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The State of Knowing in the Field of Enterprise Treasury- Notional Cash, Content, Scope

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Abstract: The main objective of this paper is to perform a theoretical analysis of the main issues related to the concept of flow, starting from the stage of knowing in the company's treasury and continuing treasury structures and components classified and recognized in the accounts.

We begin this research with a conceptual analysis of enterprise treasury domain definitions, interpretations, approaches, nuances, linguistic indices are sometimes useful, but can be misleading since scientists borrow words from the pool of words. There is the danger of getting contaminated by common understandings and meanings related to everyday, common sense.

Analyzing the view of some reputable researchers, and academic elite Romanian definitions over time, we see that the treasury was distinctly defined.

All these contradictions are based on our approach to the problem of how to combine the creative rational thinking. It is often said that a problem well put is half solved. Lucian Blaga "a problem not only never made ... objective data can be called only objective data to which we refer, in that they are outside the problem started, and in that matter absorbs as a receptacle theirs. All of these objective data we call the problem area. "(Black, 1974).

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1. Introduction

In medieval Romanian countries, treasurer was the title given the great governor who was responsible for the financial administration of the country and the state treasury and the treasury was the institutions that manage public money, the state treasury. More specifically it was the place or room where keeping the public treasury.

The word derives from the French Treasury "treasury" and expressed in literary form, office of a state which maintains and administers the public treasury.

From the etymological meaning Treasury is managing the public treasury.

Expression is correct but the treasury coffers; expression Romanian language was replaced with a one word statement.

At the microeconomic level, the activity of the companies, the Treasury is "finance department, which deals with the receipt, management and placement of funds.

If we call the Romanian academic elite definitions over time, we see that the treasury was distinctly defined.

In the view of Professor Ristea Michael, "Treasury's work in which transactions and events are included which manages short-term financial instruments (marketable securities or short-term financial investments), amounts receivable, cash available in bank accounts banking companies, cash available on hand companies, short-term bank loans, cash and cash equivalents in the form of letters of credit separate from banks and other treasury securities."

From the point of view of teachers Feleagă Niculae and Ion Ionaşcu treasury is defined from two perspectives:

• From the perspective of businessman "Treasury represents all funds available to meet enterprise payments: Available in bank accounts, cash on hand, checks cashed receivable commercial paper held till maturity, investment securities, etc. and the failure of these funds is possible to get a loan ";

• The financial analyst's perspective "Treasury is the difference between availability (liquidity) and chargeability (liabilities) immediately."

Bernard Colasse Treasury notes that an economic unit should not be confused with the availability of which it has a point, but what remains of the resources are stable, having been financed property and the need to finance current business. The author believes that the ability of the Treasury to finance the company's stable resources.

From our point of view, the treasury is the component of the aspiring, on one hand, sizing based on current needs cash you need to cover, and on the other hand, excess investment in short-term placements.

Although the concept of cash is considered a crucial element in the management of the company, considering the views of the authors quoted we see that there is no consensus on the definition and components of trezorerieii.

Denis Dubois in his "gestion Encyclopedia" states that "brings together all treasury management decisions, rules and procedures to ensure the lowest cost, maintain financial equilibrium snapshot of the company".

2. Approaches to the company treasury. Overview treasury functions

Activity in an enterprise generates input and output streams of cash. These flows are generated by a variety of activities related to training, or pay capital increase, sale and purchase of goods, making investment and financing expenses, etc., provided that the Treasury's task to organize and to link of all these activities.

The main function of the treasury is the so organizing and managing incoming and outgoing flows of money, management of cash and short-term loans (cash).

If the company is large, then the Treasury can be organized into a distinct financial direction. This section will be one that will link the monetary and financial market organization, which takes care of ensuring the liquidity of the enterprise, effectively placing liquidity for evaluating sources of financing, developing and tracking budgets and making cash forecasts.

The company, being placed in a complex economic and financial relations must meet all financial obligations such other treasury function is to ensure liquidity.

In the cash market economy is one of the most important forms of capital. To pay suppliers, taxes, employees, shareholders are required cash dividends to ensure continuity of the business. Their absence, even if the firm has other material values can cause financial setbacks and even failures.

As stated in the first part of this paper, the existence of profit does not mean that the company has cash as income or expense when the engagement does not coincide with that of the receipt or payment. So cash benefits should not be confused with the company, even if an activity is likely to cost the company is unable to pay its debts at some point, if it has no liquidity.

Increasing profitability of a business is generating cash, but a profitable firm that makes investments in fixed assets unjustified, do not receive timely claims that maintains surplus stocks that make unjustified loans can easily turn into a victim of creditors and banks.

