Financial Data as a Mirror of an Economic Story. An Empirical Approach to the Impact of the COVID19 Pandemic on the Financial Equilibrium

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Abstract
The present article aims to analyze how the imbalances generated by the economic and medical crisis caused by the COVID 19 pandemic in 2020 were reflected in the balance and economic performance at the microeconomic level. Two companies operating in two of the most affected economic areas in 2020, Tourism and Pharmaceutical Industry, represented the foundation of our analysis. Accounting data from the Balance Sheet and Profit and Loss Account, available on the website of the Bucharest Stock Exchange, were the main tools for analyzing the impact that the economic and medical crisis had on indicators such as Working Capital, Self-financing Capacity, Current Ratio, Debt/Equity Ratio, Return on Assets, Return on Equity, etc. The period under consideration covers a period of 4 years, i.e., 2018-2021. The two areas of activity represent, in our opinion, two major poles of the effects of the COVID 19 pandemic, being the loser and the winner (in financial terms) of the economic and medical developments generated by these. The questions we propose to answer based on the financial analysis are: could these two companies also be considered the winner and the loser of 2020 crisis? And what is the story told by the financial data about a company's vulnerability during the crisis?

Keywords: Financial data; COVID-19 pandemic; financial analysis; balance sheet; profit and loss account;

JEL Classification: G31; M21;

DOI: http://doi.org/10.24818/ejis.2023.03

1. Introduction

The last 3 years have been a period of vulnerability for economic and financial systems that have found themselves having to adapt to the changes brought along by the economic-medical health crisis. Although economic cycles are a natural manifestation of economic developments, they continue to surprise and affect certain sectors of the economy differently, both nationally and globally.

Received: 3 March 2023; Revised: 2 May 2023; Accepted: 15 May 2023

This article aims to explore how the imbalances generated by the economic and medical crisis, which began with the COVID 19 pandemic in 2020, have been reflected in economic balance and performance at the micro-economic level.

To achieve this aim, we have focused on the analysis of the financial data of two companies operating in two sectors strongly influenced by the health crisis in 2020. The analysis covers a period of 4 years, 2018-2021, and aims to show how indicators relevant for the analysis of financial balance and performance have been affected by the developments induced by the COVID 19 pandemic. The period investigated stops at 2021 to strictly capture the impact of the 2020 crisis on the economic and financial indicators of the companies in question.

One of the companies is active in the pharmaceutical industry, more precisely in the marketing of pharmaceutical products, CAEN code 4773 (CAEN-Classification of Activities in the National Economy), and the other in the hospitality and tourism sector, CAEN code 5510. Both are joint stock companies listed on the stock exchange, with entirely private capital.

The two business areas represent two major poles of the effects of the medical crisis, being the looser and winner (in financial terms) of the medical crisis. The questions we propose to answer based on the financial analysis are as follows: (1) Could the two companies also be considered one of the winners and one of the losers of 2020 crisis? (2) What is the story told by the financial data about a company's vulnerability during the crisis? Anyway, they are survivors, and we'll see how much they were affected by the economic trend during 2018-2021.

The paper is organized in the following order: Section 2 highlights and presents the pharmaceutical and tourism industries between 2018-2021; Section 3 presents the research methodology, data, preliminary financial analysis and the financial indicators used; Section 4 discusses and interprets the main results, and in the final section, we present the concluding remarks.

2. Tourism and the Pharmaceutical Industry facing the Crisis

To carry out the financial analysis of the two mentioned companies, we consider it relevant for our approach to present the context in which the two business environments have evolved recently.

2.1. Tourism

The COVID-19 pandemic has had a dramatic and unprecedented impact on tourism sector worldwide, drastically reducing tourist flows and, through and therefore the revenues of businesses in the sector. According to the WTTC study "Tourism & Travel. Economic Impact 2022", in 2019, tourism contributed 10.3% of the world's GDP while in 2021, the year of the start of the economic recovery, it reached only 6.1%. Forecasts for the period 2022-2032 predict global annual GDP growth of 2.7% while tourism's share of GDP will grow by an average of 5.8%. This recovery will be accompanied by a significant increase in jobs in the sector, with the Asia-Pacific region leading the way with +64.8% of all new jobs created worldwide. Europe is expected to return to pre-pandemic levels by the end of 2023, while 8 million new jobs will be created by 2032 (WTTC, 2022).

For Romania, this is the second wave of crisis in 12 years that has generated strong imbalances in the sector. According to the European Court of Auditors, in Romania more than 75% of tourists are visitors who already live in the country (ECA, 2021) and this means that Romanian tourism is based mainly on national visitors and has a lack of visibility worldwide. This situation was supported, among others, by the measures taken by the Romanian Government after the 2008 financial crisis by adopting Emergency Ordinance no.8 of 18 February 2009 (approved by Law 94/1 July 2014) which aimed to prevent a decrease in tourist traffic in Romania and an increase in unemployment by granting holiday vouchers.

The National Council of Small and Medium-Sized Private Enterprises in Romania (CNIPMMR), in collaboration with APET (Professional Association of Ticket Issuers), FIHR (Federation of the Hotel Industry in Romania), ANAT (National Association of Tourism Agencies in Romania), FPTR (Federation of Romanian Tourism Employers) and with the support of media partners and institutional partners (trade union confederations / federations as well as public authorities) carried out during 17.09-20.11.2018 an extensive survey on the opinion of employees, employers, tourism agencies and tourist accommodation facilities in this field, a study that highlighted that holiday vouchers "contribute to the development of tourism and the rediscovery of Romania as a branch of the economy with a strategic development potential, the adoption of public policies to support tourism bringing important benefits and ensuring the rediscovery of Romania as a preferred holiday destination". Increasing the number of customers, increasing turnover, and increasing employment are the three most important benefits perceived by tourism units and travel agencies (APET, 2018).

The impact of holiday vouchers is also reflected in the data available on the World Tourism Organization website, with the share of tourism in Romania's GDP increasing from 1.7% to 2.8% between 2011 and 2017 (UNWTO, 2023). However, in Romania, only 26.6% of the population aged 15 and over participated in tourism activities in 2021, made at least one tourism trip for personal purposes during the year (EUROSTAT, 2021).

Tourism has unfortunately never been a priority for successive governments in Romania, although there have been attempts to expose Romania's tourism potential at a declarative and intention level. Anyway, there was no real national strategy to attract international visitors, Romanian tourism being based mostly on a population that needed to be "helped" to access services in this field. Of course, the 2020 pandemic negatively impacted this timid upward trend, with the period 2019-2020 changing the contribution of travel and tourism to Romania's GDP with percentage decreases between -60% and -50% (ECA, 2021).

