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Financial management of the company treasury department during the current economic crisis

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Abstract. Any management decision has a direct monetary impact on the structure uses and sources of cash. Cash Management aims to permanently maintain a balance between inflows and outflows of cash and cash to predict the impact of any operational decisions that could

affect these flows. The success of any business requires good management of all these flows.

The principle of this approach is relatively simple: using a minimum of ores to obtain maximum performance in a given period. Cash management is an extremely complex issue, and balancing receipts and payments flow is a constant struggle for survival of firms.

In It work we will focus on how they are oriented in a going concern basis, cash inflows and financing needs of current operations. Managers should understand and know the specific movements of cash within the business system, driven daily decisions on operating, investing or financing, and a variety of external circumstances which affect the company. Such decisions and events can affect the company's ability to pay its obligations to obtain credit from suppliers, banks or credit institutions and to maintain an operational level in line with the company's products and services through investments.

Keywords: Management cash, operational transactions, operational decisions, sustainable growth, the credit provider.

JEL Codes: M40, M41 Introduction Every business is different from the other in terms of business, size, capital structure and the products or services performed, but all businesses face cycles of working capital and liquidity requirements affecting the availability thereof.

We present a simplified case of this cycle by taking the example of a typical day of work for a retailer that sells its products in a rented store the block in cash. For the work he has invested part of the money for setting up shop that rented five years.

The vendor supplying goods every morning. During the day, he turns his stock items in cash. The seller has suggested that while working to recover funds invested and record a profit. Store owner charged him rent payable in cash at the end of each month. In Fig. 1 we can see the seller's decision to place bread stock availability, which emphasizes the cash trail through a simple diagram. Arrows indicate current cash flow required to purchase goods. The seller shall provide the cash necessary, thus increasing its participation in the capital of employment, and cash becomes a source of funding. Monthly payment of rent for the leased shop has no impact on cash and does not affect the current structure of current operations.

Store O wn capital Cash Stocks Fig. 1. The initial investment for the start of daily cash

Alternatively, if the seller did not have enough cash, he could have recourse to a commercial loan from the supplier, making products purchased on the day following payment. The proceeds of the day would have been used to pay debt to the supplier of bread. This assumption changes the chart, as shown in Fig. 2. Thus the funds made available by the supplier for a day, they have supplanted those from equity.

Store Own capital Cash Stocks Liability Fig. 2. Initial use of the credit provider to commence business In the example shown the new circuit is very short seller's funds. The initial investment, completed either by its own cash or by credit provider is followed by a series of individual receipts throughout the day. These collections form the source of financing of operations the following day.

In Fig. 3 am as the effects operations to illustrate the implications of cash.

Cash Receipts from sales Own capital Commercial credit Cost of goods sold Rent Net profit of the day Stock products Store

Fig. 3 Effect of daily operations Such available cash consists of takings from the sale of products, stocks of progressively reducing during the day, the difference between sales revenue and cost of goods purchased from suppliers represented by gross profit, which is reduced with rent shop. Finally net profit increased capitalization and reflects the value added during the day.

In Fig. 3. bold arrows indicate the operations that generate cash flows.

The seller can use the accumulated cash the next day to rebuild stocu countries and to resume business cycle. The proceeds above the cost of products sold by the seller will be used in order to increase the stock of goods for the day.

For situations described can be seen that cash flow is critical to business management. Even in the case of multinational companies, the final form of any settlement is cash.

In conclusion, operational cycles occur as a result of delays in the planning of operational transactions. The seller of the example given above can register a lag of several hours or days, depending on the nature of business, from the purchase of stocks and turn them into cash. On the other hand, the supplier may have significant gaps of time between the time of production and upon receipt of claims from customers who have bought on credit trading. A firm that performs works or services can also record lags between the payment of staff salaries and employee upon receipt of commissions and fees from its clients. In contrast, however, lies a publisher of a newspaper or magazine subscriptions for receiving advance, before the advent of that publication. In this situation, the necessary working capital is reduced.

The task manager is not easy, he must plan and find funding sources to cover the current needs of the firm's own funds as assets because these temporary differences.

Change in cash flow of the business conditions for sustainable growth Increasing sustainable business growth calls for funding all the elements of a financial nature associated with this growth. This pattern of growth can not be achieved without a corresponding increase in working capital, long-term financial investments and other investments.

To assist those related to consider the following situation:

The company sells products to customers offering a commercial loan for 45 days. The value of each sale will add receivables within 45 days and will be funded continuously since as previous claims collected, others, due on sale, are added to the balance of the receivables.

If your business provides an inventory turnover of 12 rotations per year, the amount of cost of goods sold will be added to the amount of inventories, as value stocks for a period of 30 days (360: 12), which also will be permanently financed.

This additional use of funds increase in trade payables and other current liabilities. The loan provider will amount to an amount equal to the equivalent purchases over a period of 45 days, where the value in days, was agreed with the supplier.