It is necessary to implement certain measures treasurer as effective cash management, to plan, synchronize incoming and outgoing cash liquidity required to ensure business continuity.

Increase the company's profitability and hence the liquidity necessary to establish the amounts and purpose of cash, knowledge development and deficit cash surplus, timely delivery of cash reserves for contingencies, analysis and control of cash to establish timely and effective action by state treasury.

Cash control concerns the collection, management and settlement of cash in order to prevent loss, avoiding fraud and waste.

From the perspective of internal financial control is considered one of the most important forms of control designed to prevent financial losses.

3. Structures and components Treasury classified and recognized accounting

The accounting regulations compliant with European directives' accounts provide evidence of the existence and movement of treasury shares in affiliated entities, other short-term investments, cash at bank and in hand, short-term bank loans and other Treasury securities. "

Based on the above definition that treasury structure is as follows:
- Short-term investments and investment securities
- Amounts receivable
- Availability of money in bank accounts or in cash
- Letter of credit
- Other cash values

The settlement between enterprises can be achieved both in cash and through bank as treasury structure settlement includes all tools used (money order, check etc.).

3.1. Short-term financial investments

Short-term investments and investment securities designated or investment securities "are securities purchased for sale and in this way achieve a short-term gain.

Purposes of these investments are a speculative or obtaining a short-term gain. Gain value is determined as the difference between the selling price (higher) and cost of acquisition of securities (lower).

Unlike term investments purchased with the intent to be sustainably preserved, investment securities are purchased short-term part of the structure of current assets.

The composition of short-term financial investments included: shares (listed and unlisted), bonds, treasury shares repurchased bonds issued and redeemed by the company, other investment securities and similar debt (short-term treasury bills, certificates of deposit, etc).

Given the purpose of acquiring and destination, shares and bonds are divided into two categories:
• Stocks and bonds purchased for resale and in this way obtain a gain;
• Own shares and bonds, a category which includes securities sold and redeemed for resale at a reasonable price or grant their employees, and their bonds for cancellation.

The accounting distinction is made between actions, which are investments involving a right of ownership and bonds are those that gives their owner a claim during ownership.

By purchasing securities as an enterprise intends either to temporarily use a portion of its availability to conserve cash value or profitability of its investments through increased income from interest and dividends or obtaining more value at resale.

Regarding the evaluation of investment securities, as with other active elements, they are evaluated in four points:

a) When entering management investment securities acquired for valuable consideration are accounted at cost;

b) On the inventory investment securities are measured at fair value, which may be:
• Listed securities using the quotation of the day 31 December;
• Unlisted securities probable sale value (negotiable)

Titles rated securities are listed on the official stock exchange, increase or decrease in the exchange taking effect on inventory value.

At closure, temporary losses of value are recorded as adjustments for impairment of treasury accounts:

c) On the closing balance of accounts is determined by comparing the inventory with the entry in the application of the precautionary principle;

d) On leaving the management, investment securities are valued differently:
• The sale itself using the transfer price (sale);
• Titles of management is carried out at book value (input value).

The difference between the issue price and the carrying amount is the result of the transfer and takes the form of a plus or minus.

To establish the favorable or unfavorable from the sale of marketable securities are not taken into account any adjustments for impairment of securities established before divestiture.

In the assessment of short-term investments in international accounting doctrine faces two diametrically opposed viewpoints.

In the opinion of experts on short-term investments should be measured at the lower of acquisition cost and market value.

Others consider that it is appropriate to evaluate those elements at market value, given the particular nature of short-term investments.

IAS 39 "Financial Instruments - Recognition and Measurement", specifies that when a financial asset or financial liability is recognized initially, an enterprise should evaluate their cost, ie the fair value of the consideration offered by these transaction costs being included in the initial measurement of all financial assets and liabilities.

After initial recognition, an enterprise should measure financial assets at their fair value, including derivatives that are assets, without any deduction for transaction costs that may arise from the sale, except for financial assets that do not have quoted market price in an active market and whose fair value cannot be measured reliably, receivables and loans created by the company that are not held for trading and investments held to maturity.

The fair value of a financial instrument can be measured reliably only if:

• Variability in the range of reasonable estimates of fair value is not significant for that instrument;

• If the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. Often variability within the range of reasonable fair value estimates is so large, and the probabilities of different incomes are so difficult to assess that the utility of a single assessment of fair value is rejected.

3.2. Values receivable

Amounts receivable as cash items comprise in their structure checks cashed effects receivable and notes submitted for discounting.

