
ANALYSIS OF THE BULGARIAN CANNING ENTERPRISES' REVENUES

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Abstract: Canning industry is a traditional sector of the Bulgarian economy. Products offered by the leading canning enterprises are sold in all supermarket chains in the country. The industry plays an important role in the Bulgarian export sector. Products are successfully sold in the European Union member states, Russia, the former Soviet republics, the USA, Canada, Israel, Australia, New Zealand, South Africa, etc.

The importance of the issue about industrial enterprises' revenue and financial results, as absolute financial indicators, is based on the fact that by their nature they are elements of the key business indicators system for analysis and evaluation of financial results, business efficiency and financial stability. Based on the information about the amounts and dynamics of revenue and financial results, the management may make proper and substantiated decisions for the enterprises' development, for their market and financial stability in short- and mid-term aspect. However, profit is an indicator that is not sufficient to measure the business efficiency. It needs to be compared with another indicator, for example, costs, revenue, assets, equity, and in this way the amount of profit corresponding to BGN 1 of input resources can be defined.

Profitability calculated on the basis of revenue has direct effect on the formation and dynamics of other key business indicators showing the business efficiency. Revenue profitability is a direct factor affecting the changes occurring both in the total asset profitability and in the profitability of the entire capital invested by the industrial enterprises.

This study highlights the revenue of leading enterprises operating in the Bulgarian canning industry for the last three years.

The subject matter of the study is the methodology for analysis of these enterprises' revenue. The amount and dynamics of revenue and financial results of ten leading enterprises from the canning industry are analyzed and evaluated. On the basis of the information about the book profit and the total amounts of enterprises' revenue, profitability is analyzed on the basis of revenue. The information obtained is used to evaluate the deviations of enterprises' revenue profitability from the average revenue-based profitability of the reporting enterprises in the industry.

The study is aimed at analyzing and evaluating, on the basis of the empirical data about revenue and financial results, the position of the enterprises from this industry of the country, according to the revenue-based profitability.

Keywords: analysis, profit, revenue, methodology, profitability

1. INTRODUCTION

The issue of revenue and financial results of leading Bulgarian canning enterprises is topical due to the fact that sales in the sector play an important role in the total commodity turnover of the country. Bulgaria takes a leading position in the export of canned cherries, and the export of fresh and primarily processed cherries and sour cherries in 2015 significantly exceeds the export in 2014. This is mainly due to the export of temporarily canned cherries, and our country is one of the major and important world producers in this sector. Data of the Bulgarian Institute of Statistics show that the amount of products produced in the canning industry and the net revenue from sale of products in this sector have drastically increased in 2014 and 2015. The production amount of canned vegetables and fruit, tomato paste, mayonnaise, etc. has also increased. We can see decrease in the production amount of frozen vegetables, ketchups and mustard. The range structure of the products offered by the canning industry in the country is very interesting. Canned vegetables (except vinegar and acetic acid) have the biggest relative share in the product range of vegetables, followed by frozen, processed (with vinegar or acetic acid) and dried vegetables, and canned potatoes take the lowest relative share.²³⁴ Tomatoes, pepper and aubergine have the biggest relative share in terms of specific types of products. Shell fruit, peanuts, different types of nuts and seeds have the biggest relative share in the product group of fruit. Then come canned fruit in the form of jams and marmalades, frozen and dried fruit.

²³⁴ Reported by the Bulgarian union of processors of fruit and vegetables

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2. ANALYSIS OF REVENUE

Table 1 summarizes information about the revenue of the top ten canning enterprises during the last three years. The information in the table is used to analyze and evaluate the amount and dynamics of revenue both of different enterprises, and of total revenue of all enterprises.

Table 1. Enterprises' revenue

Enterprises	2013 year		2014 year		2015 year		Amendment, hil.lv.	
	hil.lv.	%	hil.lv.	%	hil.lv.	%	2014/2013	2015/2014
1	48598	19,44	43974	17,25	40418	15,20	-4624	-3556
2	35928	14,37	33719	13,23	39286	14,77	-2209	5567
3	22229	8,89	25539	10,02	29457	11,08	3310	3918
4	24878	9,95	27782	10,90	28245	10,62	2904	463
5	27019	10,81	29493	11,57	27761	10,44	2474	-1732
6	24330	9,73	26455	10,38	26418	9,93	2125	-37
7	18203	7,28	18934	7,43	22808	8,58	731	3874
8	16570	6,63	18045	7,08	19053	7,17	1475	1008
9	19735	7,89	18440	7,23	18297	6,88	-1295	-143
10	12514	5,01	12526	4,91	14171	5,33	12	1645
Total	250004	100,00	254907	100,00	265914	100,00	4903	11007

Source: Agriculture and Business. Specialized Journal, August 2016

In the above table we can see that enterprises' revenue have increased with BGN 4903 thousand in 2014 in comparison to 2013. The third, fourth, fifth and sixth enterprise show the highest increase of revenue. At the same time, the decrease of the first, second and ninth enterprise's revenue has adverse effect on the change of the total amount of revenue.

