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ECONOMIC AND FINANCIAL ANALYSIS OF A COMPANY – SUPPORT FOR USERS OF INFORMATION

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Abstract

In any economic environment, a financial analysis is required as a top priority for any company due to the benefits provided. The study was conducted on the importance of this analysis, accounting data can be used and the interpretation of results based on these data. To obtain an analysis of ABC company based on the financial statements, which allowed us to obtain further information about the health of it by using indicators of cash flows, the profitability, liquidity, solvency and the indebtedness. This analysis was conducted on five consecutive years and underlining the importance of each item allowed patrimonial effects beyond the efforts that each company wants to produce to increase their own performance.

Key words: *financial information, analysis, financial performance*

1. INTRODUCTION

In any market economy, every company wants to maximize the output and for that the managers depends on access to information, the quality of information and the ability of the system to refresh the information provided. Since the objective of accounting can be defined as being to ensure the provision of information to achieve a fair value of the financial position, the financial performance and changes occurring in a company, I consider important how each company manages its information and transmit some of this information to users.

Since 1975, Anderson in his work stressed the importance of information and interaction of this information with other market information can be extremely valuable for a company and any part of a whole by adding the value obtained from each part will get more than the whole got separated.

The organization of financial and accounting activities meet different forms depending on the size and complexity of the company's financial activity. Whatever the shape or the organization each company is obliged to organize and manage financial and accounting so that it can provide financial information to enable activity analysis, the status quo of the company, its situation, the profit / loss on it is registered. Information can be found both financially and in accounting management accounting.

In 1999, Espinosa-Pike in his book tells us that information to be used must provide warranty (on their quality), and this depends on the honesty of those who prepared the documents. These people are those who choose which of the methods allowed by ethics and rules can be used knowing that the way to centralize the data can sometimes produce errors of interpretation.

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Hunton and Beeler (1997) states that we use a computer system can help the user control, which would facilitate management of this information. However, these information systems are not often implemented because of organizational constraints due to limited resources, so the most effective way is to select the right staff and then the accountable (by implication, an attitude that creates performance).

In his work Finlay and Marples (1997) mention the importance of information management, stressing that it is important for managers to know not only which information system, which communication system is used but also the processing system used to deliver results of the analysis. These results are obtained by specialists using techniques and analysis models plus their experience in interpreting the results.

According to the Romanian law, financial accounting information intended for external users can be obtained through the a summary of financial statements whereas specific accounting documents and accounting information is intended for internal use management of the company, due to its specific character.

Any financial situation of companies includes financial information on the health of company at a given time; financial Romanian report has four separate parts: balance document, income statement, informative data, and situation of fixed assets.

Each document provides some information as follows: “Balance Sheet” provides information on assets, equity and debt of the company (those physical and financial resources available to the company), “Profit and loss account” gives us information about expenses, revenues and company profits on course activities (considering its achievements which had been supported to enable the achievements to be obtained), “Informative data” includes a more centralized data on the outcome recorded (outstanding payments, number of employees, interest payments, dividends or royalties, charges for research, innovation, other information); situation of fixed assets includes amounts relating to the types of intangible assets (including increases and decreases), depreciation, and any adjustments for impairment if there were.

Large companies are required to prepare a "Statement of Cash Flows" which includes a breakdown of these flows on activities that generated them: operating, investing and financing (optional for small companies). Although financial statements are regarded as historical documents recorded because they are the records of the situation of the company at a certain moment they can also give specific information useful for different users on: capacity of the company to future expansion or the capacity of the company to support financial activities in the future (for managers), earnings and possible future dividends (for shareholders), the collectability of the debt (creditors) etc. (Figure 1).

Lainez and Callao (2000) in their paper on the need for presentation of financial information made available generally to be interpreted and analyzed in order to ensure comparability of data. They noted that although there is a good accessibility of information acquisition, many countries face international diversity in the formulation and application of accounting principles leading to a significant barrier for international comparability of financial reports.