Currently, the Recovery and Resilience Mechanism (RRM) offers Member States the possibility to finance investments and reforms, including in the tourism sector, as part of their national recovery and resilience plans. Romania has included in its draft plans specific support for investment in the tourism sector through a €449 million financial package under the tourism and cultural component of the fourth pillar on social and territorial cohesion, to encourage transport and tourism by bicycle, pedestrian and other non-motorised forms, and to implement Romania's cultural tourism strategy (ECA, 2021). But how the tourism sector in Romania will evolve after the implementation of the Recovery and Resilience Mechanism measures may be a topic for future research. In the meantime, we will look at how trends induced by the COVID 19 pandemic have been reflected in the financial documents of a joint stock company in the tourism sector.

2.2. Pharmaceutical Industry

Satisfying one of the basic needs in Maslow's pyramid, the pharmaceutical industry has always relied on the inelastic nature of the demand for its products, even if this character has acquired an additional rigidity helped by its marketing. In times of crisis or economic boom, the pharmaceutical industry has been at the top of profitability and revenue.

The attractiveness of the pharmaceutical sector as an investment niche compared with a purely pecuniary sector, such as finance and the superiority of the pharmaceutical subsector placed in the top of the overall healthcare industry to which it belongs in terms of temporal stability (Esparcia & Lopez, 2022) places the pharmaceutical industry in a financial comfort zone, less vulnerable to shocks generated by various crises. All over the world, during the COVID 19 pandemic, the pharmaceutical industry was (among few others) the engine of the economy. According to Sanchis et al. (2022) the sectors that grew and pushed the Spanish economy towards recovery were tobacco, pharmaceuticals, computer, electronic and optical products.

The importance of a functioning health system has never been as clear as during the ongoing coronavirus pandemic. The global pharmaceutical market has experienced significant growth in recent years the percentage change in revenue of the worldwide pharmaceutical market, presented in ***Table 1***, rising with 23% between 2018 and 2022 (Statista, 2023).

Table 1. Revenue of the worldwide pharmaceutical market from 2018 to 2022 (billion US dollars)

Year	2018	2019	2022	2021	2022
Revenue of the worldwide pharmaceutical market	1204.8	1278	1312	1450	1482

Source: Statista (2023)

At European level, the value of the pharmaceutical market, at ex-factory prices, was in 2020 236,090 million euro, with exports worth 509,828 million euro and imports worth 347,124 million euro. The percentage of total spending of healthcare on GDP at market prices was 9.3%, rising with 6.89% compared to 2015 (EFPIA, 2022).

Although Romania has significantly increased its spending on health in recent years, it remains one of the EU countries with the lowest spending on health, both per capita and as a percentage of GDP. As a share of GDP, Romania spent 5.7% on health - the second lowest in the EU (European Commission, 2021).

In terms of the value of the pharmaceutical market in Romania, it has been on an upward trend during the period under review and will certainly continue in the coming years. As can be seen in ***Table 2***, Cegedim Customer Information studies reveal that it evolved from 16.06 billion lei in 2018 to 21.15 billion lei in 2021, exceeding 24 billion in September 2022 (Cegedim, 2023). According to INSSE (National Institute of Statistics), the number of pharmacies and retail stores has also been on an upward trend, except for 2020 which brought a decrease of 76 establishments (INSSE, 2023).

Table 2. The value of the pharmaceutical market in Romania (billion lei) & Number of pharmacies

Indicator	2018	2019	2020	2021
The value of the pharmaceutical market in Romania (bn lei)	16.06	17.82	18.06	21.15
The number of pharmacies and retail stores	9953	9904	9828	9925

Source: universfarmaceutic.ro, INSSE and the authors' calculations

3. Research Methodology

The main objective of our study is to reflect the evolution of the financial performance of two joint stock companies from the sectors impacted the most by the health crisis. In this regard, we selected two Romanian companies for which we researched and analyzed their commercial and economic particularities, conducting a financial analysis to highlight their evolution and economic performance in the period 2018 - 2021. The companies chosen are two examples whose names are not relevant to our analysis. So, we will not use their real names and we will call them "PHARMA" and "TOURIST" in order to associate them with the fields they belong to. We used data from the Balance Sheet and Profit and Loss Account that are available on the website of the Bucharest Stock Exchange for our sample and for the period under consideration. Based on these, we calculate several indicators to investigate and assess the financial health of the two companies, namely: working capital, self-financing capacity, current ratio, debt/equity ratio, return on assets, return on equity.

From a methodological point of view, we carried out three economic and financial analyses (balance sheet analysis, profit and loss account analysis and ratios analysis) using Microsoft Office Excel.

3.1. Data and economic profile of analysed companies

In the first part of our approach, we could see how the area of activity in which the two companies under analysis operate evolved, starting with the presentation of the international framework and ending with the developments in the Romanian economy.

As mentioned above, the two companies under analysis are listed joint-stock companies with entirely private capital. One of the companies has its registered office in Hunedoara County and operates in the pharmaceutical industry, more precisely in the field of pharmaceutical products marketing (CAEN code 4773), while the other operates in the hospitality and tourism sector (CAEN code 5510) and has its registered office in Suceava county. Some economic and financial data related to the two CAEN codes are presented in ***Table 3***.

Table 3. Economic and Financial Data related to CAEN codes 5510 and 4773

CAEN 5510 Hotels and other similar accommodation facilities							
TOTAL				SUCEAVA			
Companies	Net Turnover (lei)	Profit (Net Income) (lei)	Profit-to-turnover ratio	Companies	Net Turnover (lei)	Profit (Net Income) (lei)	Profit-to-turnover ratio
3017	5159450450	1165243336	22.58%	923	148102171	38639734	26.08%
Employee CAEN 5510 - Total			38839	Employee CAEN 5510 - SUCEAVA			86
CAEN 4773 Retail trade of pharmaceutical products in specialized stores							
TOTAL				HUNEDOARA			
Companies	Net Turnover (lei)	Profit (Net Income) (lei)	Profit-to-turnover ratio	Companies	Net Turnover (lei)	Profit (Net Income) (lei)	Profit-to-turnover ratio
4007	24218346422	1194643655	4.93%	62	148515915	11151194	7.5%
Employee CAEN 4773 - Total			28404	Employee CAEN 4773 - HUNEDOARA			315

Source: www.coduricaen.ro and the authors' calculations

Analyzing data from ***Table 3***, we can see that despite a total turnover of about 4.69 times higher in pharmaceutical trade, the net profit rate is approximately as many times lower in this field compared to the one described by CAEN code 5510, respectively hotels and other similar accommodation facilities. For both codes however, considering the counties in which the two analyzed companies operate, we notice that the average net profit rates are higher than the average profit rates at country level.