The Company has a deferred payment for 40 days, cost of goods sold is 70% of the sales and profit after tax is 7%.

As expansion campaign financing sources of increasing sales by 100 lei will be:

amount receivable will increase by 12.50 lei (100 x 45/360) stocks of goods purchased will increase by 5.83 lei (70 x 30/360) debts to suppliers will increase by 7.80 lei (70 x 40/360) The net result of these changes is the increased financing needs with 10.53 lei (12.5 + 5.83 + 7.80) while the business system do not affect other changes. Increased sales by 100 lei generate finance the working capital 6 lei (an average profit of 6%) and 4.53 lei will be covered from other sources. It is clear that sustainable growth requires extensive financing working capital requirements.

Structure of operating assets, sales and net profit for a firm in expansion, is shown in Fig. 4, the activity require additional funding of working capital requirements, with the passing of each year ,as you grow inventories and receivables. We see in the graph growth of assets as production increases. This increase will be financed by permanent resources, the nature of profit or other long-term sources.

In Fig .4 dotted line indicates the total funded necessary to ensure growth in operating assets.

Figure 4. A typical business growth A sustainable business growth requires a permanent and continuous allocation of capital, which should be available in the long term, either by using shareholders' 1 **EQUITY OR THROUGH LONG-TERM LOANS.** In a business with high growth, profit is not a sufficient source reinvested profit margin obtained can be far exceeded the overall financing requirements.

The variation of the cash flows in terms of economic decline If the management wants deliberately restricting and effectively manages the company can become a powerful source of cash, even if the business is declining in volume. As sales fall, the firm's operations have reduced prudent for those reductions to be correlated with the decrease in production volume, thus freeing resources fixed by then.

In Fig. 5 is shown the ideal situation of reduced activity. The capacity of firm cash releasing depends on careful removal of all levels of activities that are no longer needed.

Restrictions proportional stocks and the accounts payable, partially offset by lower loan provider, is an important source of cash, in addition to giving up some assets no longer needed with lower activity.

Fig. 5 Decline controlled business If the decline in activity cannot be managed effectively devalued stocks and ineffective operation will hold back the release of funds from operating assets. This can cause serious problems that do not materialize activity by releasing cash.

Motivational functions of treasury management The main objective of the treasury management it outlines proper management and profitable cash and cash equivalents, financial activity as active participation in the overall management of the company.

The entire activity of the enterprise may be influenced by the management of the treasury. The financial plan is set so motivational functions of financial management:

playback performance possible;

conflict resolution and satisfaction of interests;

ensuring participatory leadership.

Playing possible performance Future economic and financial performances of the company are influenced largely correct allocation of available funds in the production or consumption. Therefore proper allocation of available funds will be consistent with the behavior of elements in the structure of the firm, with interests in the development of enterprise and efficiency indicators.

Making proper use of this function takes into account the liquidity indicators to substantiate corrective intervention of the production or consumption.

Resolving conflicts and satisfying the interests This management function is required for the guidance and leadership of unbroken production process. Permanent manager contacts the company's stakeholders about their interests and satisfy even the general state of the company.

The financial manager is the one who ensures the direction of liquidity in accordance with the interests of the company, aiming in this way the most important economic activities.

In this activity fair and profitable management of cash, there are many conflicts of interest both within the firm (caused by lack of money to pay salaries or pay them late) and in outside company with suppliers and creditors (due to a lack money to pay debts due to the late time or accounts receivable). From this conflict of interest between the firm and its stakeholders, it requires a forecast of cash, as specified in chapter three of this paper, by issuing treasury operational budget. This budget takes into account while evaluating the collection of accounts receivable and cash payments and limit conflicts of interests of employees and creditors meeting.

Ensure participatory management Treasury management can impose a way of working that both company employees and owners will be drawn in the foundation and then the realization of economic and financial decisions on production and consumption.

A participatory management, favorable due course of business involves financial manager to provide the necessary cash economic performance to a level that meets the needs of FIME, staff and owners.

Treasury deficits that occur mainly during periods preceding the payment of salaries or debts to banks, call for actions such as delaying payments, achieving exceptional revenue, decrease due to the company's claims on customers, contracting of short-term loans etc.

Conclusions All management decisions and the movements of funds that they have finally determine the impact on cash. Existing cash level at a time is a resource allocation even though his movements are more common than other users of resources.

The principle applies to cash is one that applies to any other ores:

Minimize “size according to the needs that must cover and get maximum of useful effects by investing cash in investments that would reflect its unique characteristics”.

Economics coherent management of cash calls at any time there is a gap between receipts and deliveries they are reduced and payments not be made earlier than due dates. Effective relationships with banks are serious advantages in this process, companies with branched structures trying to focus these processing operations in regional centers.

The reduction in the necessary cash account can be achieved by converting any amount in excess in a short-term investment account (bonds, securities issued by companies, etc.). Choosing this solution at the expense of keeping cash is inspired to find solutions to long-term investment.

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