ANALYSIS OF THE SHORT – TERM FINANCIAL EQUILIBRIUM FOR ROMANIAN COMPANIES

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Abstract
In this paper we analyzed the short-term financial equilibrium of the Romanian companies by using some indicators based on net working capital and current ratio. Our sample is computed by 64 big non-financial companies which are listed at Bucharest Stock Exchange for the period 2003-2012 and activate in different sectors of activities. In subsidiary, another objective of our study consists in offering a database for the average values of net working capital and current ratio indicators in different sectors of activity, indicators that are very important for short-term equilibrium analysis for any Romanian companies.
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1. Introduction

In a general approach, the financial equilibrium for the financial standing can be expressed by the equality or coincidence between the *financial resources* necessary for achieving the planned assets and shares and *the possibilities to constitute these resources from own sources or other attracted sources*.

According to many authors including Brigham (1999) about 60 percent of financial manager's time is devoted to working capital management. Therefore, IFRS approaches change essentially the perspective on operating the financial equilibrium achieved for the financial standing expressed primarily through balance sheet, the focus being on *short term management of the resources controlled by the entity*. Moreover, the balance scheme's vertical form provides the assumptions of a financial position's equilibrium analysis reflected in the balance sheet (Achim et al., 2008).

Thus, in the context of IFRS financial reporting, the main activity is the operating one and the way of ensuring equilibrium at this level, with **net working capital** as central indicator. On the second place is situated the financing investment activity

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and the balance at this level is achieved primarily by financing the working capital on the accounts of the resulted working capital surplus and for the funding gap it is resorted to own resources (equity of the entity). According to IFRS, equities are a source of *residual* funding and hence equities' approach as being a first option for financing investment is at least an obsolete one. In the current approach, equity represents the net situation that the entity has created over the course of its activity, the value being obtained by subtracting from the total assets of all liabilities all entity's debts (Howard, 2008).

In the context described above, we proposed that the present work to meet the three main objectives:

a) Primarily, to provide an understanding of short-term financial equilibrium concept and the manner in which it is done;

b) Secondly, to carry out an analysis of short-term financial equilibrium of those Romanian companies that operate in different sectors, following a 10 years analysis period;

c) Third, our study aims to provide general trends of ensuring financial equilibrium for Romanian companies over the 2003-2012 period, as well as the determination on sectors of financial equilibrium indicators' averages, which can be used for any analysis needs of the various financial information users in Romania.

2. Literature review

Providing short-term financial equilibrium is extremely useful for any company because any disequilibrium at this level is reflected on the long-term financial equilibrium, thus affecting the company's survival. Capital management involves all aspects, both current assets and current liabilities, a recognition of the link between these positions and recognition of the link between working capital and long-term capital and investment (Halpern et al., 1998).

 Also, the indicators that reflect a company's financial equilibrium must be assessed in a temporal and spatial context. Therefore, the period within a company's financial equilibrium's analysis is made matters because the economic contexts of that time can significantly influence the conclusions of the analysis (for example, the financial crisis that broke out in Romania in October 2008, significantly influenced the means the companies achieved overall equilibrium and a company's analysis made in that context had to be adjusted to the current one). On the other hand, every sector has its own specifics, which in terms of short term financial equilibrium's insurance may be reflected in the current but highly differentiated rates (Howard, 2008). The differences may be due to sector-specific conditions such as: different periods of debt collection, different periods of debt payments, a differentiated report between investment and exploitation policy. Under these circumstances, an optimal current ratio assessment represents a matter of judgement as to what will be reasonable for a particular business (Howard, 2008).

Management should take into account any fluctuations in the floating capital amid the changes of operating conditions in order to prevent a depreciation of stocks or a

too large extension of trade credit loaned to customers. As with any economic decision, economic comparisons are present as well: stocks' supplement's cost is offset by the increase in customer satisfaction (Helfert, 2006).

Many authors (Agar, 2005; Atrill and McLaney, 2006; Brigham et al., 1999; Colasse, 2009; Halpern et al.,1998; Helfert, 2006; Howard, 2008; Robu et al, 2014) are focused on the management of the short-term financial equilibrium trying to respond to at least two questions as follows:

a) what is the appropriate amount of current assets for the firm to carry, both in total and for each specific account , and

b) how should current assets be financed ?

3. Methodology and data
3.1 Methodology for assessing the short-term financial equilibrium

In our opinion, the short-term financial equilibrium analysis' methodology is mainly based on the calculation and interpretation of fundamental indicators such as:

a) Net working capital
b) Net working capital ratio
c) Current ratio

A. As it was stated in the introduction, in the context of IFRS' financial reports, the means to ensure balance for operating activities are based on the **net working capital** central indicator (Achim & Borlea, 2012). Romanian regulations (approved by O.M.F.P. 3055/2009, O.M.F.P. 2239/2011, O.M.F.P. 1286/2012) for different specific case of the companies) also highlight the centrality of the operating activities in the management of overall financial equilibrium by *an explicit presentation* of net working capital index value in the balance sheet's structures (at the E position in the balance sheet), as *"Net current assets / Net current debt "*.

