

THE ANALYSIS OF THE INFORMATION SPECIFY FOR FINANCIAL COMMUNICATION

Loredana POPESCU, Lecturer, Ph.D.
University Spiru Haret
Ion ŞUIU, Assist. prof., Ph.D.
University Spiru Haret

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Abstract: The present work is proposing to analyze the financial communication from the point of view of its specify information.

The idea of this analysis is started from the premise that a financial image, in the same time favorable and powerful, represent today a major strategically preoccupation for all companies.

The stock of a company represents today products whose prices are very much related with the way they communicate with the target public.

Financial communication is referring to an extreme heterogeneous target: institutional investors, shareholders, banks, debt organism, financial analysts and journalists.

The most interested in the area of financial information proved to be portfolio owners, such: individual investors; financial investments societies, institutional investors.

On the Romanian market the most trade titles are stocks.

For a decision about the value of a stock the investor must have various information, starting with the general, about the economic, monetary and fiscal policy, evolution of the interest ratio, inflation conditions to the information specify for the emitting stock society and stock information presented in the bulletins of the courses for the quotation stock or other specialized publications.

The evaluation of the stocks for tacking decision of buying or selling to the stock exchange is made starting from the analysis of the economic and financial situation of the emitting company and in this analysis use a number of indicators, such: indicators for the financial potential, indicators of the financial-economic results, indicators of the efficiency of the utilization of the financial potential.

The financial communication has the origin in the legal obligativity of quoted societies to the stock exchange to publish their results, beeing initial less spectacular comparing with other kind of communication usually practiced by a company.

The evolution was fastly, equally that companies wanted to extend started to attract capital by public offert, realising by the time to overtake the phase of only transmitting financial information. That was possible with the increase of the level of financial knowledge but also the exigency othe target public. The financial communication becomes more complex and more creative going beyond the legal announcement wich were closer to the institutional announcements from today.

The purpose of the financial communication is to protect and increase the value of the stocks. It represents an investment in the values of the company, in stockholder information and present and potential investors, such an opportunity to identify the perceptions of the target public. Financial communication is related with the financial calendar of the company and could be planed easily, related with the annual reports and important financial events on the year. The biggest companies specialized in consultancy services on financial communication which involved press announcement

about acquisitions, fusions, financial transaction and preparing the clients for the contact with the press.

From the perspectives of a business, a good financial communication could bring the increase of the sales, attracting the confidence of the public.

Getting a financial image, in the same time favorable and powerful, represent today a major strategic preoccupation for all companies. In this context every stock must be treated as a product, whose selling depends on the way to unfold the communication with target public.

Numerous global studies proved that the quotation of the stock to the market not depends totally on accounting value, getting by the real assets of the company but also the way it is perceived in the financial areas. In this conditions for assuring and getting a good quotation to the stock exchange, companies should proved their solidity, responsibility and its capacity to built a prosper future. The origins of the financial communication start with the obligation of the quoted companies to the stock exchange to publish the results. Usually the total absence of the transparency of a company about the financial results determines the suspicion of the public, acting like a shadow for the image of the company.

Following the evolution on the capital market about attracting capital on the public offer, financial communication succeeds to overtake the technical level based on transmitting financial information, exigencies of the target public being in continuous increase, that make it to became more creative and more complex, by the time. Between the factors that influenced the choosing the forms of expression are: the local-global politic of the company, competition, specify of the market-area.

In the context of getting in the same time a financial image in the same time favorable and powerful represent today a major strategically of the companies, they try to find solutions for improving financial communication.

Financial communication is referring to an extreme heterogeneous target: institutional investors, shareholders, banks, debt organism, financial analysts and journalists.

➤ **institutional investors**-such as investments funds, that involved very much stock market activity, trying to steadily and animate financial market;

➤ **shareholders** which administrate stock portfolios less important, getting to the objective to invest or make speculations with small sum of money, trying to inform the mediums that they consider initiate and are extremely sensible to the financial information, granting importance to the image of the company;

➤ **banks and debts organism** that play an important part on the market on their quality of prescriptors, based on audit reports, advising the clients to invest, or take decisions about their own decisions;

➤ **Financial analysts and journalists** that influenced considerable the public opinion, that why their information and recommendations needs a confirmation.

