 9. Weighting of companies listed at BVB, according to the activity domain – NACE criterion**

Reference the way the companies are distributed per categories, according to NACE code, highlighted within the figure above, processing and extractive industry totals 64% out of the total companies found as being listed at Bucharest Stock Exchange.
and Loss Account under the form of a summary table, being explained at the same time, the way the profit/loss is obtained in distinct stages and it is assessed the fiscal years’ performance level. Through the research of the fiscal years dynamics and structure, a series of results can be obtained, but initially we have to start from the following hypothesis: within industry and constructions, the operational profit/loss has the majority weighting in the gross profit/loss and this financial profit/loss has a negative influence in most cases and this is due to the currency exchange rates status in the period characterised by the financial crisis.

In accordance with the opinion of the majority of specialists, according to which the financial performance cannot be allowed in case no profit is obtained, we must mention that from this perspective, the enterprises did not have constant performances in the period analysed. By analysing the aspects of the companies listed and traded at BVB, we can consider the generation of net positive profit/loss as being very important, as this profit/loss is remunerating the investors.

In the figure below, there is highlighted the weighting hold by these companies which had positive profit/loss in the period 2009-2016, depending upon the activity from which they were obtained:

![Figure 10. Weighting hold by the companies listed and traded at BVB, which had profit, in the period 2009-2016](source: date processed from Monthly reports, published on www.bvb.ro (accessed on 22.12.2017, 13:20 PM))

Even if over 65% from the companies analysed had registered operating profit during the period analysed, it is remarked the decrease of the weighting corresponding to companies achieving profits from activities involving operations.

The most obvious decrease in what concerns the share of the enterprises achieving operating profit was recorded in the year 2014, as compared to the year 2013, being registered a decrease of 8%; the obvious increase corresponding to the weighting of the entities achieving profits following to operations was registered in the period 2009-2019, with a percentage of 12%.

In the year 2012, it was recorded the lowest weighting of the companies obtaining financial profit (25%), and in the year 2009, the highest weighting of 57%. The yearly average rhythm corresponding to the weighting of companies having financial profits decreased with the percentage of 8.78%.

It is though notable that, not taking into consideration the phase under analysis, more than 66% from the total of the companies analysed had obtained net profit. In the period 2013-2015, the weighting of companies achieving net profit registered a descending trend, decreasing with an average yearly rhythm of 2.85%, from the weighting of 90% at the level of the year 2009, to 66% in 2015.

The results of the research confirm the general idea according to which the operational profit/loss has a significant contribution to achieving net profit/loss, the respective financial profit/loss determining in a
smaller proportion the net profit/loss. At the same time, it is confirmed the idea according to which the performances of the enterprises to achieve profitability had been decisively affected in the crisis period. The regression of constant type corresponding to the weighting of the enterprises which registered profit in the period under analyses, does not certify the hypotheses according to which the analysed enterprises, which develop activities in industry and constructions area, managed to overcome successfully the unfavourable consequences from the economic crisis period and from recession period.

**Sensitivity analysis and leverage ratio**

This research making reference to sensitivity analysis was performed based on the hypothesis according to which a moderate sensitivity level is met in industry and constructions in what concerns the net profit/loss after changing the turnover; at the same time with this, the changes of the operational profit/loss cannot affect in the same measure the change of the net profit/loss.

Starting from the fact that our attention was concentrated on identifying the connection existing between the distinct types of profit/loss; the possibility to identify those elements towards which the net profit/loss had a pregnant reactivity, being able to identify a series of action levels with the purpose of performance increase; identification of the amplitude level of variation in what concerns the profit/loss, following to the variability of the assembly of influent factors; identification of enterprises which have a very high level of leverage, holding a higher sensitivity to the minimum modifications of the influence factors and thus, finding itself in a vulnerable place. The present data research, together with revealing all results and assessments in what concerns the sensitivity of the operating profit/loss, the operating leverage was used at the sale variation moment. The variability analysis on net profit, which is caused by the enterprises' financing policies, can be done from the perspective of operating profit/loss variation or from the perspective of turnover variation, based on financial leverage principle. The global risks, which total the financial risks with economic risks, have been interpreted based on a total leverage GLT, indicating the net profit/loss variation as a consequence of turnover change, and which indicates at the same time the income oscillation corresponding to the shareholders following to using financial leverage and operating leverage. The total leverage effects had been researched from the point of view of the elasticity of the net profit/loss to sales variation, in table 9 being presented the grouping of companies according to the values resulted.

**Table 1. - Companies grouping according to total leverage coefficient value**

<table>
<thead>
<tr>
<th>Financial leverage effect</th>
<th>Companies (%)</th>
<th>Companies (%)</th>
<th>Companies (%)</th>
<th>Companies (%)</th>
<th>Companies (%)</th>
<th>Companies (%)</th>
<th>Companies (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 0%</td>
<td>26.53</td>
<td>34</td>
<td>35.29</td>
<td>45.1</td>
<td>43.14</td>
<td>52.94</td>
<td>52.94</td>
</tr>
<tr>
<td>[0%-10%)</td>
<td>53.06</td>
<td>40</td>
<td>41.18</td>
<td>29.41</td>
<td>33.33</td>
<td>33.33</td>
<td>33.33</td>
</tr>
<tr>
<td>[10%-20%)</td>
<td>12.24</td>
<td>12</td>
<td>3.92</td>
<td>11.76</td>
<td>9.8</td>
<td>3.92</td>
<td>3.92</td>
</tr>
<tr>
<td>[20%-30%)</td>
<td>0</td>
<td>6</td>
<td>1.96</td>
<td>3.92</td>
<td>7.84</td>
<td>7.84</td>
<td></td>
</tr>
<tr>
<td>[30%-40%)</td>
<td>2.04</td>
<td>2</td>
<td>1.96</td>
<td>0</td>
<td>1.96</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Over 40%</td>
<td>6.12</td>
<td>6</td>
<td>15.69</td>
<td>9.8</td>
<td>7.84</td>
<td>1.96</td>
<td>1.96</td>
</tr>
</tbody>
</table>