Net Working Capital (NWC) represents the current assets that are permanently at the entity's disposal, meaning those current assets (ACR) that remain after paying the entity's current obligations (DCR).

$$NWC = \text{Current assets - Current liabilities}$$

The entity's net working capital's analysis stands for the following:

- In a *general-theoretical approach* to maintain short-term financial equilibrium, the entity should ensure the equality of the unstable patrimony, meaning equality between the entity's current assets and current liabilities.
- In *practice* however, in order to achieve financial equilibrium it is necessary to fund only a portion of the current assets over current resources and for the other remaining part to use the entity's stable resources. This, on the grounds that the risk associated with current assets' collection is greater than the risk associated with the current liabilities' payment. In other words the entity knows with certitude when to pay its obligations to state, employees, shareholders / associates or bank, but is not sure upon debts'

collection; it depends on its customers' ability to pay and on its efficiency in the management of the receipts and payments' report. For these reasons, to protect itself against this risk, in practice, entities will rely on current assets' financing and on long-term capital.

- In view of the above specified, concretely, *short-term financial equilibrium's analysis* using working capital as indicator, shall be:

- **If NWC = 0**, the entity is in a *precarious short-term financial equilibrium* state because any dysfunction affecting the realization of current assets may affect the entity's equilibrium. In practice, this situation occurs rarely. Brigham et al. (1999) appreciate that „*clearly, it is not possible for most firms to achieve zero working capital and infinitely efficient production*".

- **If NWC < 0**, the entity is in a state of *short term disequilibrium,* meaning that current debts finance both floating assets and some of the permanent assets. This situation causes major difficulties if we look through the current debts' payment ability term smaller than the liquidity term of permanent assets and therefore a mismatch between receipts and payments ratio.

- **If NWC > 0**, the entity presents a potential to be in *short-term financial equilibrium* because it disposes of a safety margin on current assets' financing, margin earned on some of the permanent capital. A high value of this indicator would provide greater protection against potential losses, which would be due to the business' bankruptcy. A significant surplus of current assets in comparison with current liabilities might be considered a means of protection, given that stocks should be quickly cleared, and the debts' collection would record as losses or recovery issues.

Still, seen from another angle, a rate of excessive liquidity may signal poor management. This high rate may indicate excessive levels of cash, oversized stocks becoming useless compared to current needs, and poor management of given commercial credit. To really see if the company is or is not in short-term equilibrium, the calculation of additional rates is imposed, namely working capital in total assets of net working capital and current ratio.

B. A large amount of capital can simultaneously reflect the mismanagement of assets and operating liabilities. Therefore, finding the optimal share of net working capital in total assets completes the informational value of working capital, providing structural perception on the level of its total balance in sheet assets. So, the calculation of the indicator is required: **Rate of net working capital or Net working capital to total assets** which reflect the ratio of working capital (NWC) in total sheet assets (AB), according to the relation:

$$\text{Rate of net working capital} = \frac{\text{Net working capital}}{\text{Total asstes}} \times 100$$

Altman calls this indicator "Financial Flexibility" and uses it in its bankruptcy risk prediction models as a highly representative indicator of a company's financial condition.

The analysis of working capital concerns:

• A trend of growth of working capital in total assets in dynamic is appreciated as *favorable* as it comes to enhance short-term equilibrium state;

• In what the insurance of *an optimal rate* of working capital ratio is concerned, we can mention an average of this ratio for the U.S. industry of approximately 5% (Brealey, 2006: 790); but for the Romanian companies an increase in this ratios' value is imposed, in the context of increased major risks for Romanian emerging economy compared to the American economy. Also, adopting a sectorial analysis is extremely important because heavy industry sectors will present a lower working capital ratio while light industry sectors will present a higher working capital ratio. On the same idea, in the Accomodation or Commerce sectors where there is no emphasis on investment in productive capacity, the working capital ratio will record even higher values.

• An increased working capital ratio will ensure a more pronounced assets' turnover rate and therefore a higher extent of liquidity release, a situation that will lead to a more dynamic activity and implicitly to the consolidation of short-term financial equilibrium.

C. Another approach to net working capital is the one in form of a ratio between current assets and entity's current liabilities, in the form of **Liquidity Ratio or Current Ratio**. This indicator is determined by the relation:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilitie s}} \times 100$$

Compared to the absolute values (in our case Net working capital as Current Assets minus Current liabilities), the relative values (in our case the ratio between Current Assets and Current liabilities) provide comparative and percentage levels, which are used in the analysis of working capital.

The current ratio's analysis regards the following:

• In fact, liquidity indicators are in general financial equilibrium indicators; at some point this equilibrium must not regarded as static, but *dynamic*;

• Given the above, the *increasing* trend of the entity's current ratio (both in an absolute and a relative form) is considered to be *favourable*;

• Regarding *the period of financial security* of immediate liquidity's rate, the opinions are differenciated as follows:

- According to accounting regulations in force (OMPF no.3055/2009, paragraph 9 to the financial statements), current ratio will have *to evolve* around 200%.

- The average current ratio for the American industry is of 140% (Brealey R., 2006: 790).

- A level of current ratio below 100% means no ability of short-term payment or the company's recapitalisation. A high level of current ratio that exceeds 200% is not considered a very good one, but it is associated with a poor management of current assets. (Popa Lala I., 2009:104)

- We therefore consider that a *period of financial security* of current ratio or liquidity ratio situated between $[150\,\% \text{ - } 250\,\%]$ is one able to maintain financial equilibrium on short-term activity.

3.2 Data source

We have in our sample 64 non-financial companies traded on Bucharest Stock Exchange (BSE) over the period 2003-2012.

