Fiscal burden and business opportunities

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Abstract
The business in Albania is surviving thanks to the evasion and monetary contribution of local entrepreneurial. In the early years of regular daily economic system, due to lack of big market for a long time consumer demand it was great but the offer was quite limited and not qualitative, so the profits of merchants were quite large. Also in this period and fiscal management, it was in his beginning. However, things have changed and now in Albania are very high quality international firms and local entrepreneurs through two or three are subsidiaries. Development of business but especially the garment trade is becoming even more difficult. For that, we have analyzed statistically, the financial statements of some important business activity of known European brands as well as two subsidiaries of foreign companies. The analysis concluded that in the case of "mother" companies cost of goods sold is lower than the companies that are resellers. This also worsens the result of interest expense of bank loans that have Albanian entrepreneur, what brings a non-profit business. In conclusion we can say that before we settle the obligations on businesses we should see how much profit are to be able to meet these obligations, as is the obligation of VAT.

Keywords: *goods; VAT; tax; EBIT; turnover; luiquidity; economy; indicator*

1. Introduction

The beginning of the 90s found the Albanian economy in deep crisis and changing the system from a centralized economy to a market economy. Lack of cash from the state or individuals paralyzed the economy (National Business Center 2016). In these conditions, individuals who had started to make little savings reseller, as the form that requires less capital and has the possibility to recycle quickly, buying and reselling items outside the country. In their early, this form of doing business it was quite profitable since mark-up was top - traded items as non-quality and relatively high prices because supply was limited. In addition, the tax authorities were in their infancy and although the fees were quite high tax, obligations to pay by businesses were quite low (National Business Center 2016).

Over the years, the referral started to re-dimensioned after the offer began to grow and differentiate. The trade required items with quality and well-known brands. Therefore, they signed the franchise's agreements as well as some of the most popular firms also raised their points of trading.

Causes of evasion in a general sense in the fact that no one wants to pay for Albania but also related to the inability of local businesses to pay these obligations for small market stern and poor. For this, we analyzed the financial statements of the seven

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companies, of which three are subsidiaries of international companies, manufacturing firms or three and four are trading firm

Inditex Group is a Spanish multinational clothing company headquartered in Arteixo, Galicia (Inditex 2016). It is made up of almost a hundred companies dealing in activities related to textile design, production, and distribution. The company is a component of the Euro Stoxx 50 stock market index.

Inditex, the biggest fashion group in the world, operates over 6,600 stores worldwide and owns brands like Massimo Dutti, Bershka, Oysho, Pull and Bear, Stradivarius, Zara, Zara Home, Tempe, and Uterqüe, and also a low-cost brand Lefties. The majority of its stores are corporate-owned; franchises are only conceded in countries where corporate properties cannot be foreign-owned (in some Middle Eastern countries, for example).

The group designs and manufactures almost everything by itself, and new designs dispatched twice a week to Zara stores (Inditex 2016).

Most of the company's manufacturing is done in countries with low labour costs, mainly in Bangladesh, India, Morocco, China and Turkey, although some production continues in Spain, Brazil and Portugal, particularly for its Zara brand. In addition, Inditex has a factory for shoe design, production and distribution in the town of Elche, on the Spanish Mediterranean coast.

LC Waikiki's journey started in France in 1985, continuing after 1997 as a Turkish brand under the umbrella of LC Waikiki Mağazacılık Hizmetleri Ticaret A.Ş (LC Waikiki 2016). Today LC Waikiki trades in 614 stores in 28 countries, with the company's philosophy that "Everyone Deserves to Dress Well" enabling people to enjoy accessible fashion through quality products at affordable prices.

LC Waikiki, which selected as Turkey's "Favorite Company in the Ready-to-Wear Industry of 2013" actually established in 1988 by the Dizdar family from Safranbolu, and the Küçük and Kısacık families from Malatya (LC Waikiki 2016) Today).

