

Financial Diagnosis of the „Baia Mare Art Center” County Art Museum

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Rezumat: *Situația financiară dificilă în care se găsesc multe țări a condus la necesitatea elaborării unor soluții în acest sens. Accentul este pus într-o măsură tot mai însemnată pe o utilizare mai eficientă a resurselor statului la nivelul fiecărei instituții publice. Pentru atingerea acestui deziderat au fost adoptate mai multe restricții legislative care au ca și scop o utilizare mai cumpătată a banului public. Totuși, fără manifestarea interesului fiecărei instituției publice în vederea eficientizării activității sale, aceste restricții legislative nu reușesc să conducă la îmbunătățiri financiare semnificative la nivel național. În vederea ameliorării „stării de sănătate” a sistemului public românesc este nevoie ca fiecare instituție publică să-și analizeze activitatea în mod continuu în vederea identificării posibilităților de creștere a performanțelor sale financiare. O astfel de analiză financiară se poate realiza pornind de la datele cuprinse în contul de execuție a bugetului de venituri și cheltuieli. Analiza structurală și în dinamică a elementelor de venituri și cheltuieli corelată cu analiza altor elemente, precum stocuri și clienți, permite instituției atât identificarea situației sale prezente cât și a măsurilor ce pot fi luate în vederea eficientizării activității sale. Prin realizarea analizei menționate anterior, această lucrare are în vedere determinarea situației financiare actuale a Muzeului Județean de Artă «Centrul Artistic Baia Mare», a cauzelor care stau la baza acesteia precum și a măsurilor ce pot fi luate în vederea creșterii eficienței instituției.*

ABSTRACT: *The difficult financial situation that many countries struggle with has made it necessary to find solutions. Particular emphasis is being increasingly placed on a more effective use of state resources within each public institution. To this aim, several legislative restrictions have been passed, aimed at ensuring a more economical use of public money. However, unless each public institution proves to be interested in improving the effectiveness of its activities, such legislative restrictions fail to result in significant financial improvements at a national level. In order to improve the “health” of the Romanian public system, each public institution needs to analyze its own activity on a continuous basis, so as to identify the options for improving its financial performances. Such a financial analysis may be performed based on the data provided by the budgetary income and expenses account. A structural and dynamic analysis of the itemized revenues and expenses, correlated with an analysis of other elements such as stocks and customers, allows the institution both to identify its current situation and to find solutions towards improving the efficiency of its activity. By performing the above-mentioned analysis, this paper aims to establish the current financial status of the “Baia Mare Art Center” County Art Museum, to identify the causes that have led to this situation, as well as to point out solutions that might improve the efficiency of this institution.*

Keywords: *public institutions, economic and financial analysis, budget, income, expenses, efficiency.*

I. INTRODUCTION

The budget deficit that most world countries are struggling with is a sign of the ineffectiveness of the current system used for managing national resources in view of fulfilling the state's attributions. The strategy of covering budgetary expenses from loans is only a temporary solution as far as solving budget deficit is concerned. Long-term this strategy cannot result in anything beneficial, since it serves to treat the effect rather than the cause. As long as a country fails to “learn” how to use at maximum efficiency the resources it has, permanently contracting loans will eventually result in a collapse of the country's public system. As shown by other research in this field, the crisis that states are currently facing can only be solved by organizing and managing the public system in a manner similar to the management of private organizations¹. That means permanently focusing, within each public institution, on results and on continuously improving the efficiency of the relationship between income and expenses. This focus of the public institutions on results, performance and efficiency has been called “the new public management” and has been described in detail by Hood Christopher as early as 1991². To implement this orientation at a national level, a series of steps were taken, among which the establishment of the Central Unit for Reforming Public Administration (CURPA) within the Ministry of

¹ Păunescu Mihai (coord.), (2008), *Management public în România*, editura Polirom, Iași;

² Hood Christopher, (1991) *A Public Management for all Seasons*, Public Administration, 69, 1, pp. 3-19.

