

BOOSTING THE COMPANY BY A SMART CASH POLICY

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Abstract. *The challenges of the business environment make the treasury sensitive. The Management Planning Process it need to according a particular attention to the treasury activity who is in a central position within the business environment. To taking the managerial decisions must proceed to the company financial situation evaluation in the achievement of the final results that can meet the expectations: the rigidity degree of the company, removing the known limits or already encountered, have no any difficulty to establishing the perspectives. This work paper is proposing a treasury approaching in the accounting processes light, who is supported by innovative elements (tools, methods and techniques) so as to allow for the analysis by the two dimensions: in time- from the past to the present and further in the future (forecasting purposes) and in space- at national and international level (Accounting Standards Harmonization), the way to stimulate good practices for sustainable development.*

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1. Introduction

The dynamic of economic events represents the cause and effect for numerous theories and opinions of specialists and at the same time a continuous challenge for the entrepreneurs.

We assist to numerous debates at all hierarchical levels of current organizational structures, having as subject treasury management, which is considered a priority in current activity. We can affirm that treasury is one of the first concerns of economic entities in establishing the necessary actions of planning.

In this purpose it is imperious to identify the elements of it and also the influences at internal and external level of a proper or improper treasury management for obtaining satisfactory results for the effective exercise of economic entities respectively for profit.

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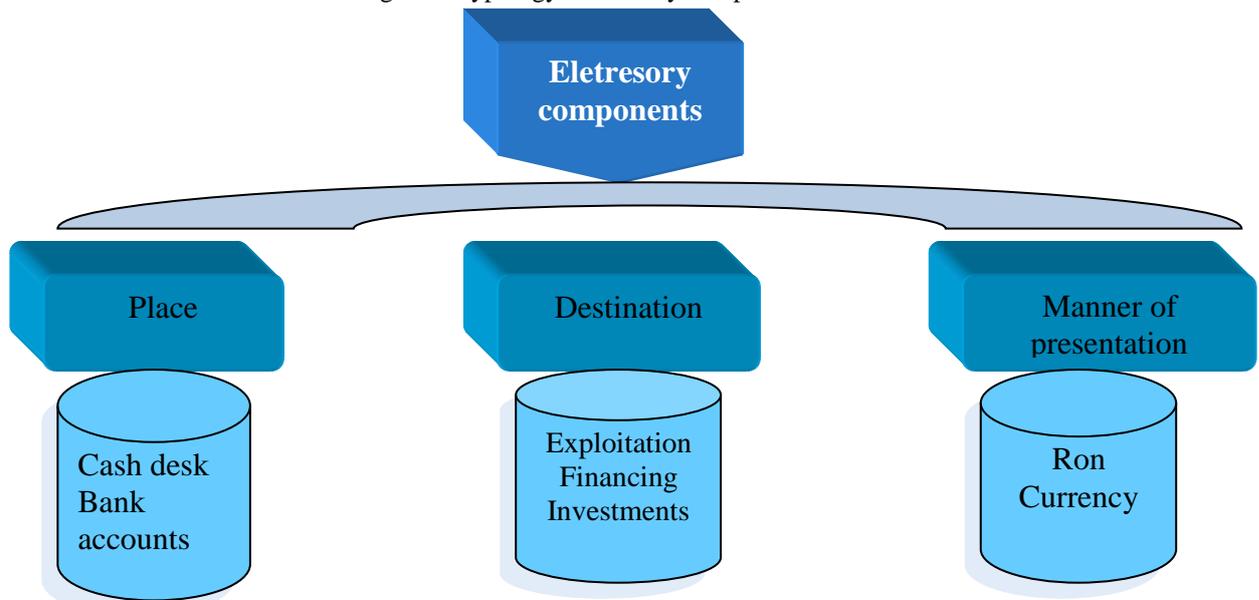
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2. Treasury, basic instrument of economic management entities

Treasury vision has changed over time, as economic environment evolved, depending to the currents of thought, and went through transformations, from ancient to modern.

Contemporary approaches of the significance and role of currency, from J. Keynes [5] la M. Friedman, until this moment, have undergone profound changes. Treasury (fr. « trésor » signify wealth, treasure, in Latin « thesaurus », and in Greek « thésauros ») is an accounting term that at the entity level represents cash and cash equivalents accessible immediately and all times and – financial resources liquid with high liquidity allowing current business needs. The concept of treasury correspond to the difference between availability and short – term liabilities, namely resources most liquid available after financing current activity [2] Thus, treasury may be excess or deficient.

