

ASSETS' STRUCTURE AT CREDIT UNIONS

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Balance is a static tool for assessing the entity's position, profit and loss on one hand and cash flow statement on the other hand. These are dynamic situations on one hand showing the effectiveness or ineffectiveness of the total consumption of resources (profit and loss) and on the other hand entity's business viability (by cash flows).

As reflection of financial position, the balance, established at the end of the reporting period (called a financial year), describes separately items of assets, liabilities and equity of the company.

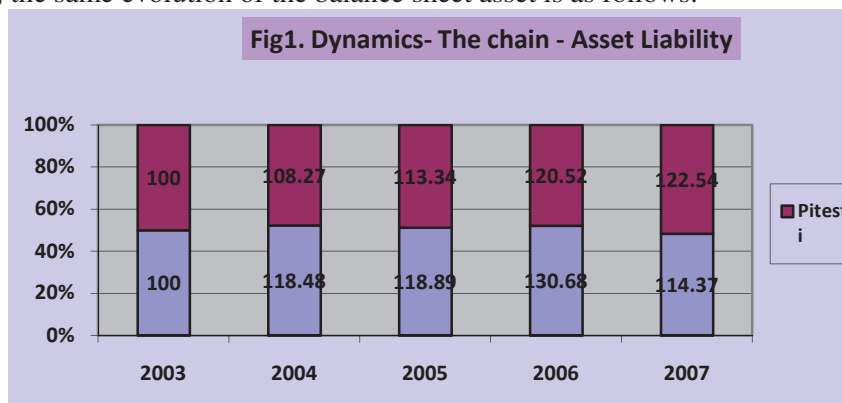
Assets are resources controlled by the enterprise as a result of past events and from which is expected to generate future economic benefits for the enterprise. The economic benefits correspond to a production potential, a possibility for conversion into cash or a reduction in output capacity of funds (cost reduction) that an asset contributes, directly or indirectly to a company-specific cash flow.

Keywords: assets, credit unions, balance sheet, bank, customers

JEL classification: G2

1. Analysis of credit unions assets

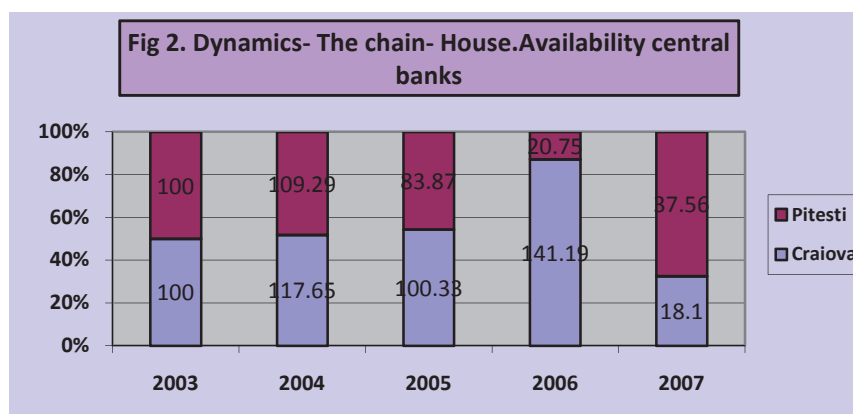
Graphically, the same evolution of the balance sheet asset is as follows:



Source: Own calculations based on the aggregated financial statements

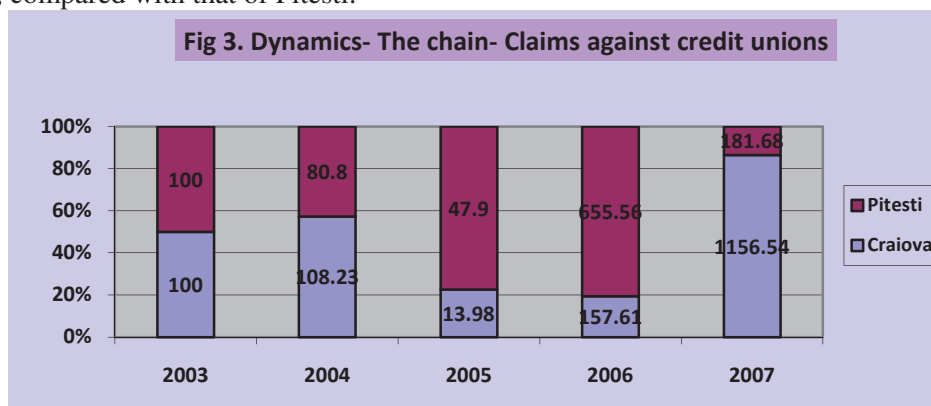
The above graphic shows that the current credit unions in Craiova and Pitesti have had an upward trend (annual growth stood at a level above 10%) during 2003 and 2007, except during 2006-2007 when the Credit Union from Craiova has a slowdown in the growth rate from 30.68% in 2006 to 14.37% in 2007.