The data available on the website of the Bucharest Stock Exchange describe the two companies as follows: (i) ”*PHARMA”* is a company founded in 1991, and is specialized in sales and distribution of medicines, promotion and marketing activities in the health field, being in the TOP 10 distributors on the pharmaceutical market. The company currently operates 24 of its own retail units in 5 counties, mainly in Hunedoara, Alba and Sibiu, and has its headquarters in Deva, Hunedoara County. During 2019-2020, *PHARMA* has transferred, with the approval of the Competition Council, 63 pharmacies to Help Net, part of the German group Phoenix. (BVB, 2023b); (ii) ”*TOURIST”* was established in 1998 as a wholly privately owned company with 6 founding shareholders. SIF MUNTENIA has always held most of the shares. In May 2008 the shares of the company were listed on the BVB (BVB, 2023a).

3.2. Financial statements and financial indicators

The analysis of the financial position and financial performance, for both companies, will be based on aggregated data provided by two synthetic accounting documents, the Balance Sheet and Profit and Loss Account for the period 2018-2021.

The main objectives of the analysis of the financial position of the company can be summarized as follows: (i) establishing the net assets, as a form of accounting valuation of the shareholders’ wealth; (ii) characterization of the financial structure (financial balance); (iii) establishing the liquidity and solvency, which mainly concern the creditors of the company; appreciation of financial condition (Grigorescu, 2019).

The development of the enterprises is fundamentally bond of the assurance of the financial balance which is a part of the economical balance worth expression. The financial balance reflects the equality and the correlations between the necessary of financial funds and the possibilities of making these funds. This balance is depending on the state and moving of patrimony (Achim et al., 2008). Also, the Profit and Loss Account represents the main source of information for the analysis of the financial-economic performance, emphasizing the efficiency of the main activities of the commercial companies: operating and financial (Marginean et al., 2015). In accordance with financial practices and based on the two mentioned documents, the following indicators (see ***Table 4***) will be calculated for the period 2018-2021.

Table 4. Economic and financial performance indicators

Balance Sheet Analysis	Working Capital (WK)	WK_1 = Permanent Capital - Long Term (Non-Current) Assets Permanent capital = Shareholders' Equity + Long-term debt WK_2 = Current assets – Current liabilities
	Operating Working Capital (OWK)	OWK = Inventory + Accounts Receivable + Prepaid Expenses – Accounts Payable – Deferred Revenue
	Cash-Flow (CF)	CF= ΔWK-ΔOWK
Profit and Loss Account Analysis	Intermediate management balances	Commercial Margin, Added value, Gross operational Result, Operational result, Financial result, Net result
	Self-financing capacity	SFC subtractive method and additive method
Ratio Analysis	Short-Term Solvency (Liquidity)	Current Ratio = Current Assets/Current Liabilities Quick Ratio (Acid-Test Ratio) = (Current Assets-Inventory)/Current Liabilities Cash Ratio = Cash / Current Liabilities Working Capital to Total Assets Ratio = WK/Total Assets
	Long-Term Solvency	Debt-Equity Ratio (D/E) = Total Debt / Total Equity Equity Multiplier = Total Assets / Total Equity
	Profitability	Profit Margin = Net Income/Sales Return on Assets (ROA) = Net Income/Total Assets Return on Equity (ROE) = Net Income/Total Equity

4. Results

4.1. Results from the Balance Sheet Analysis

The balance sheet analysis of the two presented companies will be carried out by constructing the financial balance sheets. The main characteristic of this type of balance sheet is that it places the elements of the accounting balance sheet according to the increasing degree of liquidity for assets and according to the increasing degree of exigibility for liability.

So, for the assets, the accounts are classified from most liquid to least liquid, starting with Non-Current Assets, like *tangible assets, intangible assets* and *financial assets* and finishing with Current Assets like *cash and cash equivalents, accounts receivable, inventories, prepaid expenses*, and others. For the Equity and liabilities, the accounts are organized from at least payable to the most payable starting with Equity, then long-term borrowing and ending with short-term borrowings and other obligations.

The financial balance sheet during 2018-2021 of "TOURIST" is illustrated by ***Table 5***. The impact of the pandemic in 2020 can be clearly seen in the evolution of balance sheet indicators for both Non-Current Accounts and Current Accounts.

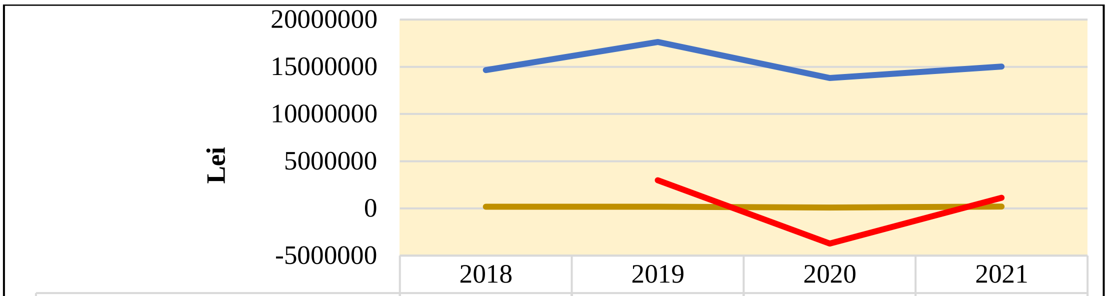
Table 5. Financial Balance Sheet of "TOURIST" (Lei)