Administration and Internal Affairs.³ In view of applying the new management to the public sector the CURPA recommends that public institutions use a diagnosis analysis, the preferred format for which is the Self-Assessment Framework for the Functioning of Public Institutions (SFF)⁴. The main purpose of the diagnosis analysis is “to measure the performances of the organization subject to the analysis and, based on the results, to identify the causes that lead to performance deficiencies, respectively find the most effective solutions for improving performances”.⁵ An important element of the diagnosis analysis stands in establishing a diagnosis for the economic and financial activity. In the case of public institutions, the main aspect that is taken into account when establishing the financial diagnosis is an analysis of the income and expenses budget, since “the public budget is the central link of any country’s financial system, as it expresses a specific kind of financial relationships, namely the budgetary relationships that are formed in the course of establishing, distributing and utilizing the funds required by the state, both at a national level and within the local administrative units.”⁶

The analysis of the income and expenses budget, as indicated by the name, will be aimed at establishing the structure and dynamics over time of the museum’s income and expenses; subsequently, the results of the analysis will be used to compare this museum’s status to the status of income and expenses of other museums, which represent the competition. The income analysis allows for the following: (1) establishing the museum’s level of financial independence by measuring the ratio of own income to total income, (2) establishing the museum’s most productive results by measuring the weight of various categories of own income within the total own, (3) establishing the weight of income obtained from non-reimbursable funds as compared to the weight of own income and subsidies received. The structural and dynamic analysis of the museum’s expenses allows for the following: (1) identifying the main domains in which the museum invests most of its financial resources, (2) establishing the trend of their evolution and its structure by titles, articles and paragraphs, (3) identifying the areas that would allow resource saving without affecting the functioning of the institution. Based on these analyses, it becomes possible to establish certain conclusions and formulate recommendations aimed at improving the performances of the public institution. If the organization applies into practice the recommendations made following such a diagnosis, it may improve its efficiency, which, in the public sector, at a national level, may also translate into a reduction of the gap between the organization’s own income and income obtained from loans. In that which follows, the paper will present the financial diagnosis performed at the “Baia Mare Art Center” County Art Museum, made by taking into account the above-mentioned elements.

Structure and evolution of budgetary income

Between 2009 and 2012 the budget of the “Baia Mare Art Center” County Art Museum displayed a wavering trend. In 2010 the museum’s income decreased by 37.72% as compared to 2009, in 2011 it increased by 14.89% as compared to 2010, then 2012 brought a new decrease of 3.59% relative to the value obtained in 2011. Therefore, the museum’s income was 31.01% lower in 2012 as compared to 2009. Out of the total income, the largest weight belongs to income obtained from subsidies granted to public institutions, however, there is also income achieved from the sale of goods and services, as indicated in figure 1. Between 2010 and 2012 the museum’s own income amounted to approximately 2.80% of the total income. The year 2009 was an exception, as the museum’s own income amounted to only 0.56 of the total income. The situation that occurred in 2009 was caused by two main factors. On the one hand, the low percentage of the museum’s own income is due to a higher level of the subsidy granted to the museum in 2009 (64.27% higher than in 2010), and on the other hand the institution’s own income was 68.01% lower in 2009 relative to 2010, mainly because of the investment works entailed by the rearrangement of the permanent exhibition.

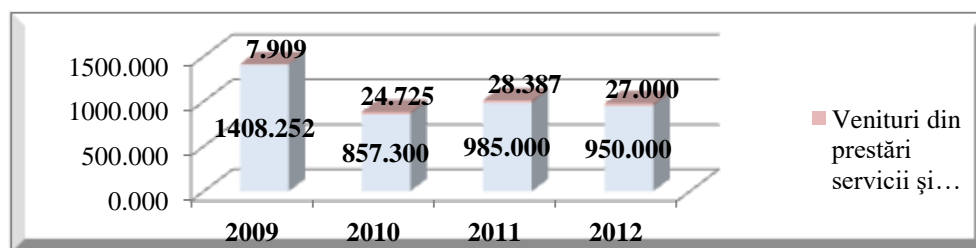


Figure1 Structure and evolution of income at the “Baia Mare Art Center” County Art Museum

³ http://www.mai.gov.ro/index07_3.htm, la 12.02.2013;

⁴ Bosovcki Amanda, (2009), *Administrația publică din România între europenizare și rezistență la schimbare*, Revista Sfera Politicii, nr. 131-132, pp. 76-88;

⁵ Mereuță Cezar (coord.), (1994), *Analiza diagnostic a societăților comerciale în economia de tranziție – Modelul Cematt*, editura Tehnică, București, p. 9;

⁶ Constantin Cucoșel, *Finanțe Publice*, Editura Risoprint, Cluj Napoca, 2004, pag. 20;

Table 1: Structure and evolution of income between 2009 and 2012

Year	Subsidies	Income obtained from services and other activities	Total income	Weight of own income out of total income
2009	1,408,252	7,909	1,416,161	0.56%
2010	857,300	24,725	882,025	2.80%
2011	985,000	28,387	1,013,387	2.80%
2012	950,000	27,000	977,000	2.76%

It’s impossible to formulate an opinion regarding the efficiency of this museum based on the evolution of its income without comparing its results with the results achieved by other museums. Thus, table 2 shows that, out of the 5 large museums of Maramures, in 2010 the Art Museum ranks only 4th with regards to the weight of its own income out of its total income. The same table shows that the Mineralogy Museum, even though it benefited from subsidies only 1.91 higher than those of the Art Museum, successfully managed to generate own income 695.18% higher than the Art Museum.