1. Extractive industry (3 companies: SNP, DAFR, PTR);
2. Manufacture (43 companies) which are detailed as follow:

    2.1 Manufacture of food products and beverages (2 companies: SPCU, BRM);

    2.2 Manufacture of paper, coke/refined, petroleum and chemical (4 companies) VNC, RRC, OLT, STZ;

    2.3 Manufacture of pharmaceutical products (3 companies: ATB, BIO, SCD);

    2.4 Manufacture of rubber and plastic products (5 companies: ARTE, MJM, PPL, ROCE and TRP);

    2.5 Manufacture of non-metallic mineral products (5 companies: CBC, CEON, CMCM, PREH, STIB);

    2.6 Manufacture of basic metals and metallurgy (3 companies: ALR, COS, ART);

    2.7 Manufacture of fabricated metals products (one company: VESY);

    2.8 Manufacture of electronic products and electrical equipment (7 companies: CGC, ELMA, ELJ, ELGS, EPT, ECT, RTRA);

    2.9 Manufacture of machinery and equipment, motor vehicle, traillers and other transport equipment (13 companies: ARM, CMF, MECF, UCM, UZT, ALT, CMP, MEF, UAM, ARS, SNO, TBM, APC);
3. Electricity, gase, steam and air conditioning supply (2 companies: AMO, TEL);
4. Construction (5 companies: COFI, IMP, COTR, COMI, ENP) ;
5. Commerce (4 companies: ALU, RMAH, PEI, RPH) ;
6. Transportation and storage (3 companies: TGN, OIL and SOCP);
7. Accommodation and food service activities (4 companies: BCM, TUFE, EFO and CAOR).

4. Results and discussion

For the companies which activate in *Extractive industry,* the short-term financial equilibrium is represented in the Fig. 1. As we can see in Fig. 1 the financial flexibility's range between the minimum of 15 % (achieved in 2003) and the maximum of 21 % (in 2011) with an average of 18 % which means, how much the average net working capital is worth in total assets for extractive industry over the 2003-2012 period. Because all financial flexibility ratios are positive, it means that net working capital is also positive for the entire analyzed period, which reflects a good short- term financial equilibrium that assures a good payment ability of current debts. Because the current ratio's average over the 2003-2012 period, which is of 288 %, exceeds the maximum limit of financial security interval (250 %), we can say that the companies which activate in the extractive industry's sector have a much higher level of current assets compared to the current liabilities to be

covered. For both indicators (financial flexibility and current ratio) the general trend over the analyzed period is one of growth. The PTR Company is distinguished by its highest values of current assets compared to current liabilities, followed by DAFR and SNP.

Fig. 1 Short-term financial equilibrium in Extractive industry
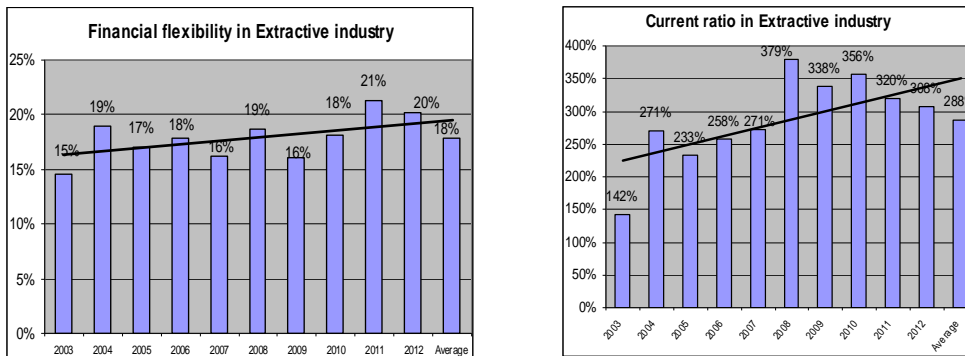
Source: own processing