Based on information provided by accounting can be economic and financial analysis. Any company use financial analysis in various occasions: to see if capital requirements can be covered / supported in equity / borrowed, to check the level of liquidity for the analysis of financial results.

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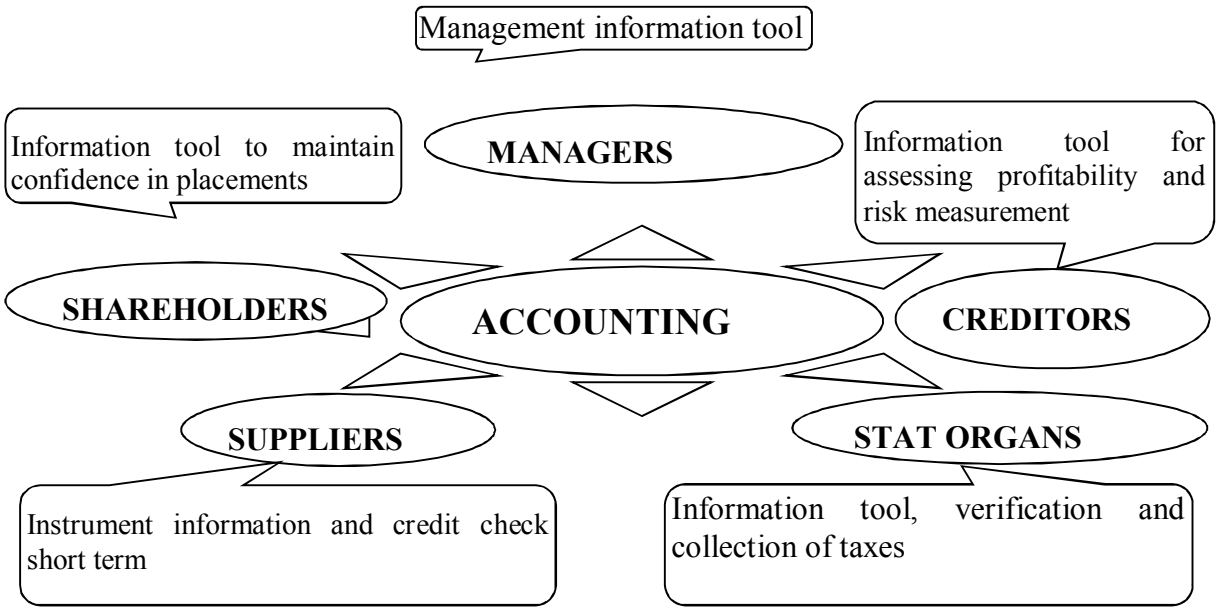

Figure 1. Accounting information on different types of users

On the other hand is considered in the literature that exogenous factors including a company such as the legal system might affect long-term activity of a company (through a legislation incentive for creditors, the rules relating to the execution of contracts and by establishing full and accurate reports), environmental regulations etc., which can cause or influence a firm growth. Levin (Levine, 1999) and other authors believe that corporate social and environmental performance is directly related to corporate financial performance (Orlitzky and all, 2003).

Bittencourt (2012) emphasizes the importance of broader access to finance companies which he says allows growth, demonstrated by his study conducted in four Latin American countries. It emphasizes that Schumpeter's predictions come true about the role of financial development in promoting innovation and economic growth.

In this study Bittencourt (2012) believes that the state can facilitate or support that allows access to finance plant expansion and ultimately this will affect the state through economic growth while other authors consider that the state should take a more restrictive policy because they say the cost of debt includes the risk of bankruptcy (Huynh and all, 2012).

2. NEED FOR ECONOMIC AND FINANCIAL ANALYSIS

Because there are many external factors that cannot be controlled, we consider that is very important that managers take into consideration the resources and all information available when they want to make changes in the asset to achieve economic and financial analysis of financial data.

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Financial analysis is required because it uses specific tools and means adapted to the aim pursued and leads to: financial diagnosis, part of the diagnosis accounting, financial accounting function targeting, diagnosis profitability and risk diagnosis.