Table 2: Structure of Maramures museums in 2010

No.	Museum	Subsidy – lei -	Own income – lei -	Total income	Weight of own income out of total
1.	The History and Archaeology Museum	1,671,364	51,295	1,722,659	2.98%
2.	The Ethnography and Folkloric Art Museum	1,500,000	11,289	1,511,289	0.75%
3.	The Mineralogy Museum	873,703	196,608	1,070,311	18.37%
4.	The Art Museum	857,300	24,725	882,025	2.80%
5.	Maramures’s Museum	1,330,710	131,611	1,462,321	9%

Source: Coman Adela, *Pop Izabela, Why do museums matter? A case study on the Maramures County*

Museums, The International Conference in Economics and Administration, Bucharest, 2012, pp. 121-133. A similar analysis carried out for national museums shows that the weight of their own income out of their total income, in 2009, varies between 2.82% (the National Museum of the Eastern Carpathians) and 83% (the Peles Museum). During the same year, the Brukental Museum generated own income amounting to 14% of its total income, whereas in the case of the National History Museum this value was of 26.34%.

These comparative analyses allow us to conclude that the financial performances of the “Baia Mare Art Center” County Art Museum are not amongst the best, as its assets are not utilized at maximum efficiency. It is recommended to take steps aimed at increasing the museum’s own income. Such steps may include without limitation: (1) submitting projects aimed at attracting non-reimbursable funds (unlike other museums, the Baia Mare Art Museum didn’t submit, throughout the period subject to the analysis, any project aimed at obtaining non-reimbursable financing); (2) enlarging the diversity of the range of products by offering for sale products that are more attractive to the public (such as souvenirs), given that the books and small albums currently offered for sale at the museum’s gift-shop are not particularly interesting to visitors; (3) placing a special emphasis on and increasing the involvement of the human resources in order to increase the number of educational programs completed. Based on the experiments carried out at the end of 2012 it was noted that the demand for such programs exceeds the museum’s capacity to provide. This problem could be solved if the museum’s manager assigned more human resources for the performance of such activities.

By analyzing the structure of the museum’s own income it becomes visible that the most important part is played by the income obtained from ticket sales, which amount, on average, to 72.77% between 2010 and 2012. In 2009, 57.53% of income was obtained from selling products, since the permanent exhibition was closed to visitors while refurbishment works were being carried out. In 2012 the museum managed to increase the income obtained from sale of products by signing several contracts of consignment. Relative to the amounts assigned for producing goods (see table 6, budgetary article, “Books, publications and informational materials”), the income obtained by selling them is very low, which leads to a slow turnover of stocks and, consequently, an immobilization of public funds (as also demonstrated by the final balance of account 371 „merchandise”). The status of the museum’s own income over the four years is presented in figure 2.