M.Z Fashion Group started back in 2005 as a retailer of international apparel and lingerie with the desire to reshape the Albanian Retail market. The Group currently operates a diverse group of retail stores representing well- known international brands such as Mango, Springfield, Geox, Golden Point, Okaidi, Prenatal, Carpisa, Parfois, Terranova (M.Z Fashion Group 2016). It is the first company to introduce and implement Franchise Concepts meeting worldwide standards on fashion retail through a proper presentation of the brands to the public and customers. The Fashion group success has been the result of its commitment to customer service, the brands it offers to customers, the retail experience and market understanding. Fashion Group has been at the very forefront of companies who understand that their business is more than their product and is ambitious in the plans for development and growth, aiming to partner with new brands that can bring value to the Albanian retail market, by offering the public new, attractive fashion brand at affordable prices (M.Z Fashion Group 2016).

AlbChrome Ltd, was first found in the beginnings of 1991, when, with the fall of communist regime, the path for private business and professional development of Industry in Albania, was opened and free (AlbChrome Ltd 2016). In year 2000, important concessionary assets as mines, smelters, enrichment plants, concentrate factories etc., all part of a major chrome industry infrastructure in Albania, were given to a private company by the Parliament of Albania, by means of a Concessionary Agreement. This company, at the time called DARFO srl, worked and exploited these concessionary assets till 2007 when an Austrian – Russian group took over the concession and formed a new company called ACR (Albanian Chrome 2016), which signed the beginning of technological and industrial development of all the assets of this concession. This way, under the Austrian and Russian industrial expertise, two out of three furnaces installed in Elbasan Ferro – Chrome Plant were refurbished and their technology was changed to provide for a higher performance and production. In addition, Bulqiza Mine experienced a reconstruction of the whole exploitation scheme. Important investments were done for security, exploration and ore processing fields, making the company more efficient.

Kurum International Sh.A. produces iron and steel products including hot-rolled steel re-bars. The company also produces lime and industrial oxygen. The company is base in Elbasan, Albania. Kurum International Sh. A. operates as a subsidiary of Kurum Holding A.S (Kurum International 2016).

Lufra - Milk processing factory, began in 1992 and the business has been improving in continuity. Lufra is the largest dairy company in Albania. Its center, manufacturing plant, located in Lushnje. Lufra 's products are 100 % natural products, produced from selected farm milk across Albania , mainly western lowlands. Each liter of milk from these farms tested before entering production. As regards the processing and packaging technology, Lufra collaborates with leading companies in the world, Priamo and Tetrapak. Finally, each product is subject to bacteriological analysis, to arrive to consumers safely (Lufra 2016).

2. A statistical and data analysis of the companies

2.1. Curing capital ratio (the ratio of non-current assets and capital invested)

Curing capital ratio (the ratio of non-current assets and capital invested) indicates what part of the fixed assets occupy asset, showing how flexible is the company to change the activity (Kolnikaj and Shehu 2004: p. 74).

Table no. 1

Companies	2012	2013	2014
Trade companies			
Inditex Group			64,5%
LC Waikiki	51%	44.4%	61.1%
MZ Fashion	23%	22.3%	35%
Production Companies			
Kurum	27.3%	49.4%	40.9%
Albchrome	54.2%	53.2%	57.5%
Lufra	93.8%	88.2%	95.7%

This indicator reflects the cost that will have the investor if the need to change the scope of activities. Viewed as hardening of the asset is the same as for trading companies as well as for production companies. This shows that investment in active fixe by manufacturing companies is quite low. This hardening of the decrease of manufacturing companies is positive for them that can easily change with the technology they work or the scope of their activity. In addition, it tells the story of a non- significant investment made by investors, who does not serve the country's economic development.