Objectives pursued by the economic and financial analysis are:

• Highlighting malfunctions or bad elements;

• Identify the causes of these difficulties, for correction, removal or counter;

• Presentation of enterprise evolution and propose actions to be taken for improvement or recovery situation.

Financial analysis and the construction involve a judgment on the "financial health" of the company, the strengths and weaknesses of financial management, which can assess the risks of past, present and future. This can be seen as part of a system in which the financial analysis, after which decisions can be financial, it may set financial goals, and if they change the circuit resumes to ensure that objectives can be financially supported (figure 2).

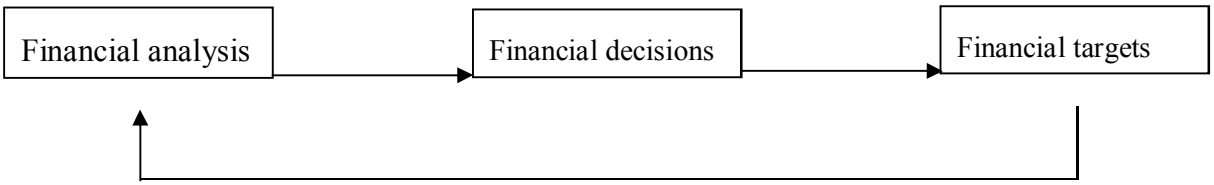

Figure 2. Cycle financial analysis

Financial analysis is to assess the financial policy of the enterprise at a given time in the past and its facilitation of making future decisions. It is achieved through analysis of financial statements because it involves examining the evolution or trend that company records that can be compared with other firms in the same area and analyzed through specific indicators.

The need to achieve financial analysis is underlined by Gaver and Pottier (2005) in their article which made a study using indicators of capitalization, liquidity, asset risk and profitability (on 80 publicly traded property-liability Insurers). Their study that there are differences in regulations and accounting procedures given the sometimes hijacks final information such as: Statutory Accounting Principles (SAP) and the Generally Accepted Accounting Principle (GAAP), and for this reason comparisons are not conclusive. In this sense for the success of an analysis is very important to take into account two limitations: making possible the comparability of data between two or more companies and to be able to look beyond the existing relationship.

First, the need to use the same accounting methods that can be realized for comparability (is inventory records can be achieved by several methods FIFO, LIFO or weighted average cost, and results can be influenced by it, as any valuation of inventory, etc..). Barnes (1987) in his paper considers the use of financial ratios can be performed for many purposes, but mainly they have used to facilitate comparisons by adjusting them according to size.

Second, assume that the results obtained by means of indicators can be used for further investigation of the causes that led to their getting and not as a final aim. To achieve the final analysis others sources of data must be used to complement and support the results obtained through indicators such

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as trends in that industry, any technological changes, possible changes in consumer preferences, certain changes in general economic factors, changes occurring inside the company.

Feroz (2003) in his article urges us to use ROE (Return on Equity) using its decomposition as follows:

$$ROE= (NI/S) \times (S/A) \times (A/E)$$

Where:

- First report is profit margin = Net income (NI)/Sales (S);
- Second report is asset utilization = Sales (S)/Total Assets (A);
- Third report is equity multiplier = Total assets (A)/Common equity (E).

This decomposition facilitates the examination he says in terms of profitability (profit margin), level of assets needed to generate sales (asset usage), and the financing of these assets (equity multiplier) and define the important dimensions of technical efficiency of an organization producing income (Feroz et all., 2003).

This mean that one can act to minimize inputs (total assets, equity, etc.) and maximizing output (net), that is to use minimum resources to get maximum results.

Using a studio called Data Envelopment Analysis (DEA) they have tried to discover whether there is a relationship of dependence between the results of the financial ratios (liquidity, solvency side performance) and that is the extent to which this can help us evaluate the effectiveness of companies. Making a statistical descriptive analysis (mean, median, dispersion) of these financial ratios they concluded that the results are similar to those made by Davis and Pele, that there is a correlation between these indicators, on the distribution coefficients (Davis et al ., 1993).