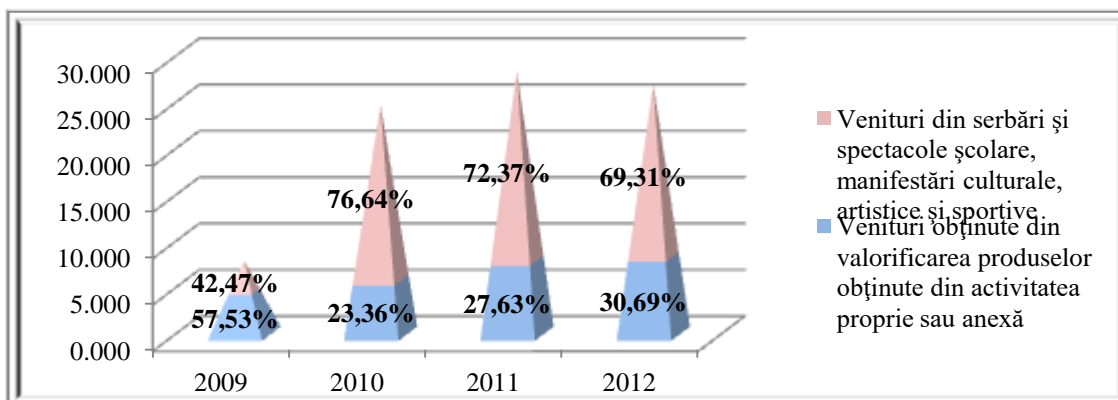


Fig. 2 Structure and evolution of the museum's own income between 2009 and 2012

Table 3: Structure and evolution of the museum's own income between 2009-2012

Year	Income obtained from selling goods obtained through own or auxiliary activity		Income from school festivals and shows, cultural, artistic and sporting events		Total own income Lei
	Lei	%	Lei	%	
2009	4,550	57.53%	3,359	42.47%	7,909
2010	5,776	23.36%	18,949	76.64%	24,725
2011	7,843	27.63%	20,544	72.37%	28,387
2012	8,286	30.69%	18,714	69.31%	27,000

Structure and evolution of budgetary fund distributions

The expenses side of the budget is somewhat more complex and it includes two large categories – operational expenses and capital expenses. Operational expenses are, again, subdivided into two titles – staff expenses and expenses related to goods and services – whereas capital expenses are sub-divided into only one title, namely non-financial assets. Titles, in their turn, are divided into articles and sub-articles. With regards to the evolution of total expenses, they display the same trend as the one displayed by income, given that total income and total expenses remain equal. This is why it's relevant to analyze their evolution by types of expenses.

In terms of their weight, operational expenses are higher than capital expenses, amounting to between 57.36% and 82.20% of the total expenses. The year 2009 brought the highest capital expenses (42.63%) both because of the capital investment works and those entailed by the rearrangement of the permanent exhibition, but mostly because a significant amount was allotted to the purchase of art works, as shown in table 6.

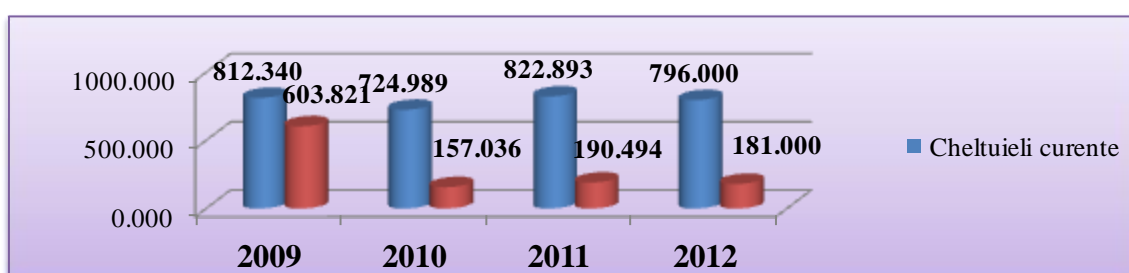


Figure 3 Evolution of operational and capital expenses between 2009 and 2012

Table 4: Structure and evolution of budgetary distributions between 2009 and 2012

Year	Total expenses	Operational expense		Capital expenses	
		Lei	%	Lei	%
2009	1,416,161	812,340	57.36%	603,821	42.63%
2010	882,025	724,989	82.20%	157,036	17.80%
2011	1,013,387	822,893	81.20%	190,494	18.80%
2012	977,000	796,000	81.47%	181,000	18.53%

Table 4 illustrates a tendency towards reaching a certain stability, over the course of the last three years, in terms of the weight of operational expenses and capital expenses out of the total expenses. The most important change occurred with regards to capital expenses, which dropped by 70.02% in 2012 as compared to

2009 due to the fact that a smaller amount was allotted for purchasing new additions to the patrimony. As far as the operational expenses are concerned, there is no sign of a downward trend, as in 2011 the level of operational expenses was higher than in 2009. Between 2009 and 2012 the total expenses dropped by 31.01%. By reducing capital expenses by 70.02% the total expenses dropped by 29.86%, and reducing operational expenses by 2.01% resulted in a 1.15% drop in total expenses.

$$\text{Devierea relativă a cheltuielilor totale } \Delta ICT_{2009-2012} = \frac{977.000}{1.416.161} - 1 = 31,01\% \quad (1)$$

$$\Delta ICT(\text{cheltuieli curente})_{2009-2012} = \frac{796.000 - 812.340}{1.416.161} = -1,15\% \quad (2)$$

$$\Delta ICT(\text{cheltuieli de capital})_{2009-2012} = \frac{181.000 - 603.821}{1.416.161} = -29,86\% \quad (3)$$