"TOURIST" Needs	2018	2019	2020	2021
Total Non-Current Assets	24,839,631	24,435,244	23,908,798	23,367,215
Non-Current Assets	24,839,631	24,435,244	23,908,798	23,367,215
Intangible Assets	18,081	19,482	23,825	11,217
Tangible Assets	24,821,550	24,415,762	23,884,973	23,355,998
Financial Assets	0	0	0	0
Total Current Assets	15,453,663	18,440,707	14,371,918	15,862,487
Current Assets	15,297,350	18,288,133	14,224,799	15,716,002
Inventories	186,415	222,466	168,096	179,853
Accounts Receivable	651,957	623,905	338,193	693,762
Short term financial investments	12,323,315	15,539,496	13,279,213	11,342,691
Cash and cash equivalents	2,135,663	1,902,266	439,297	3,499,696
Deferred expenses	156,313	152,574	147,119	146,485
Total Needs	40,293,294	42,875,951	38,280,716	39,229,702
"TOURIST" Resources	**2018**	**2019**	**2020**	**2021**
Total Non-Current Liabilities & Equity	39,475,626	42,061,044	37,719,396	38,404,651
Equity	39,475,626	42,061,044	37,719,396	38,404,651
Owners' Equity	27,001,135	27,001,135	26,192,342	26,192,342
Own Shares		-414,165		
Losses in respect of sales from own equity instruments		-12,820		
Premium related to capital	4,885,965	4,885,965	4,885,965	4,885,965
Revaluation reserve	14,937,123	14,771,272	14,605,420	14,439,568
Reserves	2,156,662	2,443,243	2,518,277	1,771,861
Retained earnings	-9,660,764	-9,494,913	-8,599,508	-9,626,844
Profit (Loss) for the period	55,385	2,847,039	-1,971,774	622,876
Profit appropriation	-5,007	-151,789		-32,170
Provisions	105,127	186,077	88,674	151,053
Long-Term Debts (>1 year)	0	0	0	0
Total Current Liabilities	817,668	814,907	561,325	825,051
Short-Term Debts (<1 year)	812,685	811,224	558,937	823,967
Deferred income	4,983	3,683	2,388	1,084
Total Resources	40,293,294	42,875,951	38,280,721	39,229,702

Source: authors' calculations based on the financial statement available on www.bvb.ro

Although the negative effects of the pandemic are evident in the dramatic decrease in profit, the analysis of the evolution of the financial balance sheet using Working Capital, Operating Working Capital and Cash-Flow can highlight areas where the company has become vulnerable. Working capital is a measure of a company's liquidity and short-term financial health. Working capital can be calculated in two ways, one of them considering elements of financial stability while the other being based on the current evolution of the indicators included in the balance sheet. Regardless of the calculation method, the value of working capital must be the same. In the case of "TOURIST", the working capital value is positive, which means that it can fund its current operations and invest in future activities and growth. During 2019-2020 we can observe a decrease of 45.79% in the accounts receivable from customers, while short-term debts decreased by only 31%. Moreover, the decrease of 22.22% in current assets is put, to a large extent, on the decrease in accounts receivable by affecting the company's operational activity, although the largest decrease was recorded in cash and cash equivalents which decreased by 76.9% (***Figure 1***).

Figure 1. Evolution of ”TOURIST”’s Financial Balance Indicators (Lei)



	2018	2019	2020	2021
Working Capital	14635995	17625800	13810598	15037436
Operating Working Capital	177017	184038	92083	195049
Cash-flow		2982784	-3723247	1123872

Source: authors’ calculations based on the financial statement available on www.bvb.ro

The Operating Working Capital (OWC) removes the influence of cash assets and liabilities from the calculation, highlighting the real efficiency of the company's activity in terms of its operating cycle. In the case of the company “TOURIST” the OWC value is positive, and that means the society remain solvent despite the downward trend of the account receivable and cash and despite the important decrease of cash flow between 2019-2020.

For the “PHARMA” company, ***Table 6*** shows the financial balance sheet for 2018-2021. For “PHARMA”, 2020 generated a totally opposite evolution to the one recorded by the “TOURIST” by registering a profit 11 times higher than in 2019. Also, in the same period, the company transferred 63 pharmacies, a strategy that also contributed to the positive Operating Working Capital, short-time debts being 8 times smaller in 2020 while the Account Receivable was 6.65 times smaller in the same year.

Table 6. Financial Balance Sheet of “PHARMA” (Lei)

“PHARMA” Needs	2018	2019	2020	2021
Total Non-Current Assets	37,949,388	37,650,248	48,725,140	45,871,851
Non-Current Assets	37,949,388	37,650,248	48,725,140	45,871,851
Intangible Assets	7,089,522	5,008,565	213,719	724,436
Tangible Assets	30,281,565	32,094,496	36,238,276	39,798,787
Financial Assets	578,301	547,187	12,273,145	5,348,628
Total Current Assets	32,751,137	36,948,235	30,609,147	22,120,305
Current Assets	32,694,191	36,893,889	29,619,090	20,179,200
Inventories	14,766,284	12,667,432	1,793,844	2,479,331
Accounts Receivable	15,354,567	15,259,083	2,293,343	4,769,537
Short term financial investments	0	0	0	0
Cash and cash equivalents	2,573,340	8,967,374	25,531,903	12,930,332
Deferred expenses	56,946	54,346	990,057	1,941,105
Total Needs	70,700,525	74,598,483	79,334,287	67,992,156

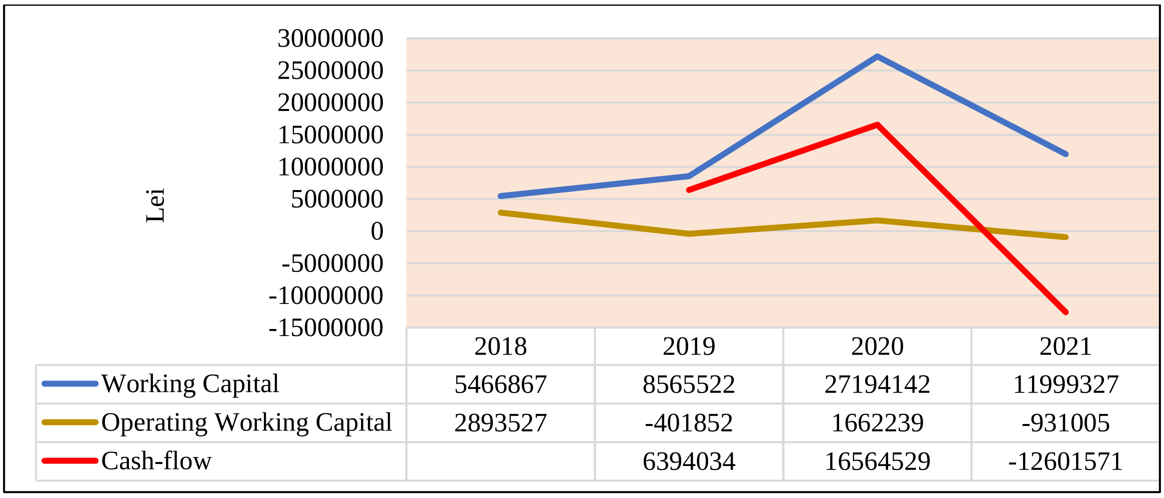
(Table 6 continued)