For the total leverage, the values corresponding to the elasticity coefficient presented in table 9 show the idea that most entities (approximately between 35% and 55%) had a moderate change reaction, of maximum 15% in what concerns the operating profit/loss at a variation of 1% to the turnover.

In the base of the research performed, we validate the aspects of the hypothesis that at the companies analysed, with activities from industry and construction area, there is an average level of the sensitivity corresponding to the net profit/loss following to the modifications to the turnover, and at the same time, the modifications of operational profit/loss do not influence the modification of the net profit/loss equally intensive. We acknowledge the turnover as representing the main factor to which the net profit/loss had predominantly the sensitivity reaction, but also the entities which had an obvious sensitivity, being found in a more vulnerable level, out of which we mention Voestalpine Vae Apcarom S.A, Sinteza S.A., Mefin S.A., Electroaparataj S.A. By using the obtained results, we went to performing the amplitude assessment of the eventual changes of profit/loss in case of changing the turnover with 1%, of maximum 10% for the majority of companies under analysis.

The fulfilment of these objectives allowed us to validate partially the study hypothesis and to deduce that the performances of the analysed entities which develop activities within industry and constructions, had been determinately during crisis. The superior performances obtained by a number of companies under analysis, in the period 2010 – 2011, as compared to the synthetic level of the Stock Exchange, were due to less accentuated decrease of BVB indicators, the stock exchange perceiving more intensively the impact of the financial crisis. From the point of view of dividends’ efficiency, the companies analysed registered significant improvements.
4. Conclusions

Shareholders’ equity reflects by its importance a detailed analysis both on accounting categories and on financial analysis part, by indicators and rates. They reflect the residual interest of shareholders in net form, by excluding from liabilities the funds drawn in from loans. Considering the accounting importance of shareholders’ equity in the financial statements, they are treated distinctly through Shareholders’ Equity Statement.

We have discussed in this paper the topicality of tackling shareholders’ equity from the Romanian legislation and international accounting references’ point of view. With focus on conceptualizing the financial and physical part of shareholders’ equity, we achieved also an integrated diagram through which we highlighted the accounting information flow and its transformation through a managerial decision in performance.

We believe that this approach is innovative, considering the interest of capital suppliers on entity’s performance and treasury flows’ networking, with positive perception on the performance indicators obtained by the entity.

We have shown that from the residual interests’ point of view, the equity elements from company’s patrimony have an oscillatory impact on profit/loss elements or reserves from re-evaluation and a direct impact in what concerns the share capital, share premiums and reserves which account only positive values of the mentioned indicators.

An impact element presented in a theoretical approach in the first chapter and a practical approach in the second chapter is represented by the analysis matrix of the current profit/loss of the year, matrix through which it can be evaluated the performance on the profitability of the economic activity, performance which is, as we have shown, closely related to the dynamics of shareholders’ equity, especially for the companies whose volatility is high following to the stock exchange listing process.

The case study analysis of the relation between the financial – accounting performance and shareholders’ equity included highlighting the importance of shareholders’ equity by its reporting to the European accounting references, but also an economic analysis in dynamics through which a number of 13 listed companies was studied, whose synthetic and analytic indicators were analysed structurally, by comparison, in order to prove the profit/loss sensitivity to the capitals’ structure modifications.

Out of the analysis performed, we conclude that the shareholders’ equity elements represent for company a significant control key and due to this, in chapter III, we analysed the impact of the audit procedures on shareholders’ equity elements at UZINA MECANICA SADU SA, this tax payer being included in large tax payers category, with a turnover of over 50 million RON, being bound, according to the regulations in force, to present audited financial statements, all the more so as it has been registered in a group of companies were it is an affiliated party.

The presentation of the audit procedures and of the audit has generally dealt with the presentation of shareholders’ equity modifications in the reference period, which showed, based on the negative retained earnings, no interest from the investors and a modification of accounting policy in what concerns reserves creation, other than the legal reserves.

Accordingly, based on issuing the picture on shareholders’ equity modifications, it was observed its major depreciation with almost 100%, due to obtaining a negative profit/loss in the current fiscal year, leading to the premises of an unsatisfactory activity and a performance affected with impact onto the future of the company.

References
3. Anghel, Ion (coordinator) - Enterprise evaluation, Economică Publishing House, Bucharest, 2010

151
17. Dyson, John R., Accounting for Non-Accounting Students, Financial Times/ Prentice Hall, 8 edition, 2010
24. Lezu D.N., Analysis on enterprise’s financial statements, Economică Publishing House, Bucharest, 2004
47. http://www.investopedia.com/terms/m/mva.asp
49. www.tradevile.eu
50. www.bvb.ro