By analyzing the structural evolution of the operational expenses (figure 4), it becomes visible that, between 2009 and 2012 the weight of the staff expenses out of the total operational expenses dropped by 15.12%. This drop is due to the legislative measures that were passed with regards to hiring restrictions in the public sector. An overall analysis shows nevertheless that the regulations passed by the government didn't also translate into a significant drop of the total operational expenses, which were reduced only by 2.01% in 2012 (796,000 lei) as compared to 2009 (812,340 lei), and the year 2011 (822,893 lei) even brought an increase of 1.30% relative to 2009. Therefore, cutting staff expenses by 29.51% in 2012 relative to 2009 doesn't constitute an actual reduction, since it resulted in an increase of the expenses related to goods and services. Which is to say that, in order to properly carry out its activity after the staff was significantly reduced (10 employees as of the end of 2012), the museum had to resort to services provided by companies and external collaborators, which entailed an increase of the expenses related to goods and services.

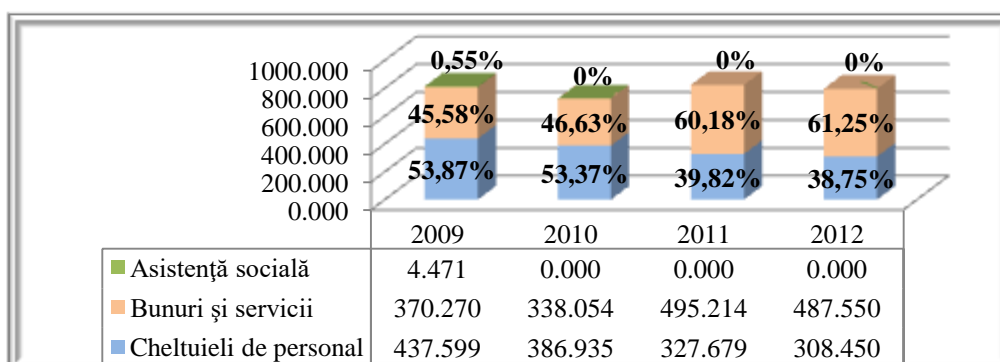


Figure 4 Structure and evolution of operational expenses between 2009 and 2012

However, the restrictions imposed by the government did have a certain effect, since, even though they didn't result in a significant decrease of expenses, at least they managed to maintain them at the same level, in spite of the rise of the inflation, and, consequently, of purchasing prices for goods and services between 2009 and 2012. The social welfare expenses recorded in 2009 consisted of gift passes offered to the employees for that year's Winter Holidays; subsequently the use of such passes was banned.

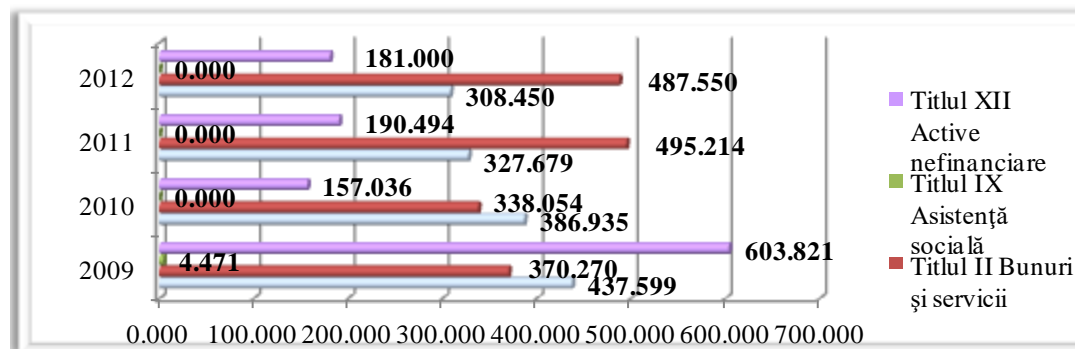


Figure 5 Evolution of budgetary distributions broken down by expense titles

When analyzing budgetary distributions broken down by expense titles, it becomes visible that, over the course of the four years, the structure of the budget suffered certain changes. While in 2009 the non-financial assets represented the highest percentage of the total budgetary distributions, followed by staff expenses, several changes had taken place by 2012, resulting in a complete reversal of the hierarchy. The financial austerity measures imposed through legislation led to restrictions on investment expenses and staff expenses, which, in their turn, resulted in an increase of the expenses related to goods and services.

