THE SUBSTANTIATION OF STRATEGICAL DECISIONS IN UNCERTAINLY CONDITIONS FOR A EUROPEAN FINANCE INVESTITIONAL PROJECT: "SETTING UP OF A TURISTIC PENSION WITH 20 PLACES: SC TEONELIS AGROTURISM SRL"

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The strategically investments decisions determine the structure of the company dues and directly influence their liquidation degree. The global analyze of the investment is very important to have in view and to achieve the major objective of company value growth. The principally investments on middle and long term that the company effects are: investments in immobilized dues and financial dues.

Keywords: investment; the investment decision; initially investment expenses; the financial actualization rate; cash flow.

JEL codes: G

The evaluation process of an investment project implies the organization of a economical documentation that contains: the opportunity study, the juridical situation, the fesability study, the technical project, the notifications and the execution documentation. The essential elements from the objective of the technical documentation refer to: the project costs fixation, the cash movement estimation, the indicative budget, the project risk estimation, the actualization of cash waves etc.

The investment decisions in uncertain average are taking in consideration the cash movement determination, positive or negative movement, as long as the investment project functions.

In the case of investments in an uncertain average, the estimation of the cash movements is the most important, but also the must difficult problem that an investment project can produce. These estimations refer to the initial investment costs and to the annually net cash entrance, that refer to the project life period, detailed on months for the first year. The effort and the effect of an investment can be outlined by the following elements:

- the initial cost is the net size of the necessary capital for the start of the investment exploitation, that composes from the following elements: the cost of the fix immobilized dues; installation and assambling expenses, but also staff specialization expenses; growth of the circulating funds, respectively growth of the stocks and of the customers debts minus the growth of the exploitation debts, caused by the new production capacity; the resale price of the dues not-invested.

- the investment life duration is an another element that must be considered when we are estimating an investment project value, because it can be explained from more points of view.

Relatively to the life duration of the investment, this can be considered from the following points of view: the fiscal duration, that is also named the service rated duration of the permanent elements from the liquidation norms catalogue; the technical functional duration, that is influenced and caused by the functional technically characteristics, the commercial duration, that is influenced and caused by the life duration of the products fabricated with that investment; the juridical duration, that represents the duration of the juridical protection over the concessionary right over a terrain, over an exploitation etc, in the case in which the concession is allowed by the regulations in accordance with the investment project.

- the net treasury movements (free cash-flows) can be determined starting from the following assumptions: certain average; sufficient personal capitals; the income tax must be paid at the end of the financial budgetary year; the inflation rate doesn't modify.

- the residual value of an investment project represents the value that can be recovered after the finish of the investment life duration.
- the making actual rate for the estimation (the evaluation) of an investment project represents an another appreciation element in the process of the investment decision, influencing also the present value (actualized value) of the following treasury movements.

The rate of the investment decisions in an uncertain average imposes the use of the methods based on actualization, that allow the determination of indicators that deliver an objective foundation, compatible in the appreciation of the investment projects efficiency. To bring possible the comparisons between the investments and the benefits generated by the project utilization, the time influence must be eliminated, and all the operations must function at the same moment of reference. With that end in view, there must be calculated the capitalization of the annually allocations (that has at its foundation the relation of the composed rate) and the actualization of the capital annually recuperations by the annually cash movements resulted during the life duration of the investment.

In the economic-financial practice are used, generally, the following option norms of actualization: the net actualized value (VAN), the intern profitableness rate (RIR), the actualized recovery period (T_{ra}) and the profitableness or benefit index (IP).

a) The net actualized value method (VAN), named also actuarially value, is a cash movements' actualization technique. All the cash movements caused by the project are actualized at an actualization rate equal with the marginally cost of the capital, and than, these values are totalized.

The project is accepted if the sum, named net actualized value (VAN), is positive. As the actualized benefits will be bigger that the invested capitals, so the investment project will be more efficient. All the investment projects with a positive VAN are preferred for monetary investments, on a market interest rate "i". The investment project with the highest VAN will be the best and will determine the highest possible grow of the company benefits.

On the analogy of the notes mentioned above, VAN can be determined with the relation:

$VAN = [VP (FN_n) - I_0] + V_r / (1+i)^n$; $VV_n = VAN (1+i)^n$,

where: $VP(FN_n)$- the present value of the positive and/or negative cash movements in the period "n"; I_0- the initially negative cash movements (initially investment expenses); V_r- the residually value of the project; FN,- the cash movements from the year t; n- the years number of the project working; VV_n- the following net value

To find VAN in the zero moment, you must use the relation:

$$VAN = \sum_{i=1}^{5} \frac{FN_i}{(1+r)^i} + \sum_{i=6}^{12} \frac{FN_i \exp lt}{(1+r)^i} - VI$$

The reason that stands at the basis of VAN method is very simple: if a company wants to implement a project financed from extern sources, the company's value will grow up with the sum that represents the net actualized value of the cash movements estimated. If a project's VAN is positive, the growth of the company's value tops the sum of extern funds necessary to create the investment.

b) The intern profitableness rate of the investment (RIR), named also actuarial rate or actuarial cost, is defined as the actualization rate that makes the actualized value of the net cash entrances, estimated into the project, be equal with the actualized value of the costs (cash issues), estimated for the respectively project. Otherwise, the actuarially rate is the interest rate for which VAN is zero.

On the basis of what we said, we can write the equation from which we can get the RIR is the minimum rate allowed on which a money borrow for the project financing can be accepted. If it

is smaller that the profitableness rate of the market, the investor is tempted to invest his capital rather on the financial market that in a productive investment.