The most interested in the area of financial information proved to be portfolio owners, such:

➤ individual investors, natural person and legal entity characterized by reduced financial resources or reduced power to react at the market changes ;

➤ financial investments societies, they can invest in their own name for short time speculations, characterized by medium liquidities, but they can have quickly reaction reported to the capital market;

➤ Institutional investors that have as activity purpose investment in movable values and have considerable financial resources, and reaction to the market changes, being managed by the specialists in this area (financial investments societies, assurances societies, backs).

Institutional investor usually own a considerable percentage in the emitted titles of a powerful company, that mean the shares and debts instruments owned in attractive portfolios, representing an positive signal for the rest of the market, otherwise their decisions to buy or sell a lot could have unexpected effects, negative or positive for the course.

Individual investors could have as orientation criteria in the structure of their own portfolios the measure in which institutional investors are interested in different kind of titles.

About portfolios administration there are different possibilities, such: individual administration, collective administration, administration by participation to an administration club.

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For a decision about the value of a stock the investor must have various information, starting with the general, about the economic, monetary and fiscal policy, evolution of the interest ratio, inflation conditions to the information specify for the emitting stock society and stock information presented in the bulletins of the courses for the quotation stock or other specialized publications.

The evaluation of the stocks for tacking decision of buying or selling to the stock market is made starting with analysis of the economic and financial situation of the emitting company.

Generally, they used the following indicators:

A. Indicators of the financial potential

- Money;
- Working capital;
- Liquidity general and partial;
- Cash-flow;
- Financial autonomy;
- Goodwill.

B. Indicators of the economic-financial results:

- Sales;
- Gross profit on sales;
- Profit(loss) exploitation activities;
- Profit(loss) current;
- Gross income(profit)
- Net profit from operations.

C. indicators of the efficiency of the utilization of the financial potential:

- Economic profitableness ratio;
- Profitableness of consumed resources ratio;
- Commercial profitableness ratio;
- Return on capital employed;
- Return on equity;

That indicators are calculating based on financial statements and reflect the possibilities for economic increase, such: Commercial profitableness ratio, return of equity, gearing of a company; current ratio, quick ratio; return on capital employed.

From the point of view of the institutional investor all this information are extremely useful in tacking investment decision.

The most important information for the individual investor that is following short term profits, related with financial profitableness.

The financial profitableness ratio measure the return of own capital, of the investment that shareholders made buying the stock of the company. The financial profitableness of the own capital remunerate the owners by distributing dividends to them and by increasing the reserves.

$$ROE = \frac{Net\ Profit}{Own\ Capital} \quad (1)$$

$$ROE = \frac{Net\ Profit}{Own\ Capital} = \frac{Net\ Profit}{Sales} \cdot \frac{Sales}{Economic\ Assets} \cdot \frac{Economic\ Assets}{Own\ Capital} \quad (2)$$

$$ROE = \frac{Net\ Profit}{Own\ Capital} = \frac{Net\ Profit}{Sales} \cdot \frac{Sales}{Own\ Capital} \quad (3)$$

$$ROE = \frac{Pr\ ofit\ before\ taxes - Taxes}{Sales} \cdot \frac{Sales}{Economic\ Assets} \cdot \frac{Economic\ Assets}{Own\ Capital} \cdot \frac{Net\ Profit}{Pr\ ofit\ before\ taxes - Taxes} \quad (4)$$

$$ROE = margin\ ratio \cdot return\ on\ capital \quad (6)$$

$$ROE = margin\ ratio \cdot return\ on\ capital\ employed \cdot gearing\ capital\ ratio \quad (7)$$

$$ROE = gross\ margin\ ratio \cdot return\ on\ capital\ employed \cdot gearing\ capital\ ratio \cdot gearing\ structure\ ratio \quad (8)$$

This ratio is very used as financial analyze instrument, appear same methodological inconvenient related with the calculation because the ordinary investor doesn't have the necessary information for this calculation.