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Source: Own calculations based on the aggregated financial statements

The data presented in Figure 2 produces two liquidity developments of the two credit unions, as follows: - at Credit Union in Craiova, annual trend shows a favorable liquidity during 2003 - 2006, when they recorded annual average growth rates, as follows: 17.65% in 2004, 0.33% in year 2005, 41.19% in 2006. The year 2007 saw a drastic reduction in credit union's liquidity to a level of 18.10% from that recorded in 2007;
 - at Muntenia Credit Union from Pitesti, liquidity was following developments: 109.29% in 2004, 83.87% in 2005, 20.75% in 2006 and 37.56% in 2007;
 - from these two developments, results a better state in terms of liquidity in the credit union from Craiova, compared with that of Pitesti.

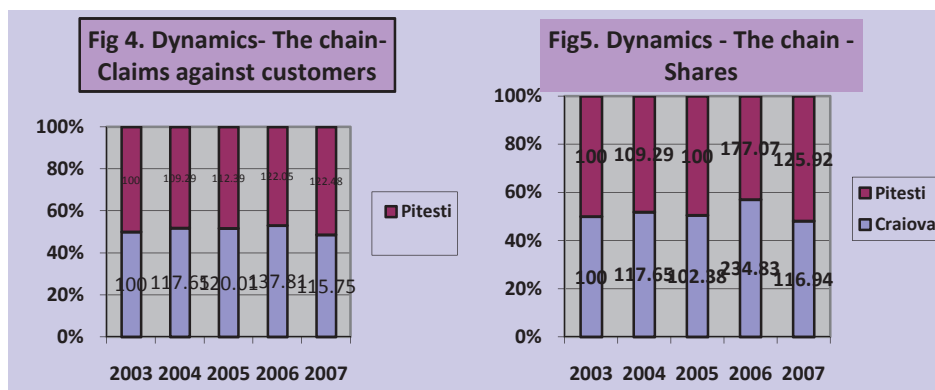


Source: Own calculations based on the aggregated financial statements

Another important element that can be identified in the evolution of balance sheet assets refers to "Claims on credit institutions. " The chart above show the following aspects:

- to Credit Union in Craiova, on the interval time between 2003 and 2005, the indicator showed an upward trend from 108.23% in 2004, followed by a downward trend from 13.98% in 2005, and again an upward trend during 2006 to 157.61% 1156.54% in 2006 and in 2007;
 - to Credit Union Muntenia in Pitesti, there is a reduction in the level indicator for the period 2003 - 2005, followed by an increase in the indicator up to 655.56% in 2006, after which the indicator is reduced to 181.68% compared with past performance.

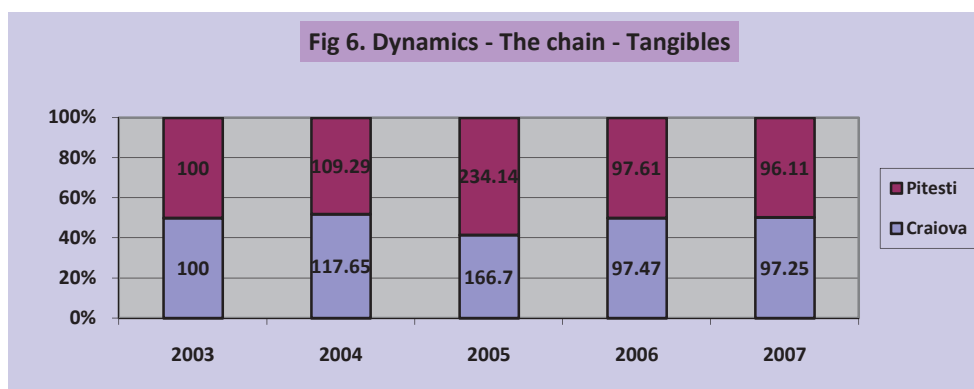
Following the evolution of claims against customers, we observe that in both cases are recorded annual growth rates throughout the period analyzed. In Credit Union of Craiova's case, the indicator is reduced by 12% compared with the rate recorded in the previous year.



Source: Own calculations based on the aggregated financial statements

The annual rate of shares of the two credit unions was considered an upward for the duration, but different time intervals, as follows:

- at Credit Union in Craiova, the indicator has evolved to the level of 117.65% since 2004 to a level of 234.83% in 2006 and 116.94% in 2007;
- the evolution to CreditUnion from Pitesti is similar: 109.29% in 2004, 177.07% and 125.92% in 2006 to 2007;
- in 2005, the indicator was identical to that recorded in 2004, for both credit unions.



Finally the last important item in the balance sheet asset of the two unions is the tangible. The data presented in the above chart results in a symmetrical evolution of the level of this indicator, the entire period analyzed.

Thus, the indicator in Craiova Credit Unions' case has evolved from 117.65% in 2004 to 166.70% in 2005 to 97.47% in 2006 and 97.25% in 2007.

To Credit Union from Pitesti, indicator;s progress was: 109.29% in 2004, 234.14% in 2005, 97.61% in 2006 and 96.11% in 2007.

2. Analysis of balance sheet asset structure of credit unions

This analysis is required in diagnosis of the condition of performance, because it reveals the extent to which credit cooperative's assets participate at the institution's financial cycle.