The determination of RIR starts from the hypothesis that the future benefits (FN_t) can be constantly reinvested at this rate.

The two actualization techniques VAN and RIR offer the same acceptance (rejection) decisions for independent projects, in the case in which the projects mutually exclude. If there emerge this kind of results, VAN method must be used and considered correctly. The both methods (VAN and RIR) are superior to the simple criteria of option, but VAN is a better method than RIR.

c) The actualized recovery period is defined by the number of years necessary for the investment recovery from the actualized cash movements. The recovery term, in this case, is the number of years "n", for which has place the relation:

$$Dr = \frac{VI}{(\sum_{5}^{1} Flux\_net\_actualizat + \sum_{12}^{6} Flux\_\exp loatare\_actualizat)/12}$$

- the cash movement from the year t, actualized

In the case in which exist more different competitive readings, the project accepted is the project with the less recovery period.

d) The actualized benefice index (IPJ express the actualized period of the project that correspond to the initial one unity investment expense (equally with one). This index is fixed as a report between the actualized value of the net treasure entrances ($FN_,$) and the expense for the investment, corresponding to the relation:

But: VP= VAN, results: IP^m_a= VAN/ A_0

The project is profitable if IP_a>1. "IP" is an index of relative profitableness, because VAN measures the actualized value that corresponds to 1 leu of invested capital. The criteria IP_a is very important in the investments selection, being a part from the fructification criteria of the invested capital.

According to the rules in force in our country, the financial actualization rate is established on the basis of the minimum level of the financial profitableness rate, more exactly: for the objectives financed principally from loans, the interest rate at which the loan has been obtained; for the objectives realised by auto-financing, the middle profitableness rate from the under-branch from which the company is part.

The actualization rate determined (image of the capital cost) doesn't reflect also some facts that appear in the market economy, as: the inflation, the devaluating, the investment risk etc. That is why it is necessary its correction by adding at the profitableness rate (Rj) of a inflation or a deflation rate (R, that reflects the prices evolution), of a monetary (R-) depreciation rate (re-preciation), of a risk investment reserve (M_r). The calculus relation between the actualization' rate, in this case, is the following:

$R_a=R_d+R_i+R_r+M_r$

The substantiation of the investment necessity and opportunity results from the theme about the substantiation of the necessity and of the opportunity considered at the acceptance of the feasibility study. By this project, the interest is the build of a tourist pension and a multifunctional court named: "TOURIST PENSION POIANA- ILVEI 20 PLACES", whose value is 470,000 euros. The time limit for the submission of the project was 30.10.2008, and the selection had place at March 2009.

At 29.09.2009, the exchange rate for euro was 3.7010 lei/euro, date when was established also the value for the future investment. The project was selected, but the company was faced with the

big difference of exchange rate, in the crisis conditions and because the project should been realized in the conditions provided by the feasibility study to benefit by the non-callable founds.

The financial projections calculated to demonstrate the eligibility criterion for the investment viability consisted in:

1 The incomes prognosis;
2 The expenses prognosis;
3 The projection of the benefit and loss account;
4 Synthetic balance forecasted;
5 Cash flow;
6 Financial indicators.

The hypothesis that sit at the base of financial projections elaboration

1. The investment value (VI).

2. The exploitation incomes (Ve) = incomes realized from the current activity, according to the activity object of the applicant, calculated starting from the physic (quantity of products, production volume, services), making allowance for the prices/ tariffs on the measure unity, different for every activity object.

3. Exploitation expenses (Ce) = expenses generated by the deployment of the current activity. These are expenses related to the incomes from exploitation and they are calculated based on the activity domain and the specific consumptions, and they regard the expenses related to the project, but also those related to the activity of civil build.

4. The rate of the exploitation result (r_{Re}) must be minimum 10% from Ve. The result from the current activity (Re) is calculated: Re= Ve – Ce – it must be positive, and the rate of the exploitation result must be minimum 10% from the exploitation incomes during the evaluated years.

5. The duration of the investment recovery (Dr).

6. The profitableness rate of the invested capital (r_{Rc}) - must be minimum 5% for the evaluated years.

7. The rate of the coverage by the cash flow (RAFN) - must be ≥1.2 for the evaluated years;
RAFN= exploitation cash flow/ (interests + leasing payments + dues reimbursement).

8. The due rate on medium and long term (r_l) – must be maximum 60% for the evaluated years;
It is calculated as rapport between total dues on medium and long term and total assets, where:
TD_i= total dues an medium and long term during the year i;
TA_i= total assets during the year i;

9. The actualization rate – is 8%, and it is used to actualize the future cash flows.

10. The actualized net value (VAN) – must be positive.

11. The available cash at the end of the period.

The decision to build the pension proved to be taken in uncertain conditions. Considering that the society disposes of the co-financing part, the exchange rate difference will be covered by a demanding credit and by a discount received at the acquisition of material, wiring and equipment. As such, the project will be realized.

Conclusions:

The evaluation of an investment project, when the financing is realised by European funds, has at the basis the profitableness rate waited by a holder.

The profitableness rate waited (the cash-flow) is the actualization rate for which the actualized benefit's hope is zero. The calculus of the profitableness that is waited has the bases on the uncertain (aleatory) dimensions of the expenses and of the cashing, which are stipulated and corrected with some possibilities. The calculus procedure is that from the RIR.

The investment risk is the essential parameter that must be taken in consideration in the investment decision. The appreciation of the risk level is absolutely necessary. This must be realised with the "mathematical hope for win".

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