“PHARMA” Resources	**2018**	**2019**	**2020**	**2021**
Total Non-Current Liabilities & Equity	43,416,255	46,215,770	75,919,282	57,871,178
Equity	42,042,056	44,547,474	73,672,543	55,326,909
Owners’ Equity	10,921,209	10,921,209	10,921,209	9,860,311
Own Shares	-112,628	-112,628	-112,628	-112,628
Losses in respect of sales from own equity instruments	0	0	0	0
Premium related to capital	757,485	757,485	757,485	757,485
Revaluation reserve	15,898,758	17,442,767	20,479,593	21,249,139
Reserves	12,847,850	13,421,131	14,094,493	22,576,989
Retained earnings	-312,229	-312,229	-338,639	136,458
Profit (Loss) for the period	2,141,021	2,563,206	28,236,449	859,155
Profit appropriation	-109,859	-133,467	-365,419	0
Provisions	10,449	0	0	0
Long-Term Debts (>1 year)	1,374,199	1,668,296	2,246,739	2,544,269
Total Current Liabilities	27,284,270	28,382,713	3,415,005	10,120,978
Short-Term Debts (<1) year	27,284,270	28,382,713	3,415,005	10,120,978
Deferred income	0	0	0	0
Total Resources	70,700,525	74,598,483	79,334,287	67,992,156

Source: authors’ calculations based on the financial statement available on www.bvb.ro

We can observe that if for “TOURIST” the decrease in amounts to be collected from clients (accounts receivable) was higher than in the case of short-term debts, for “PHARMA” the decrease in debts was higher. The year 2020 had an important contribution to support the company's solvency given that OWC returned to a negative value in 2021 (***Figure 2***).

Figure 2. “PHARMA” Financial Balance Indicators (Lei)



Source: authors’ calculations based on the financial statement available on www.bvb.ro

If working capital is temporarily negative, usually indicates that the company has incurred large cash expenditure or a substantial increase in its accounts payable as a result of a large purchase of products and services from its suppliers. Looking at the short-time debts we can see that these exceed the inventories and accounts receivable for 2019 and 2021. Less money devoted to day-to-day operations is a warning sign that the company acts too risky financially and, in “PHARMA” case, this is reflected in the negative cash-flow in 2021.

4.2. Results from the Profit & Loss Account Analysis

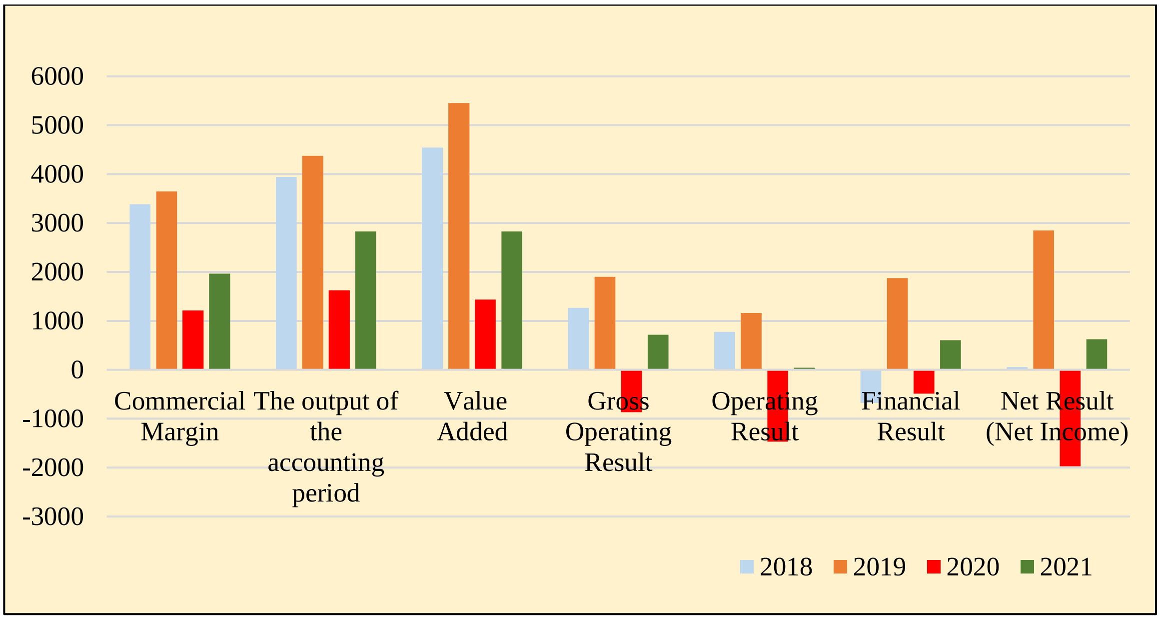
Intermediate management balances give us information about the entity's ability to achieve profit, and profitability of the business entity on different levels, being a true indicator of appreciation of the health status of an economic entity (Hada & Hint, 2018).

The "cascade" balances allow the link between the operating and financial functions of companies to be highlighted, showing the contribution of each profit margin to total profit. Also, the use of Intermediate Management Balances enables the calculation of self-financing capacity which, in the case of the companies studied, will highlight the influence of the economic and medical crisis on the financial independence of the two companies. Our approach is based on the French version of the Intermediate Management Balances calculation, which involves calculating the following indicators based on the information provided by the Profit and Loss Account Statement:

(a) Commercial Margin (CM);
(b) Value Added (VA);
(c) Gross Operating Result (GOR)
(d) Operating Result (OR);
(e) Financial Result (FR);
(f) Net Result (NR).