Figure 1 Typology of treasury components



(Source: T. Alcaz, A. Rusu, D. Osipov, A. Oprea- « Accounting evidence. Lecture series », p. 127, U.T.M., Chisinau, 2007)

For a better organization of treasury accounting it is important to obtain more details when identifying the elements such as to enable accurate recording of their accounts for avoiding errors, frauds, but also finding adverse financial impact from the application of operational decisions. We can consider the main objective of the company's treasury accounting, the following:

- Obtaining reliable and timely information;
- Rational management of monetary values;
- Determining the correct financial results;
- Forecast of incoming and outgoing flows of cash;
- Ensuring transparency of information;
- Efficient use of available funds through treasury investments;
- Using the funds in accordance with the legislation in force.

In corporate finance practice, treasurer must be a good financial analyst. He must first be able to analyze the economical situation, financial and strategic the economic entity, then formulate a diagnosis regarding its capitalization, and ensure appropriate framework for making financial decisions.

Financial analysis involves understanding the financial processes based on accounting techniques. In essence, by using financial analysis we can determine the chances of survival and continuity of the economic entity, if it is solvable and capable to bring benefits to its shareholders. In order to realize these prerogatives, it is necessary to generate wealth from investments and these to be rentable.

3. Boosting the company by a smart cash policy

In the present context, cash becomes essential information in managing and management of an economic entity, because through his economic entity funds its operations and ensure their permanence in the determination of management and financial analysis indicators, both in the short to measure solvency and long-term financing needs for measurement[4].

The information contained in the statement of cash flows, along with the leaking of the balance sheet, income statement and statement of changes in equity, should help investors, creditors, shareholders and other users in assessing the liquidity and solvency of the company and its ability achieve internal resources to repay debt, to reinvest and distribute dividends.

Economic entities should pay increasingly more importance to their own treasuries; the ultimate goal of any business is to generate profit, and money-default entries maximizing cash flow. Smart treasury management issues but should be treated differently to economic entities with treasury issues where in fact seeks survival to those that have a rich Treasury, where the main concerns may in particular savings. The lack of liquidity, profits economic entities lose their value, can lead to insolvency even if there is a profit on paper and this precisely because the amounts entered were much lower than outflows and the

lack of cash flow consistently is one of the main reasons that some economic entities are forced to conclude its work. Smart treasury management is particularly important for economic entities at the beginning, and for those with seniority, experience not constitute a sufficient criterion to prevent problems caused by an insufficient cash flow. Economic entities who face such contingencies requiring additional expenditure cannot make timely investments needed to remain competitive in the market, or are forced to pay a higher price to get necessary resources by borrowing money. Basic questions regarding the manner of treasury management and relevant issues in this regard, with answers on which both managers economic entities would be interested to know, and people involved in treasury management, economic entities can be considered the following: The result is not in the Treasury? How is it that Treasury decreases and increases activity? How was consumed treasury? Cash has the advantage of flexibility and comfort where there is an investment opportunity estimated to be strategic to the economic entity. But the important fact to keep liquidity is always beneficial? It is not interpreted as poor management of available funds? Possession of cash can be considered an obstacle to growth and development? The key to intelligent treasury management consists in making realistic projections, making effective monitoring of inputs and outputs, and presetting of budgetary restrictions on short and medium term. We consider all available cash values being unproductive in this regard can recommend economic management entities as close to "zero Treasury".

In difficult economic times, such as the decrease in sales combined with poor management of liquidity can lead to catastrophic situations. In such situations in order to bring to a satisfactory liquidity, managers should take decisive measures in the short term, such as:

- Reliable estimates on the company's cash flow, both in the short and long term followed by a permanent monitoring of estimated forecasts;
- Identifying effective short-term debt very important for prioritizing economic entity and to pay;
- Intensifying efforts to recover the receipts delayed in disputes concerning amounts due may accept the surrender of a part of financial claims in order to obtain even partial debt;
- Contracting trying creditors and negotiating mutually beneficial agreements enabling economic entity to overcome the difficult period (postponement of payment of debts to suppliers, return goods or raw materials inefficient generating stocks, etc.)
- Identify where departments-activities can reduce operational costs, assessing opportunities and taking action to reduce urgently needed

without jeopardizing the entity (salaries, maintenance expenses, waiver of products or services with low profit margins, etc.);

- Appealing to advisory services provided by specialized companies or experts, can also be a beneficial approach in addressing the financial problems of the economic entity in question;
- Attracting new financial resources essential for the continuation of the economic entity by calling the short and medium term loans (loan-associated shareholders, capital increases and attracting new shareholders, bank and non-bank loans, etc.).

On the other hand, activities carried out by an intelligent management of treasury, for improvement of the results of an economic entity, such as:

- Managing and monitoring a single centralized cash-flow situation instead of separate customers, suppliers or different situations extra-accounting measurement of assets and liabilities of the entity;
- Combining centralized for cash flow statements with sincerity accounting data allowing to identify vulnerabilities that might generate imbalances;
- Analyzing in depth the objectives and means to improve cash flow, adapting them to the needs and organizational and economic environment changes;
- Ensuring optimal visibility on cash and cash equivalents and trends entity by using specialized tools or soft's;
- Prevent economic entity's financial needs by shifting negotiated various claims and liabilities even contacting external funds in key moments, when appropriate;
- Creation or development of specialized departments within the economic entities that deal with treasury management / contracting specialists able to ensure proper management of treasury where possible, or to use the services of specialized companies authorized financial issues.