Within Title II “Goods and Services”, four budgetary articles end up constituting over 90% of the total budget distributions. The most important share within this title is held by the homonymous budgetary article, which represents between 40.16% and 48.02% of the total expenses made within this title and which displays an upward trend for the four years subject to the analysis. There are several causes for this: on the one hand, the staff reductions led to an increase in the number of services contracted with external providers, and on the other hand inflation, as well as various rises of taxes and fees, entailed rises in the prices of goods and services available on the market. The article “Goods and Services” is further subdivided into several paragraphs, with the most important amounts distributed as follows: (1) other goods and services for maintenance and operation⁷ (57.68% in 2012), (2) heating, lighting and power mains (16.66% in 2012), (3) materials and functional services⁸ (13.8% in 2012).

Table 5: Structure and evolution of budgetary articles within Title II “Goods and Services” between 2009 and 2012

Budgetary article	2009	2010	2011	2012
Goods and Services	156,470 42.26%	168,777 49.93%	198,898 40.16%	234,100 48.02%
Current repairs	86,661 23.40%	47,371 14.01%	150,000 30.29%	106,620 21.87%
Drugs and sanitary materials	50	0	229	300
Goods that qualify as inventory items	6,790	8,370	6,568	5,000
Business trips, assignments, transfers	4,755	2,495	6,994	7,740
Laboratory materials	4,000	1,976	3,959	4,000
Books, publications and informational materials	22,499 6.08%	30,618 9.06%	19,997 4.04%	31,760 6.51%
Consultancy and experts’ reports	0	0	3,000	0
Professional training	11,820	1,600	3,850	4,920
Work safety	4,704	4627	2,978	6,000
Studies and research	1,800	0	0	0
Other expenses	70,721 19.10%	72,220 21.36%	98,741 19.94%	87,110 17.87%
Total budgetary distribution for Title II „Goods and Services”	370,270	338,054	495.214	487.550

The share of the budget allotted for books, publications and other informational materials never exceeds 10% of the amount allotted for goods and services. Over the course of the four years, the amount allotted for books and publications doesn’t display a linear trend, but rather rises and falls consecutively, reaching an annual average of 26,218.5 lei. Most of the expenses that fall in this category are related to merchandise produced by the institution. Some of this merchandise is sold and generates own income, whereas others are offered for free. By correlating the amounts reserved for this article with the final balance of account 37 “Merchandise” it becomes visible that the funds are immobilized to a great extent. To be more precise, the balance of merchandise increased from one year to the next, so that, by the end of 2012, it reached 132,317.34 lei (as a comparison, the amount allotted from the budget between 2009 and 2012 was of 104,874 lei). This shows that there were difficulties in selling the books published by the museum’s specialists. Given that it’s difficult to sell such products, there’s no reasonable grounds for allotting such a large amount to this aim. To

⁷ This article usually covers the expenses associated to the services provided to the institution based on a service providing contract.

⁸ This article usually covers the expenses for consumables that are not associated to other articles, as well as for services purchased without a service providing contract.

increase the efficiency in using funds, it is recommended to research the market so as to identify and produce the type of goods that museum visitors would be more interested in purchasing. In that which concerns the production of books and informational materials, it is recommended that they be made using the non-reimbursable financing destined for cultural projects. This sort of financing, managed through the Administration of the National Cultural Fund, only requires a minimum co-financing capacity of 10%⁹, which would allow the museum to save 90% of the amount allotted for this article. If the museum had been able to save that much in 2012, it would have translated into a reduction of the total expenses by 2.93%.

The budgetary article “Other expenses” holds, on average, 19.57% of the total amount allotted for Title II. Between 2009 and 2011 it may be noted that this type of expenses displayed an upward trend, however 2012 brought a 11.78% decrease 2011. This article is further sub-divided into three paragraphs, namely: advertising and promotion, non-life insurance policies, and other expenses related to goods and services. The most important share within this article is held by the paragraph “other expenses related to goods and services”, which serves to cover mainly expenses associated to the restoration and framing of art works, as well as expenses entailed by organizing exhibitions. These expenses display a wavering trend, with an upward tendency between 2009 and 2010 caused mainly by the price factor. The expenses related to advertising and promotion reached their maximum level in 2010 and subsequently displayed a downward trend so that, by 2012, they reached almost the same level as in 2009. The expenses related to contracting insurance for the art works have a general upward trend due to the fact that, every year, more and more art works were insured.