3. MATERIALS AND METHODS

Excluding those possible setbacks due to accounting rules and procedures may leave room for interpretation and that may prevent or hinder financial analysis in the present study. That why I have decided that I will use indicators that are used primarily to indicate the past performance of the company, but data can be interpreted and can also be used to extrapolate into the future and to some extent, the trend of evolution or performance or any potential problem areas.

For this analysis we started from the financial data presented in Table 1 and 2, corresponding data for this company ABC and have used data from five consecutive years (data from this study are in RON).

There has been a horizontal analysis of balance because it shows how to realize key financial balances short and long term company through aggregate sizes such as net situation, working capital, working capital needs the treasury. This analysis also highlights the correlations between asset and liability items (debtors, creditors, customers, suppliers, etc.).

Analysis of data elements through the balance property can be achieved using mathematical formulas involving horizontal analysis (analysis of the funding panel - Table 3) and vertical (analysis of economic structure - Table 4) financial data.

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Table 1. Financial statement in summarized form of company ABC

No. Item	Economic elements	Year N-4	Year N-3	Year N-2	Year N-1	Year N
1	Assets	1100	1200	1,190	1110	1060
2	Current assets, including:	600	730	550	610	630
	- inventories	200	170	150	180	160
	- trade receivables	120	260	180	240	170
	- cash assets	280	300	220	190	300
TOTALASSETS (1+2)		**1700**	**1930**	**1740**	**1720**	**1690**
3	Capital	1350	1400	1400	1400	1400
4	Reserves	30	40	50	60	70
5	Current result of exercise	20	100	50	60	80
6	Equity capital (3+4+5)	1400	1540	1500	1520	1550
7	Other liabilities (current liabilities)	50	90	80	60	30
8	Long-term loans	250	300	160	140	110
TOTAL LIABILITIES (6+7+8)		**1700**	**1930**	**1740**	**1720**	**1690**

ABC Company has recorded the following financial data on the profit or loss (Table 2):

Table 2. Financial data on the outcome recorded

Economic elements	Year N-4	Year N-3	Year N-2	Year N-1	Year N
Annual turnover	1200	1400	800	900	1100
Net operating result	19	98	50	55	78
Current result of exercise	20	100	50	60	80

Tabel 3. The analysis of cash flows

No. Item	Name of financial indicators	Formulas for calculating financial indicators
1	Working Capital Fund (WCF)	WCF = Permanent capital – Fixed assets WCF = Current assets - Liabilities
2	The need for working capital (NWC)	NWC = Current assets, excluding cash availability – Current liabilities, excluding short-term loans NWC = (Inventories + Trade receivables) – Short-term loans
3	Treasury net	TN = Active Treasury – Treasury passive

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	(TN)	TN= WCF – NWC
WCF = express achieving long-term financial stability and its contribution to achieving balance in the short term; NWC = express part of current assets (inventories and receivables) that is not funded from accounts payable (suppliers, tax liabilities and wage); TN = express a surplus of funding, existing cash and bank accounts.		

Working capital is important, as it expresses the excess resources resulting in permanent financing of investments, which can be "run" to finance current assets.

Expressing net surplus to finance Treasury and when positive is the amount remaining after fully funding the working capital fund working capital needs.

Analysis of the vertical direction of the balance sheet was done because it helps us identify the structure of assets (the ratio between assets and current assets) and liabilities (equity) financing structure (the ratio between equity and debt), and allows calculation of rates rotation of asset and liabilities, calculating rates of return, etc. (Table 4).