Law. 59 / 05.01.1934 of the check, bill of exchange and promissory notes, one of the oldest laws in Romania, has recently undergone significant changes in introducing online operations. Until recently only the physical form of payment instruments has legal value, electronic equivalents were not recognized.

Globally, information technology has produced important changes in the presentation of payment instruments and recent attempts to align Romanian legislation in this trend.

The emergence of new modern payment instruments (cards) no unnecessary delay circuit operations will cause the gradual disappearance of old forms.

3.2.1. Electronic check

The check is a payment instrument by which a person named drawer (issuer of the check), go order a shot (the bank) to pay for a third person (beneficiary) a sum of money.

This payment instrument can be used both by individuals and by legal entities for various payments.

Additions to the law do not replace the old payment systems only provide an alternative processing electronically.

Important issues that are reflected check amending Law no. 59 / 05.01.1934 are:

• Regulation of so-called truncation (submission in electronic payment)

• Clearer definition of the content of signatures on checks

• Other regulations to facilitate electronic submission of payment of the check.

Presentation of a check payment can be original or cropping.

3.2.2. Bills of exchange and promissory notes

New regulations on the bill and promissory notes aimed legal recognition of the value of these instruments in electronic form and covers changes similar to those of the check law.

Cambia is one of the oldest instruments of payment and dates back over 1,000 years, is known as treaty or policy.

Cambia is a document by which a person gives to another person ordered to pay a third person or to his order, a sum of money at a certain Scandentia and in a certain place.

The promissory note is a debt in which the issuer undertakes to pay the beneficiary a sum of money at a certain time in a certain place.

Unlike the bill of exchange, promissory notes occurs between two people and does not contain a payment order addressed to another person, but only assuming their payment obligations.

3.3. Cash at bank and in hand

To treat this chapter it is necessary to make a distinction between the availability of money in the bank, in which case the receipts and payments transactions are done without cash, payment instruments and cash in the house, where returns between parties is done cash.

3.3.1. Cash at bank

As stated in the previous paragraph operations without cash receipts and payments are those operations that termination of rights and obligations between the parties is done through the banks on the basis of documents submitted by them. Lenders collect from debtor's amounts they are entitled to through banks where they hold accounts in retaining funds. Operations without cash receipts and payments are made by banks by transferring the amount from customer accounts (debtors) in accounts suppliers (creditors). Such customer steering operation amount represents a payment and the same operation is a collection providers.

Therefore, in order to perform operations without cash receipts and payments, companies need to keep cash in the bank accounts they serve. All operations performed by a company through the bank accounts will be recorded by the bank in a statement.

Account Statement is a document in which the proceeds fall day, the final balance of payments and current account balance.

Accounting records of receipts and payments are based on bank account statements received from the bank along with supporting documents.

To avoid situations where differences occur between current account balance and the balance of the bank account statement is prudent that these balance to compare daily or at the end. This comparison is called “bank points” and allows the identification of differences arising between the Bank and the record company.

The field values include checks receivable effects and notes submitted for input, and their accounting is performed using 511 account "Values receivable” accounts which develops synthetic accounts of second degree on course receivable value.

In terms of payments, the document on which the bank will make a payment from your current account is the order of payment. The payment order is unconditional, given by its issuer receiving a banking company to make available to a beneficiary a sum of money at a fixed date.

If the current account balance is insufficient to cover payments employed at one time under the bank credit agreement, the bank will provide a loan up to the full cover payments employed. This difference will be just loan by the bank current accounts, also called cash loan (short-term).

3.3.2. Cash at home

Currency in lei and foreign currency available to society, society is kept in hand, and his management accounting is distinct through the account 531 "House".

Thus all transactions in cash receipts and payments is done by cashiers companies up to a certain ceiling.

For companies there are certain limitations in terms of certain operations or ceilings ceiling amounts can be kept in the house. While certain thresholds have changed and some have even disappeared.

For all other operations that exceed the limits set, whether aimed receipts or payments will be used by the bank operations.

3.4. Short-term bank loans

As stated above, if the current account balance is insufficient to cover payments employed under contracts of bank loan, the bank will give a loan to the extent that payments will be covered fully engaged. This difference will be very short-term bank credit extended by banks to companies on the basis of contracts concluded in advance and provide coverage for temporary needs.

Short-term loans, the bank may be achieved in the following ways:

• Loans within lending ceilings, in which case the bank will pay all obligations of the enterprise, even when there is sufficient available funds in the current account at the time of payment;

• Loans by the bank transfer of the money available in the account of the company, in which case the loan will supply the cash account.