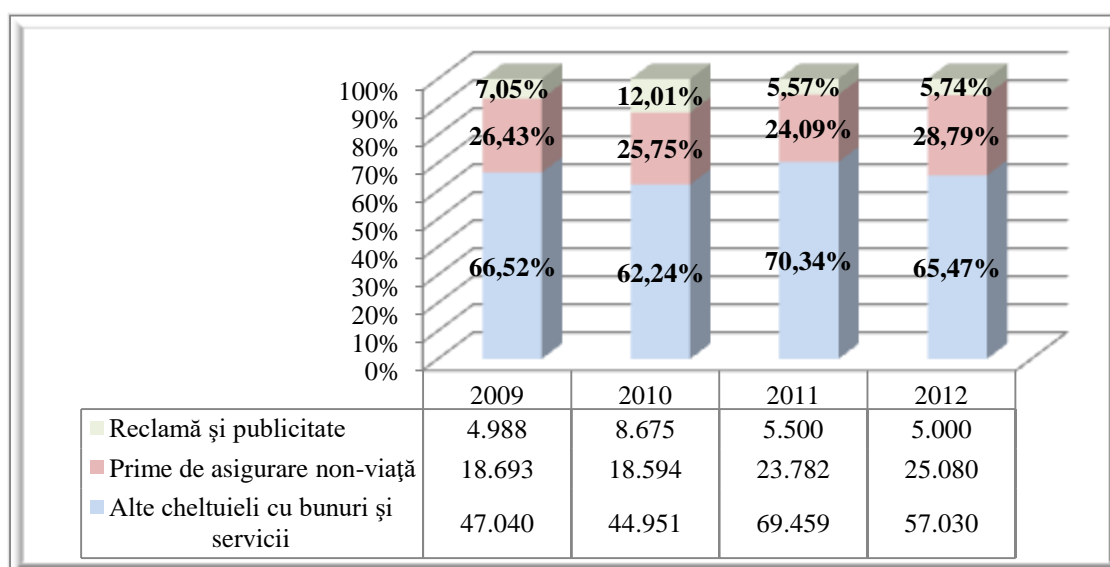


Figure 6 Evolution of budgetary distributions within the article “Other expenses”

The category of capital expenses refers to those expenses that are aimed at developing the institution and have only one title as a sub-category – Title XII “non-financial assets”; the distribution of the amounts allotted for this title is illustrated in table 6. The main articles within this title are the “fixed assets” and “capital repairs for fixed assets”. The paragraph “fixed assets” is further sub-divided into two paragraphs: “furniture, office equipment and other tangible assets” and “other fixed assets”; until 2012 the latter was used for covering the cost of purchasing intangible fixed assets. The most important amounts within this title were allocated for purchasing tangible assets, in particular art works. Between 2009 and 2011 the cost of purchasing art works was covered from the paragraph “furniture, office equipment and other tangible assets”, whereas in 2012 these expenses were transferred to the paragraph “other fixed assets”, which was used between 2009 and 2011 for financing non-tangible fixed assets. This is why the graphical representation of the evolution of these types of expenses is not particularly relevant. Table 6 shows that capital repairs were only carried out in 2009 and 2012; instead, the museum opted to maintain its fixed assets based on smaller, but more frequent works, which it could cover from the article “current repairs” within Title II “goods and services” (see table 5).

⁹ Order no. 231 dated April-7th -2011 on approving the Methodological rules regarding the organization and functioning of commissions, the selection procedure for programs, projects and cultural events, in view of granting non-reimbursable financing out of the National Cultural Fund, as well as for settling disputes.

Table 6: Evolution of budgetary distributions within the title “non-financial assets”

Year	Furniture, office equipment and other tangible assets		Other fixed assets		Capital repairs for fixed assets		Total non-financial assets
	Lei	%	Lei	%	Lei	%	
2009	470.990	78%	22.348	3,70%	110.483	18,30%	603.821
2010	153.257	97,59%	3.779	2,41%	0	0%	157.036
2011	188.494	98,95%	2.000	1,05%	0	0%	190.494
2012	0	0%	121.000	66,85%	60.000	33,15%	181.000