Table 4. Patrimonial analysis by combining indicators

No. Item	Name of financial indicators	Formulas for calculating financial indicators
1	Indicators of profitability (IP)	1. Economic rate of return = Net operating profit / Total assets 2. Financial profitability rate = Net profit / Equity capital
2	Liquidity ratios (LR)	1. Current Ratio = (Inventories + Receivables + Cash Assets) /Short-term loans 2. Ratio partial = (Receivables + Cash Assets) / Short-term loans 3. Quick Ratio = Cash Assets / Short-term loans
3	Solvency indicators (SI)	1. The solvency ratio = Total debts / Equity capital 2. Overall solvency ratio = Total assets / Current liabilities
4	Debt indicators (DI)	1. Overall borrowing rate = Total debts / Total liabilities 2. Rate of total financial autonomy = Debts to be paid in a period longer than one year / Equity capital
IP = performance expressed by a company registered efficient use of available resources; LR = expresses the company's ability to generate sufficient cash resources (cash) to deal with debt and ensure business continuity; SI = verify that an undertaking to meet its outstanding obligations owed to its creditors; DI = provides information on the company from its creditors autonomy.		

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Analysis of rates by allowing managers and owners to look through calculations relationships between seemingly unrelated elements that the results they provide can identify trends and make decisions.

5. RESULTS

A first analysis for ABC Company can be achieved by carrying out calculations according to Table 5, which identify economic development and comparability of data elements recorded in the previous year. Analyzing data, absolute and relative financial balance (Table 5) observed trends in each element and to share its heritage in total. Also notice that the increase or decrease an item produced changes both content and structure.

Table 5. Analysis of the balance data

No. Item	Economic elements	Year N-4		Year N-3		Year N-2		Year N-1		Year N	
		RON	%	RON	%	RON	%	RON	%	RON	%
	0	1	2	3	4	5	6	7	8	9	10
1	Assets	1100	64.71	1200	62.18	1190	68.39	1110	64.53	1060	62.72
2	Current assets, including:	600	35.29	730	37.82	550	31.61	610	35.47	630	37.28
	- inventories	200	11.76	170	8.81	150	8.62	180	10.47	160	9.47
	- trade receivables	120	7.06	260	13.47	180	10.34	240	13.95	170	10.06
	- cash assets	280	16.47	300	15.54	220	12.64	190	11.05	300	17.75
TOTAL ASSETS (1+2)		**1700**	**100**	**1930**	**100**	**1740**	**100**	**1720**	**100**	**1690**	**100**
3	Capital	1350	79.41	1400	72.54	1400	80.46	1400	81.40	1400	82.84
4	Reserves	30	1.76	40	2.07	50	2.87	60	3.49	70	4.14
5	Current result of exercise	20	1.18	100	5.18	50	2.87	60	3.49	80	4.73
6	Equity capital (3+4+5)	1400	82.35	1540	79.79	1500	86.21	1520	88.37	1550	91.72
7	Other liabilities (current liabilities)	50	2.94	90	4.66	80	4.60	60	3.49	30	1.78
8	Long-term loans	250	14.71	300	15.54	160	9.20	140	8.14	110	6.51
TOTAL LIABILITIES (6+7+8)		**1700**	**100**	**1930**	**100**	**1740**	**100**	**1720**	**100**	**1690**	**100**

Based on financial balance indicators we then calculated the indicators of analysis of the financing table that expresses the balance between needs and resources: working capital, need for working capital and net treasury for the company ABC (Table 6).

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Tabel 6. The analysis of cash flows

No. Item	Economic elements	Year N-4	Year N-3	Year N-2	Year N-1	Year N
1	Current assets, including:	600	730	550	610	630
2	- Inventories	200	170	150	180	160
3	- Trade receivables	120	260	180	240	170
4	- Cash assets	280	300	220	190	300
5	Other liabilities (current liabilities)	50	90	80	60	30
6	Total liabilities (Debt)	300	390	240	200	140
7	Working Capital Fund (1-6)	300	340	310	410	490
8	The need for working capital (2+3-5)	270	340	250	360	300
9	Treasury net (7-8)	30	0	60	50	190

There is a fluctuation in working capital from year to year but does not affect the need for working capital funds because there sufficient resources to finance current assets.