For the availability of the companies receiving interest bank accounts; such interest is financial income for the companies concerned and will be reflected in the accounts as "interest receivable".

If the companies receive bank loans or contracts current short-term bank loans, they will owe the bank interest.

Current borrowing is reflected in the accounts as "Interest payable" and the short-term bank loans are recorded as "Interest on short-term bank loans," both representing financial costs to society.

3.5. Transferable letter of credit and treasury

Transactions in goods and services trade involve risks both internally and internationally, although the interests of the parties are the same, the buyer wants the benefits to be offered and the seller that payment will be made.

These risks can be reduced by using techniques settlement transactions, regulated and accepted internationally.

In this respect one of the most used techniques payment in trade relations is the letter of credit. Operations performed through the letter of credit shall be governed by the rules and practices Uniforms (RUU), developed by the International Chamber of Commerce in Paris. These rules were first published in 1951 and subsequently revised Lisbon.

The letter of credit is a form of settlement requested by the provider to be sure that their client receives the value of the goods delivered, work done and services rendered on his behalf.

The letter of credit is made to the bank and is the transfer of money from the current account of the purchaser in a separate account opened to the supplier of goods and services and that is to pay the following supplies of goods and services. As the bank proves that the supplier has fulfilled contractual duties, the bank will make the payment by transferring amounts of L current account provider.

Letter of credit can be opened both in lei and foreign currency and Recognition is done using the account 541 "Letters" account into two accounts detailing synthetic degree, 5411 "Letters in lei" and 5412 "accredited currency ".

Companies can keep the cash and other valuables from the treasury: and rest treatment vouchers, coupons and tickets, stamps and postage stamps, etc.

Accounting for other Treasury securities is reflected using the account 532 "Other values" which develops synthetic accounts of second degree.

Conclusions

The main objective of treasury management is to avoid a negative treasury, ensuring a balance between liquidity and close out. This balance depends on the amount of cash at the beginning of the period, the flow of receipts and payments for the period, as well as other variables such as: capital structure, size of business enterprise, corporate culture, customs and traditions etc.

Indicator obtained from the comparison of income and expenditure incurred by a company during a financial year is the result that, when positive, reflecting an increase of wealth, specifically an increase in assets. The existence of profits does not mean that the company has liquidity as expense or income when employment does not coincide with that of their payment or receipt. Management enterprise performance management requires both job flows (income / expenses) and cash management (collection and payment flows).

Through careful management of cash, and payment instruments and funding is achieved another objective of the Treasury, namely to ensure the company's profitability, which ensures on the one hand minimizing costs and secondly optimizes the placement of surplus short-term cash.

The current economic crisis, marked by a lack of liquidity causes another dimension of treasury management, financial risk management represented, which involves the use of insurance instruments and speculation when financial markets are very volatile (exchange rates and interest rates fluctuate very small time intervals).

From these considerations it follows that the least expensive treasury management policy is "zero treasury," which is to maintain as close to zero balance availability. The management practice of "Treasury zero" is difficult to assess, because in most cases, financial flows are regulated by financial instruments whose date of presentation to the bank not known precisely.

An efficient management of cash so that the company requires to have at some point sufficient available funds to meet immediate chargeability. For this, you need an enterprise treasury looking management that can be provided on the size and chargeability and availability instantly.

The current economic crisis demonstrates the importance of extensive global policy administration numeral healthy. Countless companies, although profitable, are on the verge of bankruptcy due to excessive leverage and lack of liquidity.

Cash has important functions in the distribution of dividends, financing future investments, payment of debts to suppliers and state taxes and the absence inevitably lead to cessation.

Given the importance of cash in the activity of an enterprise Board Financial Reporting Standards Board (IASB) issued a separate standard IAS 7 "Statement of Cash Flows", whose goal is to impose information on the history of cash movements and cash equivalents of an enterprise by means of the cash flow statement.

Under IAS 7 cash is defined as "cash and cash equivalents comprise cash and deposits." In other words, cash is cash and cash equivalents of a company in cash or bank accounts, and other similar elements such as values receivable, cash advances and other assets.

IAS 7 defines cash equivalents "are short-term financial investments, highly liquid, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value."

Cash equivalents arise as a consequence of excess cash and cash management includes the investment of excess cash in cash equivalents.

In other words, the excess cash resulting from carrying out an activity must be placed as effectively as cash equivalents.

The purpose of investing cash in securities is speculative one that is getting an income as dividends or interest, obtaining a gain from the resale of securities purchased or providing short-term highly liquid assets to enable support commitments with a similar maturity.

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