ACCOUNTING POLICIES ON TREASURY AND FINANCING PICTURE

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Abstract:
An entity's treasury is its strong point due to how there will be directed the monetary and financial flows available to it depends, ultimately, the financial situation and the result of the exercise.The informational need of users that are interested to present the evolution of an entities' financial position during a financial exercise is not satisfied by the information from the balance sheet or the profit and loss account, that is why, the information referring to the cash-flows are useful because they provide a basis for assessing the entity's ability to generate cash, as well as the possibility to use these cash-flows.

Key words: *treasury; financing picture; cash- flow*

JEL classification: *M41*

A modern accounting requires recourse to accounting policies and improved estimation techniques, as well as accounting options, to an acceptable extent.

1. Treasury - key information through which the entity finances its work and ensures its continuity, by it we determine indicators needed by management and financial analysis, both short term, to measure solvency, as well as long-term to measure financing needs.

All operations that the entity realizes are found immediately and forward as cash flow. The entities' treasury ensures the evidence for all operations relating to investment securities, monetary liquidness, other treasury values and treasury credits. In the narrow sense, treasury includes debit balances in bank and investment securities that can become liquidness, and broadly it means all cash or availability of the entity.

Treasury analysis is nothing but short-term financial equilibrium analysis when comparing a relatively constant size (working capital) with a fluctuating size (working capital requirements) and maintaining the balance of cash flows is a prerequisite for sustainability of the entity. Net Treasury expresses the correlation between working capital and need working capital, reflecting the financial situation of the company both medium and long term, as well as short-term and the financial balance is achieved when the two proportions are equal.

Registering a net treasury shows the enterprises' success in economic life and the profitable placement opportunity of monetary liquidness to strengthen its market position. Maintaining financial balance is a permanent objective of financial policy and it can be considered achieved when the year ends with a positive treasury.

It should be underlined the fact that:

- financial balance is a prerequisite for carrying out a profitable activity;
- financial balance is achieved by adjusting a wide range of imbalances that manifest in the current activity of the enterprise.

Positive net treasury (WC>NWC) reveals that the company has signed a financial year with a monetary surplus materialized in monetary liquidness (house, bank) when working capital is higher than the working capital requirements - is the result of the company's current financial balance and we can even speak of a short-term financial independence.

If this situation persists in several successive financial years, this situation shows a high economic profitableness and opportunity to profitably place the monetary liquidness to strengthen the company's position in the market. If the working capital requirement is constant, then the net positive treasury is equivalent to net profit, diminished with the dividends paid during the same period, plus depreciation.

Note that a very high positive net treasury doesn't represent a strength in the financial management of the company. Managers must use it by placing cash in various securities, seeking to obtain future benefits.

Negative net treasury (WC<NWC) reveals short-term financial imbalance, with the impending consequences of maintaining financial stability to plan long term, the need for working capital can't be financed entirely from the permanent resources, the deficit being covered from engaging some short- term loans. That treasury requires the contracting entity for new short-term loans. The only way to mitigate this state of financial difficulty is to find short-term financing solutions, in conditions as low cost.

If you need of working capital is constant, negative net treasury is the effect of recording losses. However, when the company achieves profitable products, has disposal of the market (supply and sales), but is registering an increase in the need for working capital as a result of development activity, the existence of a negative net treasury does not mean an unfavourable economic situation - financial, but registering a gap between the average processing time of inventory and liquidness receivables and the average time for realization of short-term obligations.

2. Financing picture has emerged in response to obtain a dynamic view on the financial situation, meaning on the evolution of this situation.

The balance sheet gives a static view of the financial structure, is represents the balance cash and cash equivalents of an enterprise at the end of the period. By examining two consecutive balance sheets it can specify whether liquidity increased or decreased during the period but not why they varied during the year.

Profit and loss account present a dynamic vision of the business through information such as income, expenses and results released by the various activities - key sources and uses of cash and cash equivalents, but not even this doesn't explain why these factors have increased or decreased. Many times in the back of high profits or increases in production and turnover may hide serious problems of treasury.

Over time the financing picture has many facets, two of them being remarked, respectively: uses and resources panel and cash flow picture.

The finance panel also called the **use and resources panel** explains the variation between opening balance and closing balance, and is more oriented towards a patrimonial analysis of the entity, providing an opinion on the financial balance. The uses and resources panel *has the objective to present the financial flows, while cash flows are subject to the cash flow panel.*

The cash flows picture provides information on receipts and payments of an entity during the year to help the users of financial statements, particularly investors in assessing its creditworthiness.