There is also a decrease in net cash which is a favourable situation, the company used cash resources.

There is also a decrease in net cash in year N-3 which could create a possible imbalance, but in the following years the company has a positive cash.

Another analysis is required to be made by the patrimonial analysis combined indicators. Many of the measures of profitability involve calculation of the economic and financial profitability.

Analysis by indicators combine asset is necessary because the use of ratios between different elements can assess the overall financial condition of companies. Sometimes also called trend analysis, the ratio analysis was used to compare the company's financial condition during the time, in order to identify any trend, good or bad, in its performance.

Using the formulas from Table 4 a analysis for ABC company was done in Table 7 which consists of elements and decay rates to obtain components that can be analyzed separately and are also subject to analysis.

I should mention here that achieve superior profitability is worth the management company which managed assets effectively, making the face of economic risk (the possibility of registering a result of insufficient or even a loss) and financial risk (can not effectively use capital borrowed and to expose the company to an inability to meet its financial obligations).

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Table 7. The analysis of profitability

No. Item	Economic elements	Year N-4	Year N-3	Year N-2	Year N-1	Year N
1	Annual turnover	1200	1400	800	900	1100
2	Net operating result	19	98	50	55	78
3	Total assets	1700	1930	1740	1720	1690
4	Gross margin rate (GMR) (2/1)	0.02	0.07	0.06	0.06	0.07
5	Capital rotation (CR) (1/3)	0.71	0.73	0.46	0.52	0.65
6	Economic rate of return* (ERR) (4x5)	0.01	0.05	0.03	0.03	0.05
7	Net profit	20	100	50	60	80
8	Equity capital	1400	1540	1500	1520	1550
9	Rate of capital structure (3/8)	1.21	1.25	1.16	1.13	1.09
10	Rate of remuneration structure (7/2)	1.05	1.02	1.00	1.09	1.03
11	Financial profitability rate ** (4x5x9x10)	0.01	0.06	0.03	0.04	0.05

*to determine the existence of two factors: one quantity (gross margin or margin rate of accumulation) which is influenced by operating conditions and quality factor (capital rotation) that characterize the effectiveness of capital employed in the activity;

**shows the existence of two factors in addition to those derived from economic profitability. The first express the financing of economic assets in equity while the second expresses the share or contribution to operating result in the total result.

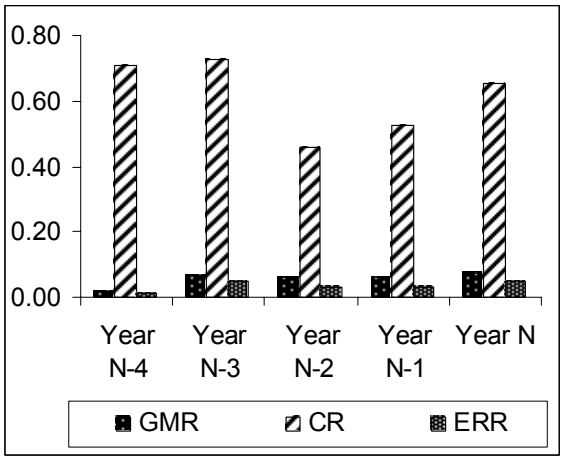

Figure 3. Evolution of the economic profitability afferent

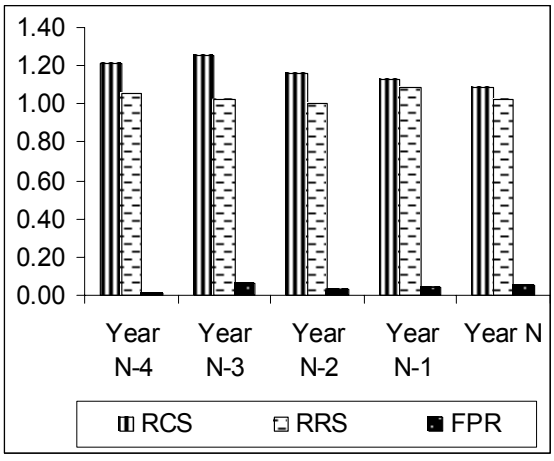

Figure 4. Evolution of the financial profitability afferent

There was a growth rate of economic return which measures the ability to provide both economic asset renewal, as well as pay equity investors.