3. Socioeconomic influences on treasury management

Clearly, we see that the business environment is changing according to the actions and political pressures, the intensification of geopolitical risks: what is right today will not necessarily be the same tomorrow and what is good for society is not necessarily and another.

Actions taken by state organizations and hierarchical systems with great decision-making power have a strong impact on all aspects of social and economic life, generating a high level of uncertainty in relations between businesses. Reforms

within the meaning of positive and constructive change in all cases did not have the expected effects, so that in some cases the results were contrary to expectations and led to blockages in place economic efficiency.

Initiating reforms, adoption of new financial instruments in order to launch and maintain a sustained pace of economic environment, determine the behavior of the companies in terms of treasury himself in interacting both with other companies and with banks and other national structures or international.

"The financial crisis that started in 2008 was a 'storm' as occurs only once every 100 years, and none of those involved has not seen it," said former Treasury chief Hank Paulson US- following bank failure Lehman Brothers that produced when a "crash" in the financial world, the most powerful recession since world War II and the US quickly spread globally. The immediate and inevitable in our country is affected by freezing lending business, and companies lack liquidity. Also decreased private investment, local and foreign business is under pressure from the possibility of raising taxes amid instability in the geopolitical context.

"In many countries, the financial sector still has weaknesses, and financial market risks are increasing. All this means an increase of the global economy in 2016."said, Christine Lagarde- IMF Managing Director. Britain's possible exit from the European Union (Brexit) can create negative effects in the short term, but would become positive in the long term, however, namely the reduction of dependence on other economies.

Report of PricewaterhouseCoopers (PwC) on the world economy in 2016 shows that in the euro area financial crisis will end - the Greek situation will not escalate affecting the euro bloc. Greek companies, constrained by domestic social tensions and economic environment, were recorded and they opened bank accounts in other countries, particularly in Bulgaria. Cash operations were limited, businesses being unable to honor payments.

Medium enterprises is impacted by events such as falling prices and credit growth in local currency in one of the economies with the fastest growth in Europe and aiming to join the euro. Financial strategy varies depending on the economic conjuncture and changes in interest rates. The company's cash position is weighed by banks such deposits that anticipate and prepare best deals interest. Fluctuations are not the same for all currencies, and this should be taken into account in the management of treasuries which are composed of multiple currencies. Economic entities with a very good financial situation make efforts to maintain its payout and thus to increasing shareholder value appreciation and display the Stock exchanges.

One aspect of the movement of money, as sensitive as it is present, is the fight against corruption, the financing of illegal activities, crime, which is increasingly fierce and costly. Fiscal paradises are an option for managing rich treasuries.

Businesses that use to keep their wealth in bank accounts opened in territories considered tax havens enjoys many financial advantages. They have important cash that allows them finance investment, increase benefits, but also safety comfortable build a financial reserve. According to the IMF, tax evasion worldwide is estimated at 5.500 billion euro, and 50% of transactions aimed at tax havens operating 4,000 banks and two million companies. NGO Tax Justice Network believes that through tax havens are run from 16.344 billion to 25.000 billion, which would correspond to US and Japanese GDP aggregate sites, one third of global financial resources. Decision-making system is constrained enterprises to adapt to the conditions of falling rates and reduced benefits strength the position is being paramount.

A new paradigm is that treasury businesses faced lately with a negative interest rate on deposits. This is the consequence of the monetary policy of the European Central Bank (ECB) to cut interest rates, including interest rate to refinance (Refi) and marginal rate being the most important tools interest refinancing (Refi) and marginal rate being the most important tools

Monetary fund's in recent years reached a historical low in terms of return, leading even to negative values especially if interest on short-term deposits. In this situation it is very justified question: All holders will withdraw their funds set? The placements have become expensive and impacting treasuries «rich» enterprises.

Conclusions

Consequence of the flow of complex economic phenomena (inflation, exchange rate fluctuations, changes in interest rates, liquidity management in the money market), treasury supervision requires more attention at economic entities, whatever their size. Early identification of treasury difficulties is paramount, for the controlling the direct and immediate effects on the entity.

Treasury analysis, and analyze of variations within the enterprise are very important for the enterprise manager, helping him to understand in the most clear and concrete way the realities that he faces directly. In terms of continual instability and socio-economic mobility current economic challenge is to be able to continue their work and to control the risk taking. Intelligent cash management is the key element for consolidating the business.

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