

THE ROLE OF SUPPLIERS AND CUSTOMERS IN THE ACTIVITY OF AN ECONOMIC ENTITY

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Furnizorii și clienții sunt aceia care participă la deschiderea și menținerea fluxurilor de operațiuni economice în stare de funcționare, primind, în schimb, motivații în veniturile încasate și stimulente prin profit. În economiile moderne de piață, rolul lor a devenit un subiect major, atât din punct de vedere teoretic, cât și sub aspect practic, privind fluiditatea aprovizionării, realizarea producției (exploatării) și comercializarea bunurilor obținute sau a serviciilor prestate. Așadar, suma operațiilor de schimb – tranzacții presupun legături – raporturi permanente între două entități economice: una, pentru care o operație economică reprezintă o **vânzare** și se numește *furnizor*, cealaltă, pentru care aceeași operație înseamnă **cumpărare** și este definită cu numele de *client*.

The clear definition and the understanding of the contents of suppliers and customers in the life of an economic entity are considered a prevailing and fundamental issue. Nowadays, their role is even greater, since they help in taking fast and efficient decisions, in using all their resources, and in promoting advantageous modalities that ensure the continuity of the economic circuit. In our opinion, it is difficult to measure and to explain how each of these two main economic categories contributes to the obtaining of performances of economic entities (organizations, units, companies). In economic life, the activities ran by these categories can never be put on the second level.

In the end, **the suppliers and customers** are those who participate in opening and maintaining of the flows of economic operations in a functional state, receiving, in exchange, motivations under the form of earned revenues and profit stimulants. In modern market economies, their role has become a major topic, from a theoretical, as well as from a practical perspective, in relation to the fluidity of the supply network, the realization of the production (exploitation) and the trading of the obtained goods or performed services. Indeed, without reaching a high level of performance and quality, confirmed by the market, the success or even the survival of an economic entity is unconceivable. The sum of the exchange operations – transactions involves connections – permanent relations between two economic entities: one for which an economic operation **represents a sale** and is called **supplier**, and the other for which the same operation means **acquisition** and is called **customer**. All the exchanges developed between the supplier and the customers must be registered chronologically and proven by acts and documents in the accounting registers of each of the parties; these are regulated and are known, from an economic and legal perspective, **as third parties**.

Given the complexity of market economy, no economic units, be they suppliers or customers, can execute the entire range of activities it supposes. Each of them performs only a type of actions by which he contributes, by himself or together with others, to obtaining results by creating goods. They have the tendency of specializing, with predilection or exclusively, in economic activities in which they prove to be most efficient (the best). With the incomes they obtain from these activities they buy the other goods. Given the division or the diversity of economic entities, the two categories also have some common features, of which we mention: 1) they traditionally execute the function of production of goods for sale; 2) all entities form a system of components with inputs and outputs, in order to perform the implicit and explicit functions, having profit as the final end; 3) they create new value and distribute it in the entire economy; 4) in order to achieve the proposed objectives of ensuring the continuity of the activity, the suppliers, as well as customers, must permanently make investments and spend money so as to resume the economic cycle in an advantageous manner. In this context, various transactions take place in relation to the current activity of the unit, and this requires permanent connections between suppliers and customers, irrespective of the market.

Suppliers are those natural or legal entities who have the quality of **seller** and put at the disposal of third parties goods, the execution of works or services in exchange for payment, function of a prior agreement under the form of an obligation (certified by: an invoice, a contract, an order, an agreement, a written convention, etc.). The documents drafted for the sales operations will detail, as much as possible, the characteristics of the goods and of the works that are to be executed or of the services that are to be performed and that will generate the

necessary deductions. The settlement operations involving suppliers mainly come from: 1) acquisitions – supplies (buying) with assets; 2) material circulating assets (raw materials, consumables, inventory objects, commodities, packages, animals and birds, etc.); 3) from executed works or performed services; 4) from other performed operations, usually based on auxiliary documents concluded with various natural or legal persons. In reality, the buying of goods and services fits two big economic categories that concern: a) the ensemble of storable goods; b) non-storable goods, **including services**. The category of services comprises, among others, the performances for which one receives allowances from the members of the Board of Administration (censors, shareholders, etc.), as well as specific works performed by chartered accountants, authorized accountants and other activities executed by assimilated persons and concluded by virtue of a service agreement (even for a reduced time period). Likewise, among settlement operations with suppliers, there are also included the payments in advance given to economic entities used for paying off debts (partially or completely) in relation to the acquisition of assets, the execution of works or the performance of services.