In Fig. 2 we illustrate the short-term financial equilibrium indicators for the *Food and beverage manufacture sector*. It can be noticed that the peak of 21 % for financial flexibility is achieved in 2006 and the minimum of 3 % is met in 2003, with a general average of 14 %. We can conclude that the companies which activate in this sector have a positive net working capital (so, the short-term equilibrium is met) but regarding current ratios, it can be noticed that the values for the years 2003, 2004, 2005 are situated under the minimum of 150 % of the optimum interval. So, we conclude that for the 2003-2005 period, the short-term equilibrium is threatened, but for the further period a good short term financial equilibrium in this sector is achieved. The best levels are registered by BRM followed by SPCU.
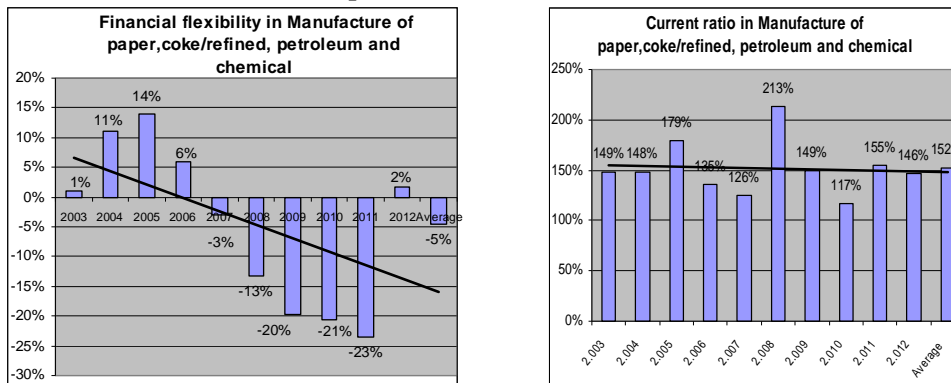
Fig. 2 Short-term financial equilibrium in Manufacture of food and beverage
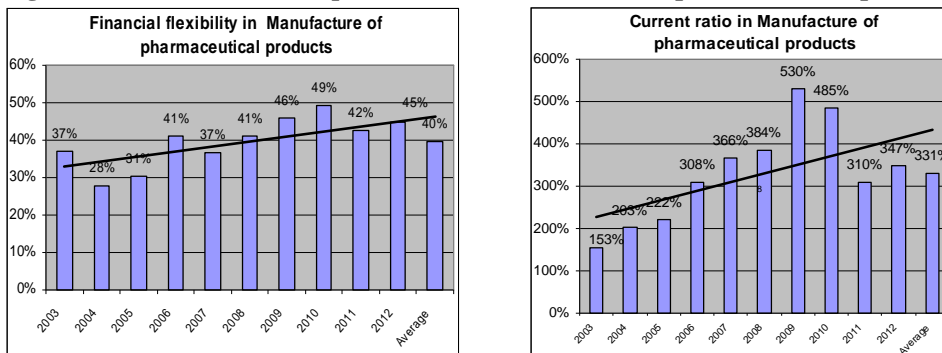

Source: own processing

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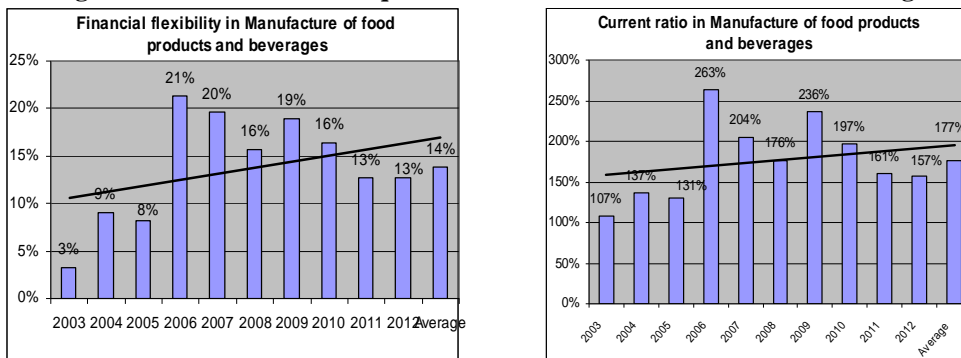
In Fig. 3 we can see a negative values of net working capital over the period 2007-2011 for the companies which activates in the sector of *Manufacture of paper, coke/refined, petroleum and chemical* and a negative average value of 5 % for financial flexibility and an average current ratio of 152 % which reflects a poor capacity of current assets to cover current liabilities. Among the companies which activate in this sector we can find the companies RRC and OLT which have the poor short-term equilibrium (negative values for net working capital in average and values for current ratio under 100 %). On the opposite side is STZ with very good values of financial flexibility and current ratio, followed by VNC with a pretty good short-term financial equilibrium.

Fig. 3 Short-term financial equilibrium in Manufacture of paper, coke/refined, petroleum and chemical

Source: own processing

Fig. 4 Short-term financial equilibrium in Manufacture of pharmaceutical products
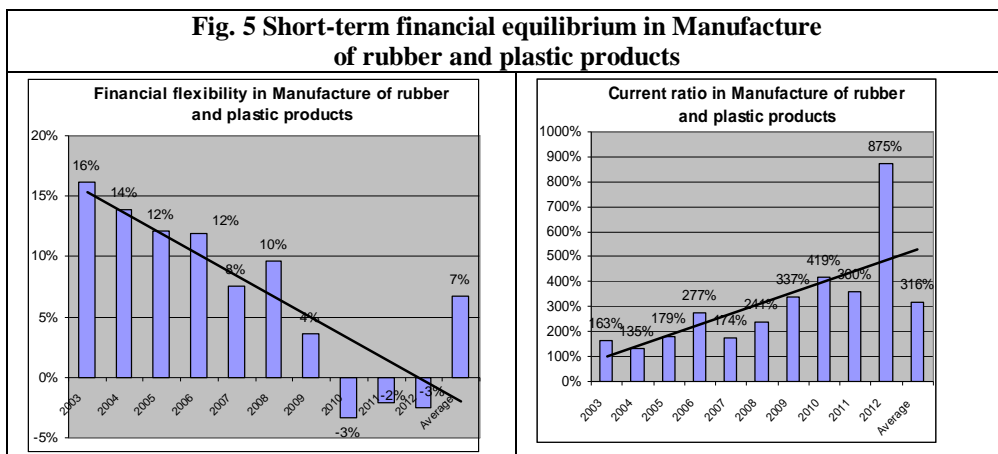

Source: own processing

Fig. 4 reflects the value of short-term indicators for *Pharmaceutical products manufacture.* For the companies which activate in this sector we can find a very high level of financial flexibility of 40 %, and also a very high level of current ratio of 331 %, in average. These indicators reflect a very high ability of current assets to pay debts, so this situation may be associated with improper management of current assets. The highest values of short term

financial equilibrium indicators are recorded by the SCD Company, followed by BIO and ATB.