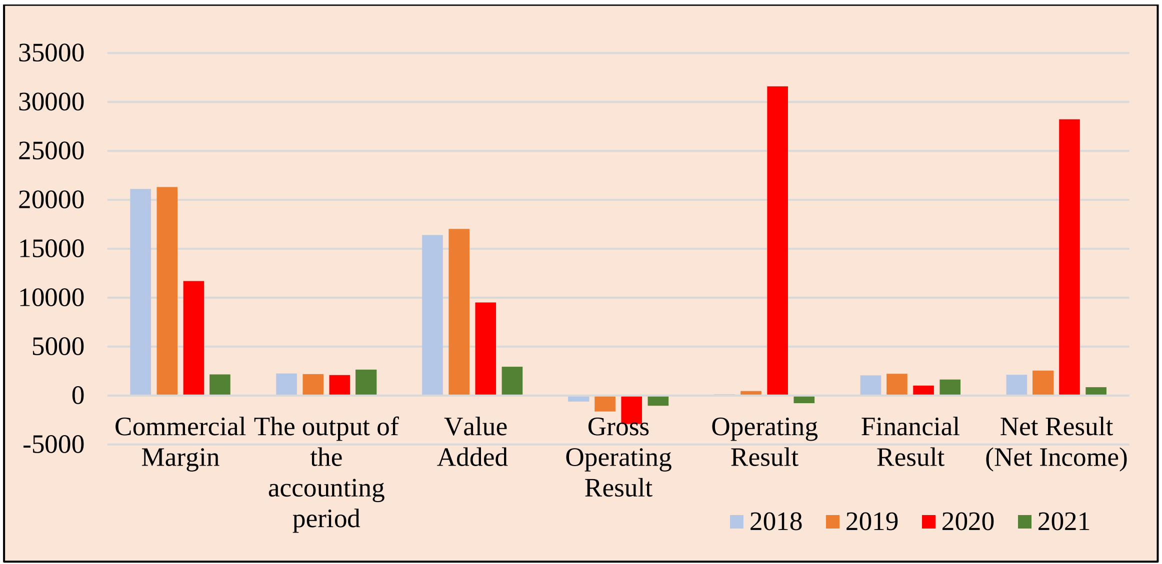
Over the period 2018-2021 the evolution of Intermediate Balances for the two companies studied is shown in ***Figure 3*** and ***Figure 4***.

Figure 3. "TOURIST" Intermediate Management Balances (thousand lei)



Source: authors' calculations based on the financial statement available on www.bvb.ro

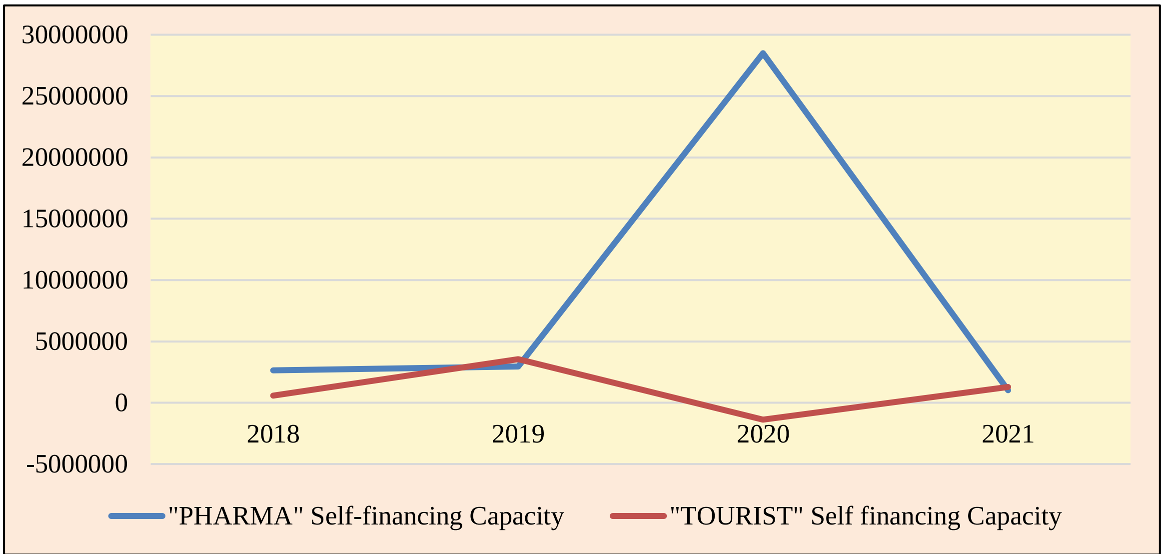
Figure 4. ″PHARMA″ Intermediate Management Balances (thousand lei)



Source: authors' calculations based on the financial statement available on www.bvb.ro

The Commercial Margin was on a constant downward trend during the period under review for "PHARMA" while for "TOURIST" the only significant decrease was in 2020. The same evolution was recorded for the Value Added, the Gross Operating Result and the Operating Result except for the Operating Result of "PHARMA". The increase recorded by "PHARMA" for the category "Other Operating Income" (39,967,448 lei) in 2020 made its profit from operating activity substantially higher (69 times higher than in 2019 and 241 times higher than in 2018). In 2021, however, it became negative. The financial result was oscillating for "TOURIST", while for "PHARMA" it remained positive in all 4 years. The conjuncture generated by the economic and medical crisis and the decision of "PHARMA" to give up its 63 pharmacies were reflected in the Net Result in 2020.

Figure 5. The Self-financing capacity results from the analysed companies (lei)



Source: authors' calculations

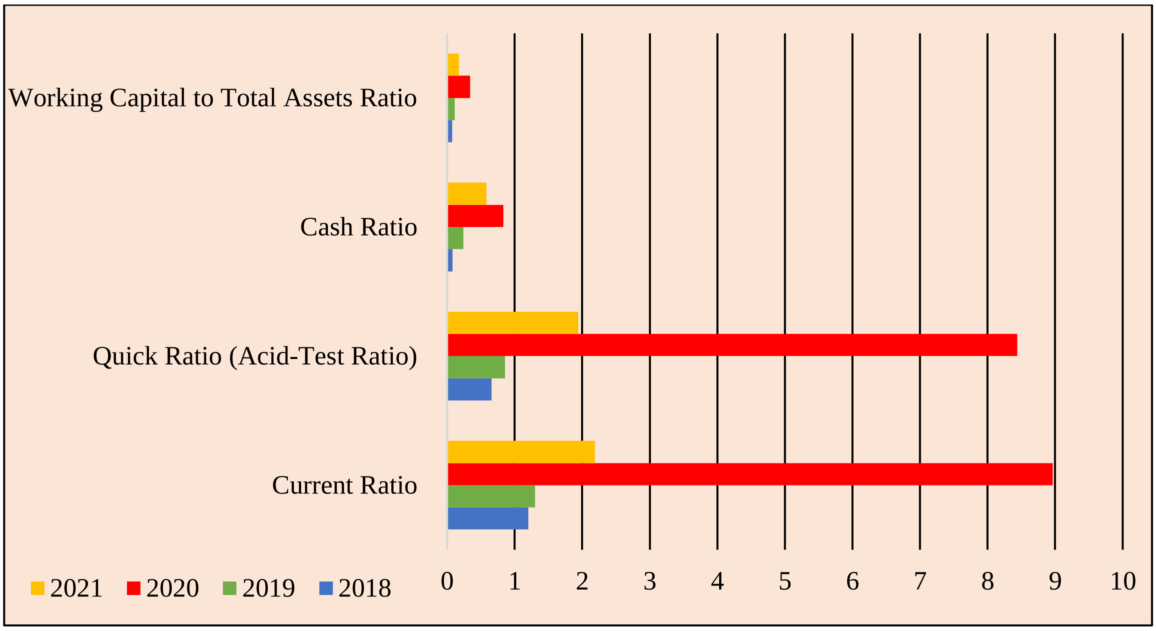
Furthermore, the self-financing capacity was also influenced by the amount of the net result, for "PHARMA" recording a peak in 2020 while for "TOURIST" it reached the lowest point in the same year. However, “PHARMA” would certainly have recorded a decrease or at least a less noticeable increase in the absence of the decision to give up its 63 pharmacies. These findings are presented in the ***Figure 5***.