Return on equity and that expressing yield stronger growth equity, ie pay grade placement made by the owners of the company. Compensation was achieved by paying dividends and increasing reserves.

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Analysis heritage can be supported by computing the liquidity rate (Table 8).

Table 8. The analysis of liquidity

No. Item	Economic elements	Year N-4	Year N-3	Year N-2	Year N-1	Year N
1	Inventories	200	170	150	180	160
2	Trade receivables	120	260	180	240	170
3	Cash assets	280	300	220	190	300
4	Short-term loans	50	90	80	60.00	30
5	Current Ratio (CR) ((1+2+3)/4)	12.00	8.11	6.88	10.17	21.00
6	Ratio partial (RP) ((2+3)/4)	8.00	6.22	5.00	7.17	15.67
7	Quick Ratio (QR) (3/4)	5.60	3.33	2.75	3.17	10.00
CR = financial working capital expressed relative size. It is noted that potential liquidity (assets convertible into currency on short-term) can claim chargeability potential (short-term debts repayable). CR>1⇨ It notes that there is capacity to pay debts due in the short term (working capital is positive). There is an improvement in the liquidity of the assets of the maturities of short-term debt this year than last year. RP = the firm's ability to pay short term debts of receivables and availability. Value of this ratio is quite high which means that the company dispose of stagnant resources. QR = company's capacity to repay short term debts instantly existing availability. There was a decrease of its previous year which is a positive situation, the company has optimized the use of cash.						

This ability is actually on the entity's ability to cope with the total assets available for payment of any obligations and debt repayment.

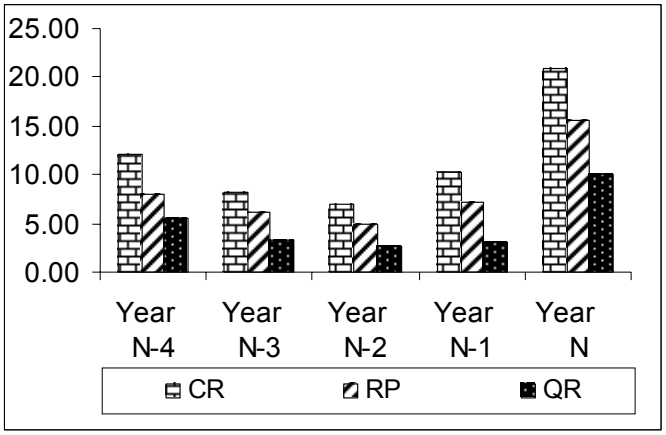

Figure 5. Evolution rates of liquidity

The need for solvency is a must for any company because it allows operating fluently in. Solvency ratios express the degree to which the company meet total debt and have been calculated in Table 9.

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Table 9. The analysis of solvency

No. Item	Economic elements	Year N-4	Year N-3	Year N-2	Year N-1	Year N
1	Total assets	1,700	1,930	1,740	1,720	1,690
2	Equity capital	1,400	1,540	1,500	1,520	1,550
3	Current short-term debt	50	90	80	60	30
4	Total debts	300	390	240	200	140
5	The solvency ratio (SR) (4/2)	0.21	0.25	0.16	0.13	0.09
6	Overall solvency ratio (OSR) (1/3)	34.00	21.44	21.75	28.67	56.33
SR> 0 that the company can cover the total debt from equity, which is safe for long-term creditors; OSR - results express that short-term company has sufficient resources to meet current liabilities.						

The risk of financial imbalance of the company depends on the size and structure of its Borrowing and leverage knowledge of these indicators is important for both internal and external information by ensuring the creditworthiness of business partners. Calculations on debt indicators were presented in Table 10.