2.2. Financing assets of the firm

Indicator of fixed assets financing shows in what reports are with each other sources to finance in long-term assets. Since long-term loan considered calculating the share, capital will only second financial indicator. We build the calculations based on the following table:

Table no. 2

Companies	2012	2013	2014
Trade companies			
Inditex Group			97.6%
LC Waikiki	51%	44.4%	61.1%
MZ Fashion	87%	86.3%	247%
Production Companies			
Kurum	67.3%	95%	77.2%
Albchrome	207%	83.6%	85.1%
Lufra	287%	156%	288%

This indicates that long-term assets, with the exception of Lufra Company are fully finance from its own resources and with the exception of two companies with long-term resources financed a good part of short-term assets. Thus, enabled automatically self-replication and stable assets will not arising replication problem of financing. Nevertheless, the fact of financing long- term assets sources reassuring that companies will not have the problem of liquidity for short-term payment obligations or solvency problem for recreating these assets.

2.3. Magazines availability indicator

The magazines availability indicator is as follows:

Table no. 3

Companies	2012	2013	2014
Trade companies			
Inditex Group			8.6%
LC Waikiki	27.7%	28.9%	23.2%
MZ Fashion	55%	57.4%	42.3%
Production Companies			
Kurum	10.7%	5.6%	13.6%
Albchrome	22.8%	18.9%	24%
Lufra	4.2%	6.1%	2.4%

This indicator is ratio of inventory with total assets.

From the above data inventory look at the situation in 2014 compared with 2012 has changed for the company LC Waikiki has reduced the inventory to about 23.2 %. Fashion MZ company has reduced the inventory by 55 % to 42.3 %. Manufacturing companies inventory situation for this period also has undergone changes to society so Kurum stock has increased by around 27 %, for society Albchrome increased by 5 % and for Lufra company was decreased by 75 %. The availability of magazines indicator for some of the trading and manufacturing companies is in levels of over 20 %, which is a high level of inventory as well as the VAT amount, prepaid affecting their solvency. These indices despite the importance they have must be combined with indicators for rotating inventory to draw strong important to draw strong conclusions.

2.4. Indicator of liquidity

This indicator shows what part of the liquidity asset is ready to liquidate immediately obligations and for our companies is as follows:

Table no. 4

Companies	2012	2013	2014
Trade companies			
Inditex Group			20.3%
LC Waikiki	21%	26.7%	38.8%
MZ Fashion	22.6%	14.9%	28.6%
Production Companies			
Kurum	61.9%	45.4%	45%
Albchrome	22.8%	18.9%	24%
Lufra	4.2%	6.1%	2.4%

The liquidity indicator is high above all businesses. This shows that companies in the future will not imminent financial difficulties. This fact also shows that companies do not use enough assets to increase profits. This indicator has generally been increasing except where Lufra Company has fallen from 4.2 % to 2.4 % or about 40 %.

2.5. Current ratio

The current ration or the ratio between current assets and current liabilities for the company over the years (Higgins 2007: p. 249) is as follows:

Table no. 5

Companies	2012	2013	2014
Trade companies			
Inditex Group			0.854
LC Waikiki	1.5	3.47	4.94
MZ Fashion	0.83	0.86	0.71
Production Companies			
Kurum	1.16	0.86	1.22
Albchrome	1.018	0.75	0.17
Lufra	0.06	0.22	0.08

This connection is base on the principle that the financing of current assets to current assets should be finance by short-term obligations. For this reason, but also for the fact that the business must be located not in financial difficulties, this ratio must be greater than one.

From the above calculations, we see that four of the six company of the index is less than one. This shows that these companies may soon be in trouble means of payment that constitutes the beginning of deterioration in other financial indicators of economy activity attendance.