4.3. Results from the Ratio Analysis

A company with adequate *liquidity* will have enough cash to pay its current, short-term bills. Financial analysts look at a firm's ability to use liquid assets to cover its short-term obligations. Four indicators are most commonly used to measure liquidity (or short-term solvency) and these are: the Current Ratio, Acid Test Ratio, Cash Ratio and Working Capital Ratio. In general, when using these formulas, a ratio greater than one is a desirable ratio.

As the ***Figures 6*** and ***7*** show us, the current ratio for both companies are greater than one, meaning that the company's liabilities due in one year or less are lower than its assets - cash or other short-term assets that are expected to be converted to cash in one year or less. The almost 3 times increase in cash and cash equivalents for “PHARMA” was also reflected in a Current ratio by 6.88 times higher compared to 2019. We can also see the same evolution in the case of Acid-Test Ratio that ignores items like inventories but still considers the cash and cash equivalent.

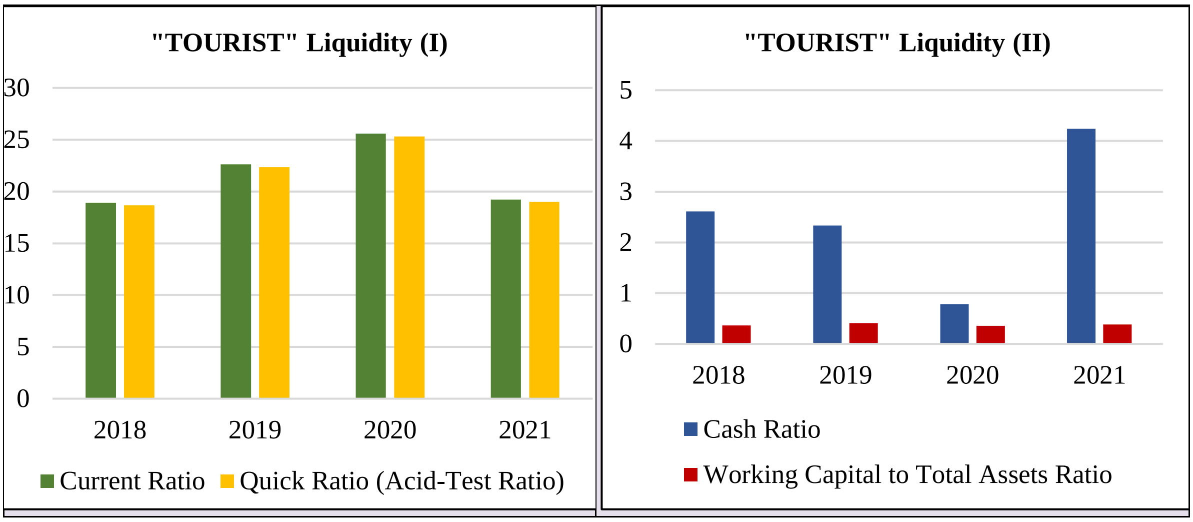
Figure 6. The evolution of the liquidity for the “PHARMA” Company



Source: authors’ calculations

In general, a cash ratio equal to or greater than 1 indicates that a company has sufficient cash and cash equivalents to pay all short-term liabilities in full. A ratio above 1 is generally favourable, while a ratio below 0.5 is considered risky because the entity has twice as much short-term debt as cash. Even though in 2020 for “TOURIST” the Cash Ratio value was 0.782, in 2021 it became higher than 1 (even exceeding the values of 2018 and 2019).

Figure 7. The evolution of the liquidity for the “TOURIST” Company

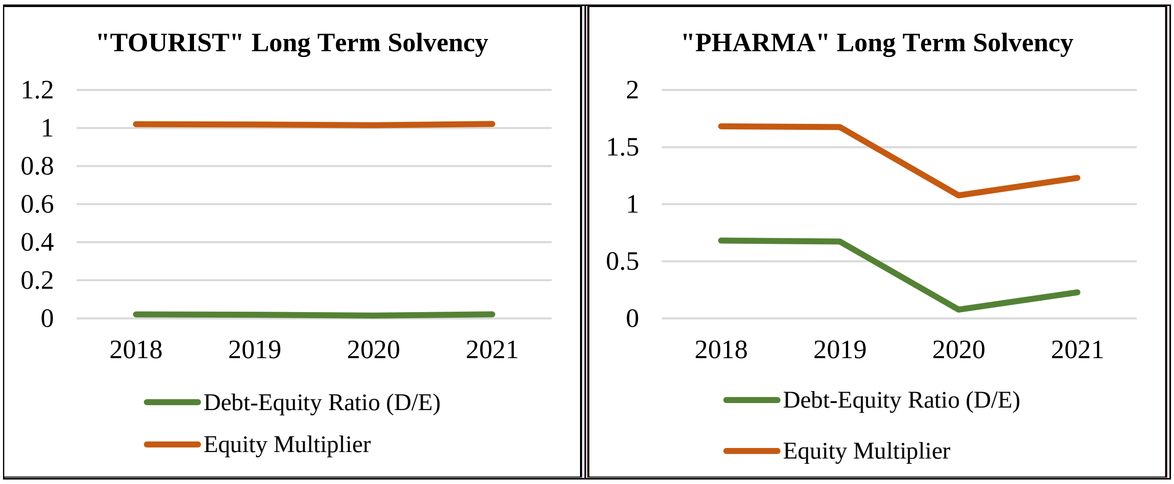


Source: authors’ calculations

From the available data we can find that while the liquidity of “TOURIST” is based on short-term financial investments, the liquidity of “PHARMA” is based on cash and cash equivalents. The Working Capital to Total Assets Ratio was not significantly influenced in the case of “TOURIST”, while for “PHARMA”, it recorded an increase of about 3 times in 2020 compared to 2019, generated by the strong growth of its Working Capital in the same period.