Fig. 5 Short-term financial equilibrium in Manufacture of rubber and plastic products
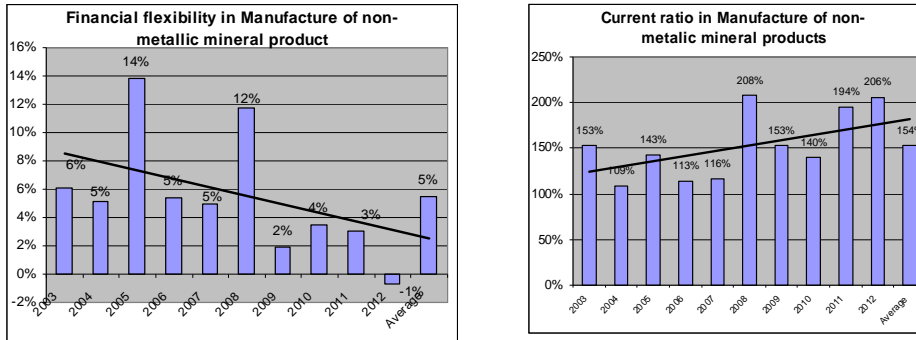
Source: own processing

In Fig. 5 there are presented the short-term equilibrium indicators for the companies that activate in the *Manufacture of rubber and plastic products* sector. For the 2003-2009 period, on the level of rubber and plastic products' manufacture, we can conclude that it exists a positive net working capital although its ratio in the companies' total assets is in continuous decrease. The 2010-2012 period reflects a deterioration of net working capital, manifested through its low values on the whole sector's level. For the 2003-2012, by analyzing the financial flexibility indicator's average values it results that the PPL company is situated on the first place of the ranking (with 58 %), being closely followed by MJM (39 %), ARTE (13 %), TRP (3,5 %) and ROCE (- 5 %).

By studying the current ratio, although the sector's average values are quite generous, by making a detailed analysis of the companies, it can be deduced that they are due to extreme high current ratio's averages, realized by PPL, meaning of 1174%, so the average of 316% on the sector's level is not sufficiently relevant. In this context, it can be observed that the current ratio's averages for the other four companies in the sector of rubber and plastic products' manufacture are situated under the minimum optimal limit for this indicator, as follows: ARTE (127%), TRP (86%), ROCE (78%),   MJM (68%).

In conclusion, it can be appreciated that the companies from the rubber and plastic products' manufacture sector, are extremely heterogeneous in terms of achieving short-term financial equilibrium, namely they either record a too high level of current assets compared to current liabilities (PPL) or are in an impossibility of covering all current debts, facing an extremely precarious short-term equilibrium (MJM, ROCE, TRP and ARTE).

From Fig.6 can be deduced that on the *Manufacture of non-metallic mineral product sector*'s level there is in average a positive net working capital and current assets are approximately 1.54 times higher than the funded debts, values that reflect the existence of short-term financial equilibrium, but it is still located at the lower risk limit. In the sector of non-metallic mineral products' manufacture a very good short-term equilibrium is recorded by CBC and CMCM. A limit equilibrium is achieved by PREH (the average current ratio is 146%) and a precarious equilibrium is achieved by CEON (with a negative working capital and the level of current ratio being in average of 85 %) followed by STIB (in average, the level of current ratio is 119 %).

**Fig.6 Short-term financial equilibrium in Manufacture
of non-metallic mineral product**

Source: own processing

**Fig.7 Short-term financial equilibrium in Manufacture of basic metals and metallurgy**
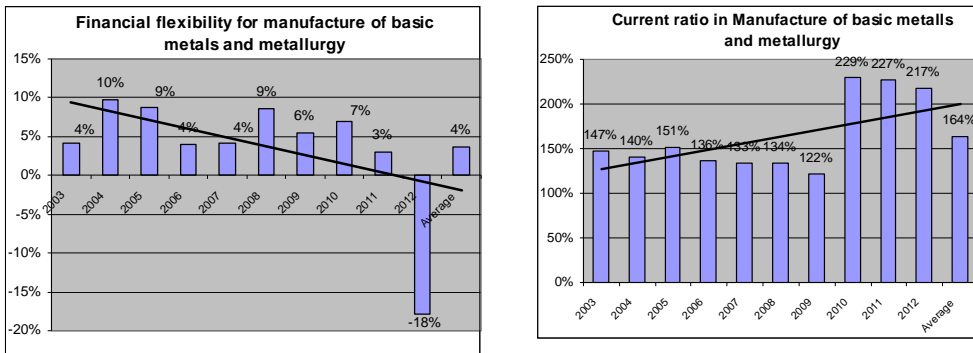
Source: own processing

In Fig 7 can be seen that for the companies which activate in basic *Metals and Metallurgy Manufacture sector* short-term financial equilibrium normally exists, because the average of financial flexibility is positive (4 %) and the average current ratio is 164 % (within the range of financial security 150-250 %). However, the COS society shows, in average, negative values of financial flexibility (-16.69%)

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and current ratio values lower than 100 (92%), fact that highlights the existence of a precarious short-term financial equilibrium. At the opposite pole, the ALRO company registers surplus levels of current assets compared to current liabilities (the rate of flexibility is positive each year, the average being 19% and the average current ratio is 233%), it is followed by ART which also shows a good short-term financial balance (the average of flexibility ratio is 10% and the average of current ratio is 164%).