Therefore, the suppliers' role must be and **become transparent**, if we consider the entire exploitation process (in the sense of supply, production, trading). As a rule, they cover the consumption necessities of an economic entity, but, at the same time, they offer the guarantee of the trading of the production of the respective unit. Thus, the goods and services created by a producer are taken over by the suppliers and offered on the market for distribution, amplifying the development of transactions, **which supposes a strong** catalyst of exchange relations. In their turn, they become consumers of the products offered by the respective unit, contributing to its development, by means of the consistency of the turnover and the effects of the continuity of the activity. One of the most important objectives of an economic entity is the profitable and efficient realization of the manufacturing process which has as a starting point the rational and qualitative procurement which can be achieved only via a **thorough analysis of the suppliers**.

The selection process of the suppliers is a very important stage with two rather difficult imperative moments which must originate from their quality. In the initial stage, their quality is given by the intersection of several aspects: the quantity of delivered goods, the market prices, the facilities offered to the buyers (transportation, payment term, warranty, specialized assistance, etc.). Then there comes a second stage, determined by the triggering of the negotiation process, which refers to each product, class, work, etc., with characteristics, technologies, parameters, qualities, skills that the supplier must fulfill. The **supplier-customer relationship** does not suppose one-way obligations, being the motivated result of two economic analyses realized by the de facto participants to such relations and **the customers**.

At the first analysis of the contents of the **customer category**, we think that a customer is a buyer. In other words, the natural question that comes to our mind is why the customer is so important in the life of an economic entity. The explanation can, of course, be motivated from several perspectives. Thus, a first motivation is that, without clients, the complex trading –distribution process as final stage of the exploitation would not exist. A second major reason would be that the high priority objective of the opening of economic activities – supply, products manufacturing or execution of works and services would not exist. Finally, the argument according to which the units-entities in modern economies are very important, especially due to the numerous effects it generates, such as: the production quantity obtained as offer, presented by the suppliers under the form of obligations and special propositions; the earned incomes and the created workplaces; the promoted technologies, etc. All these make sense only when there is a buyer (consumer), in other words a **customer**.

Therefore, **customers can be defined as** any natural or legal person who has the **quality of buyer** and who buys goods, works and services, based on written and registered documents or agreements. In a more restricted sense, their identification must respect and fulfill several conditions of substance and form stipulated by the national and European legislation. In order to exercise real autonomy, any customer must fulfill several conditions: 1) have a clearly defined name, a registered head office or residence in the country or abroad; 2) open one or several accounts at one or several certified banks; 3) have a legal judicial status, written in the Trade Register (with the NACE code), which enables him, constantly and frequently, to have access to the products and services of some economic activities, in order to cover their immediate necessities; 4) a customer's solvency must reflect in his own accounting, with the elaboration of a separate balance sheet, that is to be found in the annual or periodical financial statements.

Their place and role in the life of economic entities are, as a priority, the honoring of their obligations – duties. We all understand that the analysis of customer behavior is a key component of economic and marketing research. Thus, the customer is the biggest productive resource and contributes to: the creation of quality

goods; it becomes a strong competitor (the care towards the customer is constrained by the level of the costs and the preservation of the competitiveness of the unit in relation to the market prices, etc); the customer is also a component of the market demand.

The relationship between customers and suppliers is reflected in the accounting of each party under the form of liabilities and receivables whose duration does not usually exceed a year. **The receivables** (short-term) register the settlement ratios with customers and third parties, resulted from the right of the patrimonial unit of soliciting from them the cashing in of money or the performing of a counter-service. They have been and still are elements of potential fortune, such as: the real or floating value of the receivables, the payment term, the degree of recovery, the appearance of uncertain receivables etc. Short-term **debts** are the resources or funds that are temporarily given for use to an economic unit by creditors or business partners and for which the unit must perform a service or offer a value equivalent. Finally, the debt becomes a receivable, a right or an amount to cash-in.

We consider **that suppliers and customers** are those who constantly participate to the opening, preservation and end of the flow of economic operations. Nowadays, the specialists' opinions regarding the analyzed categories focus on settling several common problems, such as: 1) establishing the strategic development objectives of the economic units function of the quality and structure of suppliers and customers; 2) the initiation of economic and lucrative activities that generate the necessity of hiring the necessary staff and distributing it on functional compartments for both parties; 3) establishing individual responsibilities with the control of the stipulated tasks by organizing work at the level of the execution compartments, from supply-acquisition, production, at the same time with the trading and distribution of the realized goods. All economic entities, regardless of the field where they operate, be it industry, agriculture, constructions, trade, services, socio-cultural activities, must, in order to achieve the object declared at the Trade Register, perform several buying and selling operations, execute works, perform services, etc.

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