At the same time, *The Long-Term Solvency* of both companies is evidenced by two indicators, Debt to Equity Ratio and Equity Multiplier (***Figure 8***). What we can observe is that for “TOURIST” the value of the two indicators has not been significantly influenced during the period considered while for “PHARMA” they have registered a significant decrease in 2020. Moreover, “PHARMA” is a company that has relied on external long-term financing sources during the period under analysis.

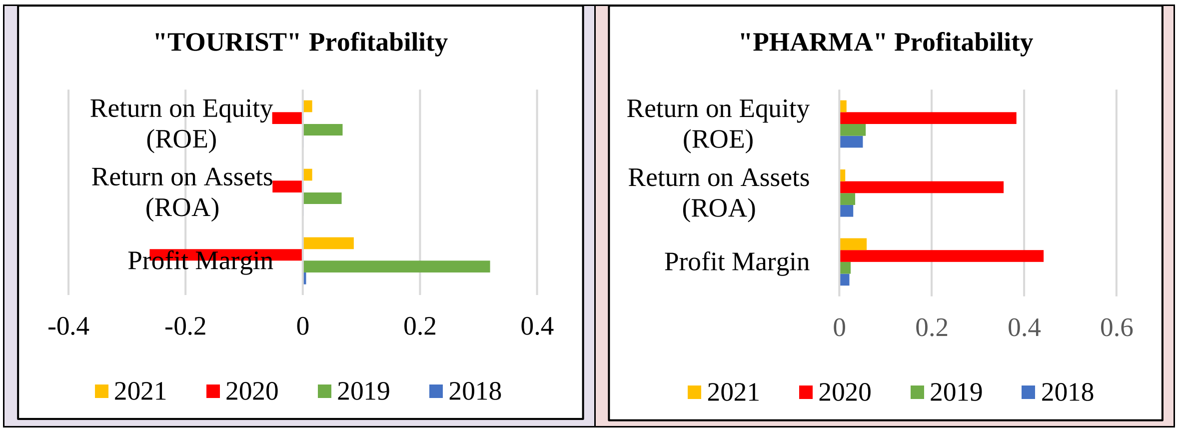
Figure 8. The comparative results of the solvency for the analysed companies



Source: authors’ calculations

In a similar way, both *Return on Assets (ROA)* and *Return on Equity (ROE)* measure how well a company utilizes its resources (***Figure 9***). *Return on Assets* indicates the amount of money earned per monetary unit of assets. Therefore, a higher Return on Assets value reflects that a business is more profitable and efficient using their assets in a more rewarding way. Calculating the ROA of a company can be helpful in comparing a company's profitability over several periods of time. For “PHARMA”, ROA has had a constant positive trend, with a peak in 2020 due its business strategy and the favourable business context in pharmaceutical industry. For “TOURIST” the evolution of pandemic determined a negative ROA in 2020 mainly due to the decrease in its operating activity, but in 2021, the indicator became positive and started to rise.

Figure 9. The evolution of the profit margin for “TOURIST” and “PHARMA”



Source: authors’ calculations

Return on Equity shows the firm’s capacity to turn equity investments into profits. It measures the profits made for each monetary unit from shareholders’ equity. For both companies analyzed, the value of ROE follows the ROA trend but for “TOURIST” it is below its level in 2020. Moreover, in 2020, the decrease in profit for “TOURIST” is reflected in each of the profitability indicators used, just as the huge increase in profit for “PHARMA” is also reflected in the same indicators. The *profit margin*, the globally adopted standard measure of the profit-generating capacity of a business, also highlights the impact that the economic and health crisis of 2020 had on the financial performance of the two companies.

5. Conclusion

In conclusion, the year 2020 generated major imbalances in the business environment, both nationally and internationally, which are reflected in the data provided by the mandatory financial statements that any company must provide. The interpretation of these data is always supported by financial analysis, which involves calculating a set of indicators designed to highlight the aspects on which the financial manager must act to correct or support. Moreover, the interpretation of these data, without being limited to, can generate the "story" of the question launched at the beginning of the study, and can transform the financial manager into a leading or an episodic actor. Based on the results obtained from the financial analysis, the financial manager can propose measures to consolidate the upward trend or, on the contrary, to minimize losses and survive. Progress in the implementation of sustainable financial systems depends on decision makers managing finances and their knowledge and awareness of sustainable finance, as well as their attitude to ESG (environmental, social, governance) risk (Zioło et al., 2021). Faced with the uncertainty of COVID-19, whether a manager develops a coping strategy depends on their individual assessment of business revenue loss potential; the financial managers are more rational than ordinary people when dealing with COVID-19, being more concerned about competitor dynamics, or they might even view COVID-19 as an important opportunity to adjust their competitive position (Sun et al., 2020).

Of course, the analysis contained in the present study focused on two companies operating in two sectors at opposite poles in terms of the impact of the economic and medical crisis on their activities, and this is a limitation of the study. However, the authors' intention was to highlight the impact of a crisis that has transformed economic agents into winners and losers of the developments induced by it, and the two companies were a good example for our approach. And to answer the question raised at the beginning of the study, yes, the economic and medical crisis has benefited the pharmaceutical industry, but the company analyzed in this study has acted proactively, has taken advantage of the circumstantial situation but has also understood that it is a temporary one and has made decisions that have increased its revenues and reduced its costs independently of it. As it is mentioned in the presentation of the companies, during 2019-2020, “PHARMA” has transferred, with the approval of the Competition Council, 63 pharmacies to Help Net, part of the German group Phoenix.

The study did not aim to use all the data provided by the two accounting documents but could be extended in the future research and, also, could include the analysis of the impact that the financial performance indicators had on the share price fluctuations of the two companies on the Bucharest Stock Exchange.

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