Fig.8 Short-term financial equilibrium in Manufacture of electronic products and electrical equipment
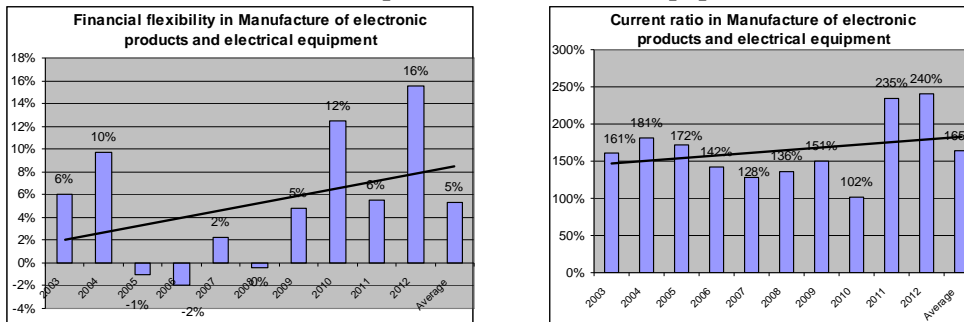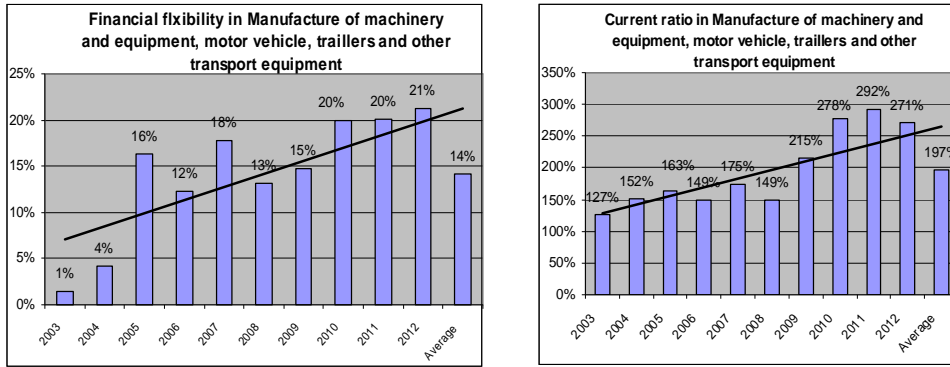

Source: own processing

In Fig. 8 can be found the financial flexibility values for the companies which activate in the *Manufacture of electronic products and electrical equipment* sectors that register significant variations from year to year with an average of 5%. The current ratio registers a general increasing trend with a general average of 165 % which conducts to a good short-term financial equilibrium at a general level of the sector. But, in particular, there are companies with a precarious financial equilibrium such as EPT (with a negative financial flexibility of - 30 % -in average and an average current ratio of 74 %), followed by CGC (with an average of financial flexibility of -8 % and an average liquidity ratio of 14 %). The ELGS and RTRA companies have also a precarious short term financial equilibrium (the average current ratios are below the minimum of financial range). At the opposite pole there are the ECT, ELJ and ELMA companies which register a very good value for current ratios, thus giving a very good short-term financial equilibrium for these companies.
In Fig. 9 we can find that financial flexibility for the companies which activate in the *Manufacture of machinery and equipment, motor vehicle, trailers and other transport equipment* sectors varies between 1 % (in 2003) and 21 % (in 2012) with a general average of 14 %. The average levels of current ratios range between a minimum of 127 % (in 2003) and a maximum of 292 % (in 2011) with a general average of 197 % which gives to the companies in this sector a very good short-term financial equilibrium.

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Fig.9 Short-term financial equilibrium in Manufactureof machinery and equipment, motor vehicle, trailers and other transport equipment

Source: own processing

Among the companies from *Manufacture of machinery and equipment, motor vehicle, trailers and other transport equipment* sectors there are however some companies with a precarious short-term financial equilibrium (UCM, CMF, UAM, ALT, CMP), companies with a good short-term financial equilibrium (APC, UZT, ARM, MECF, TBM) but also companies that present a surplus level of current assets in comparison with current debts- surplus of current ratio (MEF, ARS, SNO).

Fig.10 Short-term financial equilibrium in Electricity, gase, steam and air conditioning supply
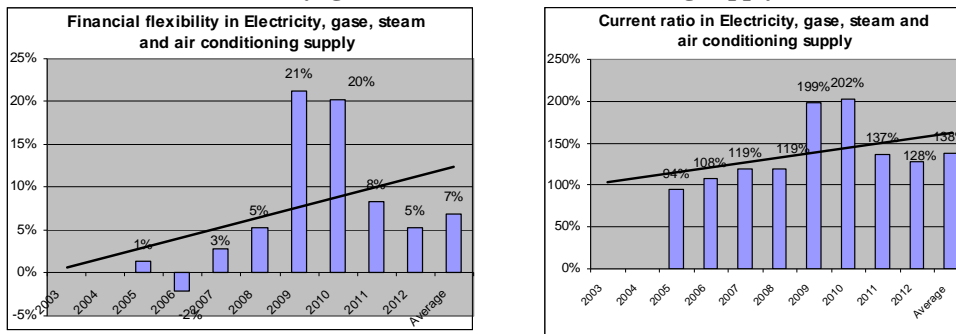
Source: own processing

In the *Electricity, gas, steam and air conditioning supply's sector* (Fig. 10) there are only two active companies, namely AMO and TEL that, in average, present a precarious (on the limit) short-term financial equilibrium. Anyway, AMO in comparison with TEL registers higher values both in financial flexibility (average values of 10 % for AMO in comparison with 3 % for TEL) and in current ratio (average values of 139 % for AMO in comparison with 95 % for TEL).