Rate structure of assets are grouped into:

- The rate of cash - reveals their share in the total banking transactions reflected in the balanceb)
- The rate of claims on bank customers - reveals the share of claims against banking customers in total assets

- c) The rate of claims against customers - highlights the non-banking credits to customers's share in total banking assets
- d) The rate of investment in securities and financial assets - reveals that the share of external economic and financial relations hold in total bank assets.
- e) Equity ratio - is determined as a percentage ratio between bank holdings of capital of other companies and total bank assets
- f) Rates of intangible assets - which expresses the share of this category of assets held in total assets
- g) Ratio of tangible assets - shows the share of net book value of this category held in total assets
- h) Other assets ratio - is calculated as a percentage between other assets and the bank's assets from the end of the period under review.
- i) The rate of expenditure in advance - is determined as a percentage ratio between the balance of costs in advance and the bank's assets from the end of the period under review.

Table 1. Active structure diagram

	Craiova 2003	Pitesti 2003	Craiova 2004	Pitesti 2004	Craiova 2005	Pitesti 2005	Craiova 2006	Pitesti 2006	Craiova 2007	Pitesti 2007
Expenditure in advance	0.01	1.32	1.21	1.34	0.78	1.05	0.68	0.71	0.58	0.63
Other assets	0.24	0.36	0.24	0.36	0.22	0.55	0.14	0.36	0.08	0.12
Tangible assets	15.80	5.61	15.69	5.67	22.00	11.94	16.41	9.67	13.96	7.59
Intangible assets	0	0	0	0.03	0.05	0.02	0.03	0.01	0.02	0
Shares	2.09	3.28	2.07	3.31	1.78	2.87	3.21	4.22	3.28	4.34
Claims against customers	67.96	78.16	67.49	78.89	68.13	76.87	71.84	77.85	72.71	77.81
Claims against credit unions	6.32	3.69	5.77	2.75	0.68	1.14	0.82	6.22	8.28	9.22
House, availability to central banks	7.58	7.58	7.53	7.65	6.36	5.56	6.87	0.96	1.09	0.29

Source: Own calculations based on the aggregated financial statements

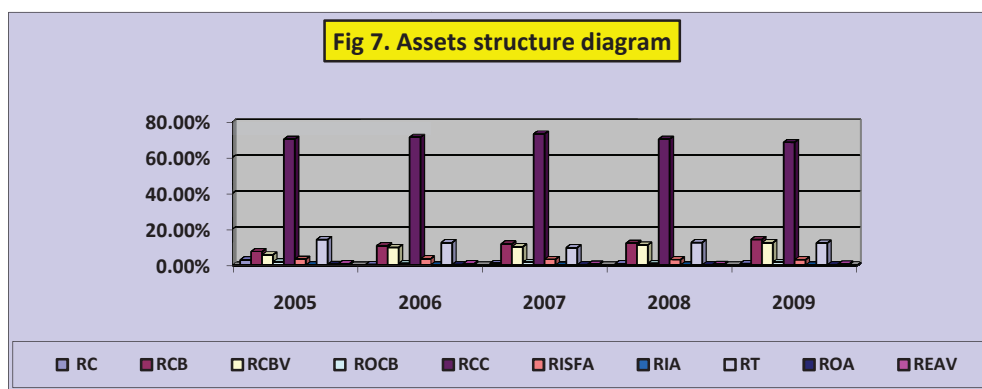
The data presented above shows that throughout the period under review, both the credit union in Craiova and Pitesti have the share in total assets (65%) owned by claims on non-bank customers, due to the subject business credit institution.

Tangible assets have a 9% share over the entire period analyzed, and claims on bank customers have weights ranging between 0.68% and 9.22%.

Finally, the funds of the two credit unions are evolving at a level between 0.29% and 7.65%.

This analysis is required because diagnosis of the condition of performance reveals the extent to which current credit cooperative financial institution participate in the credit cycle. The research I have undertaken has been based on data from a group of banks within Creditcoop. Further research results will be displayed based on data taken from published financial statements.

Evolution rates credit unions' assets considered are shown below.



Source: own illustration based on the aggregated financial statements

The data presented above show that throughout the period under review, the share of total assets (over 68%) is owned by claims on non-bank customers, due to the subject business credit institution.

Tangible assets are weighted more than 9% throughout the period under review, and claims on bank customers have weights ranging from 7.64% and 14.32%.

The funds of the two credit unions are evolving at a level between 0.92% and 2.96%.

Conclusions and suggestions

Property assets are represented in the current accounting rules as economic resources resulting from the investment of financial resources obtained by the entity from its owners and creditors.

If we consider a different approach, we appreciate that heritage assets include the specific property of the entity, representing the physical form of the Heritage Assets by nature is ordered in the balance sheet and liquidity, and debt and equity, by nature, and enforceability.

According to International Financial Reporting Standards asset is a resource controlled by the enterprise as a result of past events and from which is expected to generate future economic benefits.

To be classified as an element of balance sheet, asset must meet three cumulative conditions:

- asset must generate probable future economic benefits in an enterprise, which will result in net cash inflows;
- entity is able to use benefits and to restrict others entities' access to that benefit;
- event that generated the benefit must have occurred.

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