3. Analysis of indicators of rotation of circulating assets

Indicators of inventory turnover show how many times a year the company has recycled it over the years is:

Table no. 6

Companies	2012	2013	2014
Trade Companies			
Inditex Group			4.3 times
LC Waikiki	5.14 times	3.8 times	4.25 times
MZ Fashion	0.69 times	1.27 times	1.28 times
Production Companies			
Kurum	7.29 times	6.16 times	3.6 times
Albchrome	2.2 times	2.8 times	2.2 times
Lufra	15.6 times	3.3 times	9.2 times

Based on the above data look LC Waiki and Inditex Group and being part of the same industry have substantially the same flow indicator. While MZF, which operates in the clothing trade, has this indicator, 1:28 time which means that the following year it expected to buy the stock only once after that I possess it is sufficient to continue the activity.

Regarding the extraction and processing industry and represent by Kurum and Albchrome we see turnover ratios are 2.2 and 3.6, which means that the inventory is released every 100 and 163 days. The inventory turnover of 2.2 times Albchrome is very slow. The same conclusion is also Lufra company which processes and markets milk and by products trailer. The inventory turnover of this company is 9.2 times or 39 days. Knowing milk and cream as the main products of this company have the duration of one to two weeks follows that this indicator may not be accurate.

Table no. 7 - Percentage of gross profit/year

Companies	2012	2013	2014
Trade companies			
Inditex Group			17%
LC Waikiki	11.7%	18.8%	19.6%
MZ Fashion	0.9%	-2.7%	-4.9%
Production Companies			
Kurum	1.4%	10.9%	0.9%
Albchrome	-14%	-11.4%	6%
Lufra	4.4%	4.6%	2.8%

In the table above was giving the profit before interest and tax. We see that EBIT (Earn before Interest and Tax) (Higgins 2007: p. 137) for the company LC Waikiki in 2012 was 11.7 %, in the year 2013u increased by 60 % and came in 18.8 %, this is because increased sales by about 45 % as a result of opening a new store and on 2014 was 19.6 %, with a slight increase from 2013. For the company MZ Fashion see that on

2012 was 0.9%, on 2013 was -2.7%, and on 2014 was -4.9%, this despite increasing turnover 35% in 2013 compared to 2012 and by 56% on 2014 compared to 2013. The EBIT distortion to quality occurred due to increased cost of goods sold which from 61% on 2012 to 2013 was 72.7% and on 2014, it was 76.4%.

EBIT for the company Kurum in 2012 was 1.4% in 2013 was 10.9% and in 2014, it was 0.9%. Given that, the turnover for the past three years is the same from the profit or income and expenses, the change in result, which leads to the change of EBIT it, is due to the change of the cost of goods sold. So in 2012 the cost of goods sold was 86.7%, in 2013 was 65.3% or 31.4% less that in absolute value would be around 7.2 billion, and in 2014 was 68.7%. Since producer Kurum is also, the products that it trades cost of goods cannot change so much. In 2012 the society Albchrome EBIT was -14%, in 2013 was 11.4% while maintaining the same result in 2012 and in 2014 have a qualitative change as society comes to profit by 6%, which is mainly due to increase throughput by about 25%. EBIT for Lufra society is at the same level with some minor changes, so in 2012 it was 4.4% in 2013 was 4.6% and in 2014, it was 2.8%.

Indicators calculated by looking at companies LC Waikiki Inditex Group and have a real and sustainable result. While three manufacturing companies and resale company MZ Fashion confections have a weaker profit and easily manipulated.

4. The analysis of indicators of profitability

ROE: This indicator shows that profit per capital invested for company shareholders (Brigham 1983: p. 423) have received over the years under review is as follows:

Table no. 8

Companies	**2012**	**2013**	**2014**
Trade companies			
Inditex Group			50.6%
LC Waikiki	42.8%	45.8%	41.7%
MZ Fashion	3.2%	-12%	-73.5%
Production Companies			
Kurum	10.2%	27%	2.4%
Albchrome	-31.4%	-13.6%	8.3%
Lufra	18.6%	14.7%	15.3%

From the analyse of the table, we can see that MZ Society Fashion and Albchrome have negative returns, which means that shareholders are spending money in these companies. While, LC Waikiki and Lufra during these three years have a stable returns. Kurum while society has a great variability during these three years. These changes are due to the variability of annual results, which we have analyzed previously.