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Fig.11 Short-term financial equilibrium in Construction
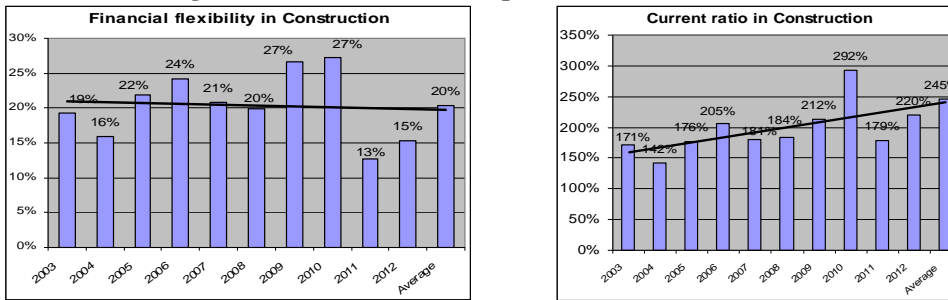
Source: own processing

A very good short-term equilibrium is met for the companies which activate in *Constructions* (see Fig. 11). We can find a positive net working capital and also a good flexibility over the 2003-2012 period of 20 % (in average) but knowing a significant decline in 2011 (13 %) and 2012 (15 %). The current ratios reflect (in average) very good values which are close to financial security's limits (150 %-250 %) with a general trend of increase over the 2003-2012 period. But, among the construction companies we can find companies such as IMP (491 %) with an exceed of liquidity ratio, companies with a good short term equilibrium (good values for liquidity ratio) such as COMI (201 %), COFI (200 %), ENP (188 %) and companies such as COTR (146 %) with a short-term equilibrium at the limit.

**Fig.12 Short-term financial equilibrium in Commerce**
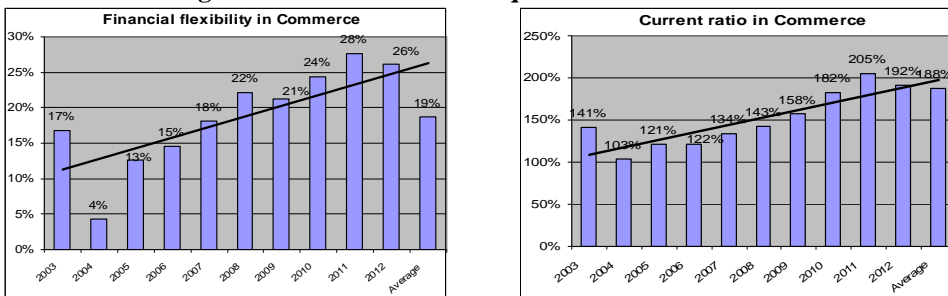
Source: own processing

For the companies which activate in *Commerce* (Fig. 12) a net working capital is met, in average for each year. The minimum of financial flexibility is 4 % (reached in 2004) and the pick is 28 % (reached in 2011) with a general average of 19 %. But the current ratios for the period 2003-2008 reflects a significant risk for the companies which activate in commerce to cover current liabilities (the current ratio fall below 150%, the critical limit). For the next period 2009-2012, the values of current liabilities increase sufficiently long enough to ensure good levels of financial short-term equilibrium. In particular for the companies in commerce, we mention ALU (with a average current liquidity of 248 %) and (PEI (with a average

current liquidity of 214 %), as companies with a good short-term financial equilibrium. The others two companies in this sector (RMAH and RPH) register an average value of current liquidity about of 135 % which determine a week short-term financial equilibrium with a high risk to pay debts.