II. CONCLUSIONS

Between 2009 and 2012 the austerity measures that were applied throughout the country led to a reduction of the museum’s budget by 31.01%, which was achieved, to the extent of 29.86%, by significantly decreasing the amounts invested in purchasing art works. The expenses associated to goods and services largely depend on the changes occurring on the market. Given that the period between 2009 and 2012 brought price rises for goods and services both because of inflation and because of certain economic state interventions (such as increasing excises and the value added tax), what followed as a consequence was a significant increase in the museum’s expenses related to the purchasing of such goods and services. The museum’s own income obtained over the past three years amount for approximately 2.8% of its total income. Based on this value, in 2010 this institution ranked last but one among the museums of Maramures, which means that the museum’s management needs to make changes so as to improve its performances. Even if the museum’s activity is not aimed at obtaining profit¹⁰, by improving its financial performances the museum will also improve its ability to fulfill cultural objectives.¹¹ Also, improving the efficiency of the museum’s activity would entail benefits at a national level too. In view of reducing the national public deficit, every institution needs to strive to increase the weight of its own income since any increase in the amounts that the state needs to grant as subsidies for various institution increases the risk of the state being forced to resort to loans, which, inevitably, translates into a higher level of public deficit. However, the endeavors of public institutions can only be successful if the aim of improving the efficiency of their activity is established at a national level. For instance, the legal provision that states that “budgetary credits that haven’t been used before the end of the year are legally cancelled”¹² may entail certain consequences for the process of effective management of public funds, because, knowing that they are apt to lose certain amounts of money unless they spend it, public institutions tend to consume more financial resources than what they actually need to function properly. This provision may also constitute an obstacle for the attempts at generating own income exceeding the level initially approved through the budget because, once this income is obtained and the budget is amended, public institutions are faced with two options: either spend more money, or give up some of the funds by transferring them to the state budget. The only exception is those public institutions that are financed entirely out of their own income, as in their case any income that exceeds annual budgets is carried forward to the next year¹³. In order to encourage an increase in the level of own income, the law should allow all public institutions to carry forward to the next year any budgetary overplus obtained by achieving a higher level of own income than the one approved through the budget.

Back to the museum that was subject to the analysis, its main options for improving its efficiency, measured as the ratio of own income to total expenses, are as follows: cutting back on expenses while maintaining the same level of own income, increasing own income while maintaining the same level of total expenses, or increasing own income and cutting back on total expenses at the same time. The two options that entail cutting back on expenses are only feasible short-term, as on a longer term they might result in an improper functioning of the institution. This is why the healthiest solution for improving the museum’s efficiency is increasing its own income, either by attracting non-reimbursable funds, by increasing the numbers of visitors who pay, or by finding solutions to convert the huge stocks of merchandise into money and reconsidering the museum’s manufacturing activity so as to match the consumers’ requirements. However, there are certain steps that can be taken towards cutting back on expenses too. The analysis that was carried out showed that the expenses for capital and current repairs in 2012 amounted to 17.05% of the total expenses, with the total amount allocated by the museum for such repairs over the course of the four years subject to the analysis reaching 561.135 lei. Since many of the necessary repairs have already been completed, the amounts allocated for the following years to this aim could be reduced. It would also be possible to cut back on the expenses associated to

¹⁰ ICOM code of ethics for museums (2006), http://archives.icom.museum/code2006_eng.pdf, la 16.02.2013.

¹¹ Klamer Arjo (2011), *Cultural entrepreneurship*, The Review of Austrian Economics, no. 24, pp. 141-156, <http://www.klamer.nl/docs/springer.pdf>, la 16.02.2013.

¹² Legea 500/2002 privind finanțele publice, modificată și completată, art. 61 (3).

¹³ Legea 500/2002 privind finanțele publice, modificată și completată, art. 66 (2).

laboratory materials¹⁴ and those for books and publications, without affecting the proper functioning of the museum. Also, a more effective management of consumables would result in savings for the article “goods and services”, the paragraphs “office equipment” and “materials and functional services”. As far as staff expenses are concerned, by changing the human resources management policy it would become possible to improve results while maintaining the same level of costs. The main step that should be taken towards this aim is redefining tasks for each position so as to increase the time allocated to activities that directly result in a higher productivity; if such a step was coordinated with an understanding of market requirements, it would allow the museum to increase its own income.

This paper was aimed at illustrating how financial diagnosis, which is a tool widely utilized by the private sector, is able to generate positive results also when applied for public institutions. In order to manage the public system in the same way as the private organizations, future research should focus on how to adapt the tools used by private management so as to make them suitable for public institutions too. For instance, if private organizations measure their profitability threshold as equality between total income and total expenses and strive to reach the highest level possible for income, in the case of public institutions the profitability threshold should be measured as equality between their own income and total expenses, with the ultimate goal being that of attaining equality between the two.

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¹⁴ Muzeul nu are laborator de restaurare dar consumă resurse în acest sens chiar dacă restaurarea lucrărilor se realizează înafara muzeului.