Cash flow statement is drawn up according to IAS 7, either using the direct method (presents the main classes of gross cash receipts and payments) or indirect method (the net profit or net loss is adjusted by the effects of transactions that don't have a monetary nature, delays or payments and commitments in the past or future operating cash, and items of income and expenses associated with cash flows from investments or grants).

Regardless of the used method the result must be the same, "what is different is how the analysis of cash flows involved in the operation of the company is made. Starting from the year book value of the outcome, adjustments are made to determine the equivalent cash flow of it. The practice of a committal accounting as well as taking in calculation the profit of monetary income and expense items, are widening the income gap between the amount realized and the cash from the company's treasury"[1].

Although it seems more difficult to apply the indirect method is gaining ground in comparison to the direct method, perhaps because it is a logical calculation closer to the accounting reporting form. For this purpose there have been developed more simplified calculation formulas that can be applied especially when the structure of the balance sheet and profit and loss account isn't very developed.

Analysis of cash flows is useful for: Matching profit (loss) to cash, separation of the activities involving cash from those not involving cash, assessing the company's capacity to meet obligations to pay cash on the past situation, their knowledge is useful both to Shareholders interested in the existence of sufficient cash to pay dividends as well as to creditors that are interested in recovering loans, evaluating the cash flow for future activities (cash flow strategy) of interest to potential investors.

The University teachers Constantin Stănescu, Aurel Işfănescu şi Aurel Băicuşi which believe that "an important component of the financial-economic situation analysis is the research of flow of availability because in economic practice it's considered that any activity has to "liberate money", resulting in a surplus of capital compared to the one invested in the business. A company can be profitable, achieve profit, but it's possible not to be creditworthy because of the lack of liquidity due to the gap between receipts and payments made in the financial cycle"[2]. From there arises the conclusion that cash flow highlights money circuit in an entity.

University teachers Roman L. Weil, Clyde P. Stickney and Sidney Davidson believe that "cash flow" means the difference between "cash receipts and payments for sold goods that acquired in a certain period of time"[3].

„The state of cash flow - the American teachers Belverd E. Needles Jr., Henry R. Anderson and James C. Caldwell support- is a financial condition that shows the sources and uses of money in one year"[4] In other words, the distinguished professors equate available cash flow and funds flow, opinion that can be accepted in a global vision. However, cash flow approach through flow of funds can't be accepted by us because, first, the movement of funds is not surprising viability of exploitation activities, investment and financing. Moreover, the Anglo-American vision, treasury variation is a component of the funding resources of the entire activity of the enterprise.

CONCLUSIONS

Users of accounting information can not be satisfied only with the information contained in financial statements because their interest is evident in the progress of financial position as for the situation from the beginning of the fiscal year and for that use commitment accounting generates a hypothetical size of enterprise's performances, in that the profit shown at the end of the financial year is not the same, most times, with the balance of available cash at the end of the same year. Useful information on

[1] Dragotă V., Obreja L., Ciobanu A., Dragotă M. – *Management financiar, vol. I*, Editura Economică 2003

[2] C.Stănescu, A.Işfănescu, A.Băicuşi – *Analiză economico-financiară*, Editura Economică, Bucureşti, 1996

[3] R.L.Weill ş.c. – *Accounting the Language of Business*, Thomas Harton and Daughters, Arizona, U.S.A., 1990

[4] B.E. Neadles Jr. ş.c. – *Principles of Accounting, Houghton Miffin Company*, Boston, U.S.A., 1991, anexa G3

companies' ability to generate cash and cash equivalents and about appropriate use of cash flow are provided by cash operations.

Organizing cash accounting items must meet several objectives as: conducting a thorough coordination of all operations on, on the one hand, monetary assets and on the other hand, payment operations so as to create necessary preconditions for permanently achieving the settlement of debts of the time limits; ensuring accurate and operative records of all cash operations that comply with the law and allow inspection regarding the unit's receipts and payments, contracting and use of bank loans based on a detailed analysis and only insofar as they are necessary to regulate liquidity and maintenance of the ability to pay and for other well-defined and effective economic destinations, respecting financial compliances - banking and tax.

An enterprise can be considered viable only if its operations releases permanently treasury.

The variation in net treasury is what is currently expressed by the Anglo-Saxon term ***Cash-flow*** (cash flow), which allows evidence of funds obtained by the entity in the last financial year on types of activities (exploitation, investment, finance), how they were used and the extent to which it resorted to other sources than the ones from exploitation.

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