For the companies which activate in *Transportation and storage* (Fig. 13) we can find a current ratio surplus in average of 374 %, within 2003 and 2012, situation that causes an imbalance for the short-term financial equilibrium. The results are however slightly different for this sector's companies. Thus, if SOCP registers extremely high current ratio values (890 %), TGN and OIL register low current ratio levels of 141 % and 120 %. The company OIL is remarked as registering a negative net working capital within 2006 and 2012 and also a negative financial flexibility average of -0,36 %.
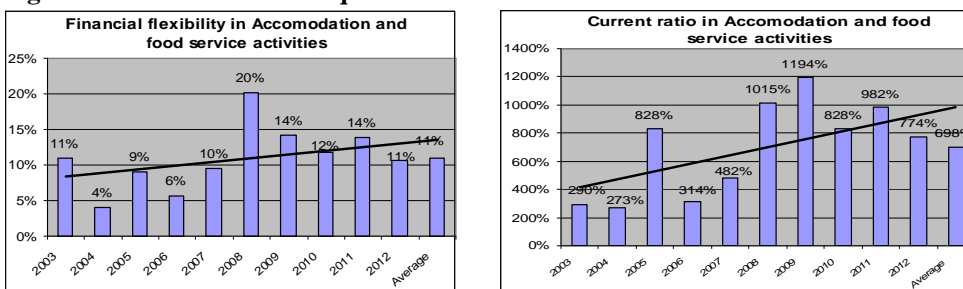
Fig.13 Short-term financial equilibrium in Transportation and storage
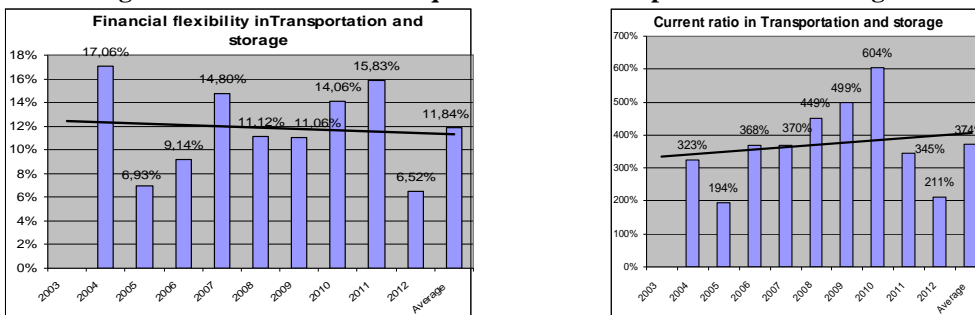
Source: own processing

Finally, Fig. 14 reflects extremely high levels of liquidity ratio, in average of about 700 %, for the companies which activate in *Accommodation and food service activities* and an average of financial flexibility of 11 %, over the 2003-2012 period. In particular, each of the four companies in this sector (BCM, EFO, CAOR and TUFE) registers very high level of current assets to cover the current liabilities except for CAOR when in 2012, it met a negative net working capital.

Fig.14 Short-term financial equilibrium in Accommodation and food service activities

Source: own processing

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Further, we have the flowing table which synthetically presents the state of Short term financial equilibrium for each of the Romanian sector of activities, in average, over the period 2003-2012:

Table 1 The short term financial equilibrium in Romanian economy, 2003-2012:

	Sector of activity	Financial flexibility (%)-average	Current liquidity (%)- average	Short term equilibrium
1.	Extractive industry (3 companies)	18 %	288 %	Exceed of current liquidity
2.	Manufacture of food and beverage (2 companies)	14 %	177 %	Good
3.	Manufacture of paper, coke/refined, petroleum and chemical (4 companies)	-5 %	152 %	Weak
4.	Manufacture of pharmaceutical products (3 companies)	40 %	331 %	Exceed of current liquidity
5.	Manufacture of rubber and plastic products (5 companies)	7 %	316 %	Exceed of current liquidity
6.	Manufacture of non-metallic mineral product (5 companies)	5 %	154 %	Weak
7.	Manufacture of basic metals and metallurgy (3 companies)	4 %	164 %	Good
	Manufacture of fabricated metals products (1 company)	4 %	121 %	Weak
8.	Manufacture of electronic products and electrical equipment (7 companies)	5 %	165 %	Good
9.	Manufacture of machinery and equipment, motor vehicle, trailers and other transport equipment (13 companies)	14 %	197 %	Forte
10.	Electricity, gase, steam and air conditioning supply (2 companies)	7 %	138 %	Weak
11.	Construction (5 companies)	20 %	245 %	Forte
12.	Commerce (4 companies)	19 %	188 %	Forte
13.	Transportation and storage (3 companies)	12 %	374 %	Exceed of current liquidity
14.	Accommodation and food service activities (4 companies)	11 %	690 %	Exceed of current liquidity
15.	Average of sector	11 %	230 %	Good

Source: own processing

The following companies achieved short-term financial equilibrium:
a) the companies in *Extractive industry, Manufacture of pharmaceutical products, Manufacture of rubber and plastic products, Transportation and storage and Accommodation and food service activities* sectors registered ***Exceed of liquidity ratio;***

b) the companies in *Manufacture of machinery and equipment, motor vehicle, trailers and other transport equipment, Construction and Commerce* sectors registered a ***very good*** state of short term financial equilibrium;

c) the companies in *Manufacture of food and beverage, Manufacture of basic metals and metallurgy, Manufacture of electronic products and electrical equipment* sectors registered a ***good*** state of short term financial equilibrium;

d) the companies in *Manufacture of paper, coke/refined, petroleum and chemical, Manufacture of non-metallic mineral product, Manufacture of fabricated metals products, Electricity, gas, steam and air conditioning supply* sectors have a ***weak*** state of short-term financial equilibrium

5. Conclusions

Providing short-term financial balance is extremely important for any company's activities as lack of liquidity is reflected in the inability to pay current debts of the company and finally it can attract the company's insolvency from creditors and then the company's bankruptcy. That is why monitoring the short-term financial equilibrium constitutes the key element of an operating activity's management. In this respect a main role is given to net working capital indicators, rate of net working capital and current ratio.

This paper aims to highlight the degree to which short-term financial balance (through the use of the mentioned indicators) is realized for a sample of 64 non - financial companies in Romania activating in different sectors. The present research also brings added value to the studies conducted in Romania by calculating average ratios (financial flexibility or current ratio) on ensuring financial stability in various sectors, ratios which are extremely useful for the analyzing the need analysis of various financial information users.

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