In 2015, in comparison to 2014, the increase of the revenue of the second, third, seventh and tenth enterprise has positive effect on the total change of all enterprises' revenue. Here, we should mention that the revenue of the leading enterprise in this sector of the Bulgarian economy has significantly decreased. Furthermore, the revenue of the fifth, sixth and ninth enterprise also decreases. The revenue dynamics of the leading canning enterprises in the country are summarized on figure 1. The deviation of separate enterprises' revenue from the average revenue of all monitored enterprises is very interesting. Such deviations for 2015 are presented on figure 2. Thus, we can see the dispersion of the enterprises' revenue around the average revenue for the period under review.

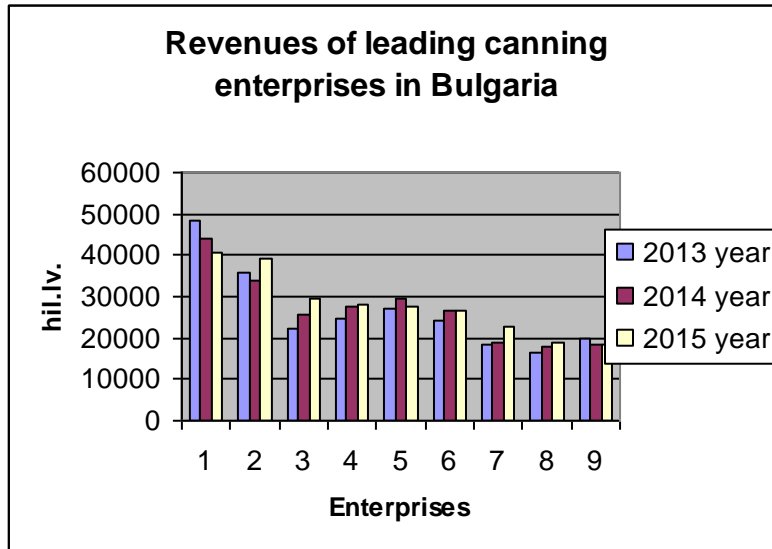


Figure 1

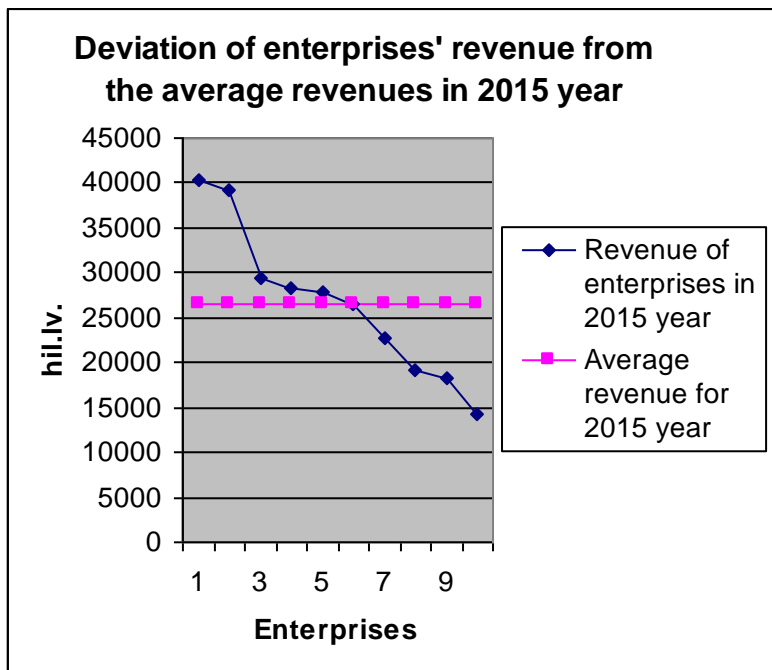


Figure 2

Table 2 summarizes information about the book (net) profit of the top ten canning enterprises.

Table 2. Book profit

Enterprises	2013 year		2014 year		2015 year		Amendment, hil.lv.	
	hil.lv.	%	hil.lv.	%	hil.lv.	%	2014/2013	2015/2014
1	803	4,22	1164	5,90	791	3,46	361	-373

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2	7001	36,81	5301	26,86	8833	38,60	-1700	3532
3	2238	11,77	2978	15,09	1346	5,88	740	-1632
4	1490	7,83	1800	9,12	1795	7,84	310	-5
5	174	0,91	679	3,44	2024	8,84	505	1345
6	1903	10,01	2161	10,95	2236	9,77	258	75
7	378	1,99	458	2,32	602	2,63	80	144
8	2439	12,82	2919	14,79	3368	14,72	480	449
9	636	3,34	1287	6,52	859	3,75	651	-428
10	1957	10,29	987	5,00	1032	4,51	-970	45
Total	19019	100,00	19734	100,00	22886	100,00	715	3152

Source: Agriculture and Business. Specialized Journal, August 2016

In the above table we can see that the book profit of the second and third enterprise has decreased in 2014 in comparison to 2013. The third, ninth, fifth and eighth enterprise show the biggest increase of the book profit.