ROI: The indicator of profitability of capital invested which express than how much giving by all financiers (shareholders' equity and borrowed capital) by mainly activity (Erich 2003: p. 213):

Table no. 9

Companies	2012	2013	2014
Trade companies			
Inditex Group			26.7%
LC Waikiki	28.8%	38.3%	36.4%
MZ Fashion	0.56%	-2.7%	-3.4
Production Companies			
Kurum	1.2%	5.9%	0.5%
Albchrome	-10.1%	-8.6%	5%
Lufra	4.4%	2.4%	1.3%

As seen from indicators calculated in the above table two companies LC Waikiki and Inditex Group, have better profitability as well as capital-invested for shareholders. The four other companies have clearly seen have not their sustainability in their activity.

5. Problem analysis

As evident from the above, all companies are investing quite well using equity or long-term credits for investments in assets fixe but at a fraction of them circulating. Investment scenario that enables the company to exercise activity without difficulty liquidity problems shows the indicator of liquidity. Surely, this is not confirmed liquidity given no indication when analyzing availability. Only two companies have this indicator on one, four other companies have below number one, what you can put them into liquidity difficulties in the short term. This report also moves more for the past three years. Therefore, for the company MZ Fashion during three years this ratio has moved from 83% it was in 2012 was, at 86% on 2013 and 71% in 2014. The companies which have the availability ratio of less than one per several years shows that these companies should have problems with the financial results for a period longer than one year.

Inventory is another voice problematic. As discussed above the indicator of inventory turnover is very low. The analysis by industry is that for the resale garment industry, turnover index should be at least four; for MZ Fashion Society was around 1.28 in 2014 and in 2012, was 0.69. In the steel processing industry turnover Kurum look the inventory is about 3.6 by 2014 from 7.29 that was in 2012; as we can noted, the turnover in 2014 was twice less than in 2012. The turnover of inventory indicator has been so many changes in the 2012 it was 15.6, in 2013, this indicator was 3.3 times and in 2014 was 9.2 times. The indicator for the society Albchrome inventory turnover has been the same for three years. The inventory turnover indicator is quite low by industry in four of the six companies that are considering.

No less retrievable problematic in profitability investment Company where we both returned within one or two years while other companies have very large movement.

Analysis of all indicators in their complexity to convey that in these cases we are dealing evasion disclosure of real data. This is because these four companies have liquidity difficulties and have a very high level of debt. Therefore, in 2014, the interest costs against turnover realized for the company MZ Fashion is 1.8%, 6.7% for the company Kurum, for the society Albchrome is 1.6%, and for Lufra society is 2%. These expenses in liquidity put the societies in difficulties and unable to make necessary improvements in the activity of the society and in their devices. Thus, they stumble on long-term investments.

6. Conclusions and recommendations

The analysis of financial indicators of the above companies, which are the main of the largest in Albania, shows us that fiscal burden is quite high for local companies, which are obliged to establish or continue economic activity by addressing banks for loans. In addition, interest charge is enough high and no long term so instalment is enough high.

However, in more detailed we can mentions the companies in the majority have:

- Negative financial indicators;
- Major liabilities to banks and third parties;
- Liquidity difficulties;

To improve this situation, the businesses have used as a way of solution the avoidance from tax obligations by:

- Not reporting the actual revenues that they realize, making the sale in cash or non-fiscal bills;
- Knowledge of liquidation expenses and non-tax bills;
- Use of voice 'accounts payable' to justify payments made which have source of income not declared.

To improve this situation is need:

- To improve work by businesses;
- Lending by the banking sector for the liquidation of furniture suppliers and other opportunities and resume work;
- Tax relief load especially value added tax burden but also whether in the way of liquidation.

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