Table 10. The analysis of debt

No. Item	Economic elements	Year N-4	Year N-3	Year N-2	Year N-1	Year N
1	Equity capital	1,400	1,540	1,500	1,520	1,550
2	Permanent capital	1,400	1,540	1,500	1,520	1,550
3	Total debts	300	390	240	200	140
4	Total liabilities	1,700	1,930	1,740	1,720	1,690
5	Overall borrowing rate (OBR) (3/4)	0.18	0.20	0.14	0.12	0.08
6	Financial leverage (FL) (3/1)	0.21	0.25	0.16	0.13	0.09
7	Rate of total financial autonomy (RTFA) (1/3)	4.67	3.95	6.25	7.60	11.07
8	Debt capacity (DC) (1/2)	1.00	1.00	1.00	1.00	1.00
OBR - there is a growing business dependence from various creditors, but it is possible debt repayment (this increase is 18%); FL - although this indicator is less than 1 is an increase from one year to another which leads to diminishing opportunities to access new loans; RTFA - is the inverse of financial leverage and says that the company had a poor outcome that has diminished financial autonomy; DC - says that this year the company has improved its ability to leverage.						

Debt can be used for growth and the company considered observed decrease financial leverage (debt to equity reported). They also see an increase of financial autonomy.

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5. CONCLUSIONS

All companies are primarily intended to obtain a higher profit. However, mass analysis of profit does not offer enough information on company performance. Therefore, it was necessary to compare it with other measures reflecting the efforts made for obtaining the profit.

In the first part we realize an analysis of balance sheet to determine how they have evolved from year to year. Then we calculated the net positions of heritage and it was found that company ABC is able to cover debts from assets it has. We moved later on the determination of the treasury indicators: although the value decreased from one year to another, they finally recorded as positive values showing that there are sufficient resources to cover working capital needs and ensure a positive treasury.

Company's ability to generate profit was verified by measuring the efficiency and effectiveness of indicators of profitability of the company. Profitability is one of the synthetic indicators of economic and financial efficiency of a company and it is intended to express its results.

At ABC company rates of return have increased this year compared to last year, growth that is justified by:

• increase economic efficiency rate was achieved due to higher gross margin rate that was influenced by increasing turnover and net operating results;

• growth rate of financial return to profitability at the expense of economic growth rate of capital structure (caused by an increase in net profit).

For this activity requires that the company always have the cash resources (cash) that would allow payments due dates, so were calculated liquidity indicators.

Note that rates are too high liquidity which suggests that liquidity stagnates in the company and therefore are not sufficiently used.

Items that can cause favorable effects on liquidity are stocks (which was done) and accelerating debt collection (which was done in a certain extent).

Another prerequisite for financial analysis was to check the solvency knowing that keeping pace is subject to timing of receipts of cash resources (which depends on the possibility of change in currency assets mature) the payment rate (which is given by honouring debt reached at maturity).

There is an increase in solvency datoeiile if we take into account current and decreased its total debt when we talk. However, these rates are too high which again tells us that the company faces a cash surplus which is not capitalized.

The analysis of debt identifies the degree of dependence of own resources and those attracted by the company has to identify the steady state. Indebtedness of the company is important to consider because it allows determining the degree of financial independence and possible risks of the company is exposed.

There is a drop in global debt rate can be explained by the increase in debt at a rate less than total liabilities. Leverage refers to the proportion of company capital (which was brought by shareholders) to creditors, ie that the proportion of own and borrowed sources and company under study shows a drop of it. Leverage shows the extent to which the company depends on loans to finance its operations and in our case there is a favorable effect.

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Maintaining financial balance showing "health" of the company is conditioned by the correlation of the factors leading to success and those that cause failure. For this consider it necessary to conduct an economic analysis that can provide sufficient financial information stakeholders, analysis can be extended by using other indicators.

Assessment of company performance through rates or composite indicators can help to improve company information system by helping managers in making decisions, which ultimately leads to reduced economic and financial risk.

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