In comparison to 2014, the biggest increase of the book profit in 2015 is achieved by the second and the fifth enterprise. We can see that the second enterprise overcomes the crises as a result of its reorganization. According to the market demand, the enterprise's management starts to produce new products to take free market niches. As a result of such managerial decision, the changes in the range of sold products have positive effect. Due to the general impact of the increased amount of sales and the changes in the range of sold products, the book profit of the enterprise shows an increase of BGN 3532 thousand in 2015 in comparison to 2014.

The book profit of the first, third and tenth enterprise has decreased. Here, the changes in the capital structure as a result of the used short-term borrowing for financing the business of these enterprises have negative effect.

Both the external users of the information from the enterprises' financial statements, and the financial management and the capital owners, are rather interested in the indicator showing the revenue-based net profitability. The value of this indicator is calculated as a percentage ratio of the book profit and the amount of enterprise's revenue. Based on the information in tables 1 and 2, the revenue-based profitability of enterprises for the period in question is calculated. This information is summarized in table 3.

Table 3. Revenue-based profitability, %

Enterprises	2013 year	2014 year	2015 year	Amendment, hil.lv.	
				2014/2013	2015/2014
1	1,65	2,65	1,96	0,99	-0,69
2	19,49	15,72	22,48	-3,77	6,76
3	10,07	11,66	4,57	1,59	-7,09
4	5,99	6,48	6,36	0,49	-0,12
5	0,64	2,30	7,29	1,66	4,99
6	7,82	8,17	8,46	0,35	0,30
7	2,08	2,42	2,64	0,34	0,22
8	14,72	16,18	17,68	1,46	1,50
9	3,22	6,98	4,69	3,76	-2,28
10	15,64	7,88	7,28	-7,76	-0,60
Total	7,61	7,74	8,61	0,13	0,86

In this table, we can see that according to the indicator of revenue-based profitability, enterprises rank as follows. In 2013, revenue profitability of the second, tenth, eighth and third enterprise is most important. In

2014, the trend remains the same; however we can see a decrease of the revenue profitability of the second enterprise, and a significant decrease of this indicator for the tenth enterprise. In terms of all other enterprises, the revenue-based profitability in 2014 has increased in comparison to 2013.

The trend of decrease of revenue profitability of the tenth enterprise can be seen in 2015 too. For the second enterprise, revenue profitability in 2015 has increased in comparison to 2014, which is due to the increase of the book profit. We can also see a trend to stable values of revenue-based profitability of the eighth enterprise, and the value of this indicator in 2014 has increased in comparison to 2013, and in 2015 in comparison to 2014. The values of revenue profitability of the first, fourth, fifth, seventh and ninth enterprise for the entire period in question, are relatively low.

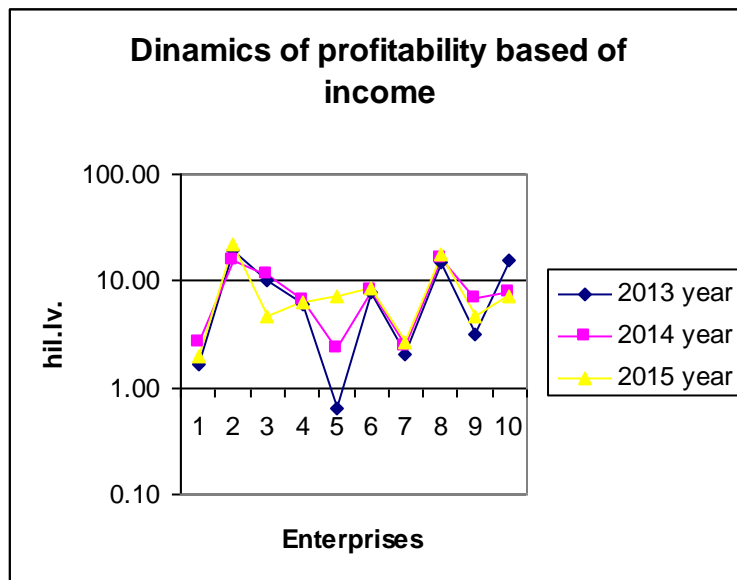


Figure 2

3. CONCLUSION

Using the information about revenue and expenses contained in the profit and loss account of industrial enterprises, we can calculate the revenue effectiveness ratio. Its value is calculated as a ratio of total amount of expenses, including income tax expenses, to the amount of enterprise's revenue. This indicator is directly related to the revenue-based profitability.

With the help of the revenue-based profitability, we can analyze and evaluate changes occurring in the work-load, respectively, in the absorptiveness, of the fixed assets (increase or decrease of effectiveness due to the use of these means of the enterprise), in the work-load or in the turnover ratio of short-term assets (increase or decrease of their turnover rate). Furthermore, with the help of revenue-based profitability, we can analyze the changes in the effectiveness of use of equity, fixed capital, share capital, long-term borrowings, as well as the increase or decrease of own working capital and short-term borrowing turnover rate. These are factors that affect the dynamics of profitability defined on the basis of assets, capital and fixed capital.

REFERENCES

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