For the quoted companies we can calculate the quotation efficiency, determined by the increase of the stock course and dividends per share. For measuring quotation reaction (of the financial market) related with financial efficiency, we can calculate a representative ratio, PER- price earnings ratio:

$$PER = \frac{share\ quotation}{Earnings\ per\ share} \quad (9)$$

PER measure how many times the investors are ready to compare the profit per share, allow a good comparison of the companies from the same economic area.

The interest of the investors aim at stocks with higher PER because spotlight for a company a positive growth. PER variation give a good evaluation of the risks for the company, determinate by the economic risk o f the area, the gearing risk and variability of the future profits.

The share quotation is an external measure of the company's performance, earnings per share is the direct expression of the profitability of the company. That why earnings per share is a used indicator in financial analysis.

$$EPS = \frac{Net\ Profit}{Number\ of\ shares} \quad (10)$$

$$Return\ on\ Equity(ROE) = \frac{Net\ Profit}{Own\ Capitals} \quad (11)$$

$$Return\ on\ Investment(ROI) = \frac{Net\ Profit}{Total\ Assets} \quad (12)$$

$$Return\ on\ Assets(ROA) = \frac{Profit\ before\ Taxes - Taxes}{Economic\ Assets} \quad (13)$$

Public supply for stock sale is the starting point for the transformation of a company in an open company to the participation on the capital market, the main objective being attracting financial resources from the interest investors in acquisition of movable values.

The titles could be negotiated on the secondary marketing conditions that emitting does all approaches to be quoted to the market.

Acting on the area of financial communication, thus answer to the needs and demands specify for all target groups, the company has a lot of communicational possibilities, but the biggest frequency have financial notes and annual report.

Quoted companies to the stock exchange have the obligation to publish their financial results to the end of every exercise and realized this with financial notes.

Annual report is appreciated by the specialist being the most important possibility of financial communication, constituting, on the other hand, visiting card of the organization and on the other hand the base of the undertake analyses.

In traditional mode, annual report represents the support of the complete publication of the financial results, after the ending of every accounting exercise.

Today for the majority of the companies this is adocument much more complex because it transmits messages with institutional valences and outrun the initial phase which to devolve from a legal obligativity.

Considering its double role, the annual report is constituted, regulary from two parts, a part contain, besides the letter of the president of the compny, the presentation of the company activities, the generally situation of the environment and especially the competition, presentation of the global strategy of the company and the perspectives, on the other hand includes accounting information, presented in detailed manner. From the point of view of the form, annual report is a document in enough sizable, A4 format, elaborated in an attractive and creative manner. Recently it is distribute on the informatic support or on the internet.

Press confrence, press communique, intereiws, participation to the broadcast, mettings that are specify instruments for public relations, that organizations used frequently in financial communication. This possibility could be useful in relations with the press, and with the other categories of public that is refering to.

Besides that communication possibilities, companies appeal to much to the publicity. This communication technique is useful especially in case of financial operations which organisation acquaintance to the public: privatisations, increase of capital, public offers, stock exchange, important acquisitions.

Periodical presentation of same financial reports, by the quoted companies is obligatory. Step by step this reports outrun the study of a simple list with numbers, transform in marketing instruments. Today not only quoted companies communicate information about profits, sales. A good financial image helps to take easier credit from the bank, to get some financial resources, to attract investors and last but not the least to sell successfully the company. Commercial relations suppose a certain financial reputation. Creating and maintaining this reputation get in the obligation of the companies or Investor Relations Departments(IR).

Relations with the investors, with analysts and counselors in the investment area, with the financial press are extremely important in realising the objectives related with the financial image and suppose a specialised communication.

Financial communication doesn't have targets only the specialised financial environment, and also the shareholders and the stockholders, communication with them having the same importance as communication with the company's clients.

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