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MECHANISMS AND TOOLS USED IN TREASURY MANAGEMENT OF THE ENTITIES

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Abstract *Concerns for treasury management more widespread phenomena are motivated by both macro-economic instability and macroeconomic: inflation, interest rates and lower rates of return and degree of self-financing. The Treasury positive and negative leads management costs (the opportunity, through absence of the fructification of the cash surplus and financing costs of new loans cash deficit). The main objective of treasury management is to avoid a negative structural treasury (to avoid what it calls common in the Romanian economy "financial blockage", a situation characterized by the inability to meet payments company).*

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1. GENERAL ASPECTS

With Treasury is an essential element and also the main limitation of the financial management enterprise. It is reflected in the way of achieving results of compliance activity and financial balance. Not always an undertaking, which ends year with benefits, has a positive cash (cash at bank and in hand). And this, because the gap between the recording and accounting of revenue and expenditure receipts and payments as they fall due, which may be crucial difference to the fate of the company's financial. Therefore, an efficient management of enterprise job streams involves both asset management (income / expenditure) and treasury management, or revenue flows and payments. Of statistical evidence that most bankruptcies are due to weaknesses in treasury management.

More widespread concerns for treasury management are motivated by economic instability phenomena both macro and macro: inflation, interest rates and lower rates of return and degree of self-financing. The Treasury positive and negative leads management costs (the opportunity, through absence of the fructification of the cash surplus and financing the cash deficit through new loans). The main objective of treasury management is to avoid a negative structural treasury (to avoid what it calls common in the Romanian economy "financial blockage", a situation characterized by the inability to meet payments company). Through careful management of availability, and of payment and financing instruments is done the secondary objective of profitability, which minimizes, on the one hand, cost and financing volumes and optimizes the placement of surplus cash on short time.

Among other objectives of cash management include:

(1) avoidance of losses in the days of settlement, the bank receipts and payments of the enterprise,
(2) increasing the efficiency collection company claims, without affecting the policy to customers,
(3) balanced and relaxed staggering maturity of liabilities of enterprises.

2. FINANCIAL RISK MANAGEMENT

A dimension at all negligible of the cash management is represented by the management of financial risks, which involves the use of instruments of speculation and when financial markets are very volatile, in other words when exchange rates and interest rates varies greatly at short intervals.

Financial risk management problem becomes even more important today, when Romanian companies are under pressure of high interest rates, due to persistence of high rates of inflation and an economic slowdown, not to mention that in some sectors activity in our country is facing a ”negative growth”.

One of the most popular treasury management policies, globally, is ”Treasury zero”. It is to maintain as close to zero cash balances to reduce the cost of treasury management (includes avoiding financing costs and opportunity through actions such as preserving the least possible spare cash, use credit forms the least costly, in amounts as small and as short a period, etc.). Management of ”zero cash” faces a number of difficulties, especially for companies with numerous financial flows adjusted by check, because the date of checks presentation can not be accurately.

In fact, setting treasury management company requires an optimum between the means of financing costs and income from investment of cash. In addition, an efficient management of cash means that the company wanted to have at the moment is sufficient to meet the close out. To do this, set the size and date of chargeability and instant availability resulting from enterprise operation. It therefore needs a cash management firm estimate of the cash budget provided.

However, all these treasury management coordinates are derived from general purpose finance company, the increase of capitalization value. Before resorting to loans to cover the forecast deficit balance, it must be taken first, some measures arising from a natural sense of treasury management. First action is to move some revenue (by reducing volume and / or duration of trade credit to customers or by request in advance of sales receipt) and delay (in legal terms) of payment (credit extension-provider). Secondly, it seeks waiver for the time incurred expenditure (investments, dividends, etc.). Finally, work parties achieve exceptional revenue (sale of fixed assets or assets available etc..).

Balance deficit resulting from these measures to be covered by new loans and discount treasury, whose selection and dosage taken by ”art” of funding to optimize the size of their actual cost. They act as buffer between the increase or decrease the need for capital assets and reduce or increase their sources of capital assets and liabilities. These oscillations are reflected in the size of the balance of bank loans. The previous period, the balance of credits may be decreased by cash surplus or released during that period may be increased to cover (through new loans) resulting cash deficit at the end of the preceding period. Increase the balance of bank loans can be made up to a certain limit, namely that of a ceiling for bank credit in its relations with the enterprise. To achieve its objectives, the decision to finance operating cycle will be a credit arbitrage between cash and possible discount loans from banks mobilized to cover the cash deficit. Selection of one or another officer will be based on thorough analysis of their actual cost.

3. OPTIMIZING THE COST OF PROCURING CAPITAL ASSETS

and negotiating the various sources of origin of their financial decisions are fundamental to business strategy and tactics.

In determining the cost of credit to substantiate the elements it is necessary first to distinguish between the cost applicable to the appropriations requested and the actual cost. Cost applicable, although fairly complex and loaded with advanced elements of remuneration of capital and risk taking, is still lower than the actual cost of credit as a result of computing the interest.

Applicable cost is determined by two factors: interest rate and fees for. In turn, the interest rate is composed of:

- the reference interest rate, which rate may be official discount rate (the rate applied by National Bank loans to commercial banks in the country), the interest rate can be applied to the first Romanian Commercial Bank by their most important customers or may be an interbank rate on loans between banks mutual)

- reference rate increase to compensate for the risk involved for the type of credit: cash loans pose a higher risk of default than loans to discount the insolvency of debtors, and they may be followed by judicial. Therefore, specific increase cash loans can go up to 1.5 points, while the discount loans, may increase by 0.5 points,
- increasing its reference rate to compensate for business risk, depending on the size heritage and its reliability. In relation to the size property is proposed risk classification of enterprises by turnover on them:
  - A - for businesses with turnover of more than 50 million annual increase does not apply specific risk;
  - B - for turnovers between 20 and 50 million, is specific increase of 0.15 points,
  - C - between 10 and 20 million is 0.4,
  - D - and the turnover below 10 million, in which category is most enterprises, the increase is varied between 0.6 and 6.5 points depending on their creditworthiness.

Commercial banks in Romania are using methodology established by international classification, which it considers best suited to their customers. An analysis of a customer's credit file bank comprises two components of the investigation:

- analysis of management on staff motivation, propensity for innovation and creativity, quality of financial management, production management and marketing of products and services, personal integrity, flexibility, etc.
- analysis of economic and financial performance of liquidity, solvency, profitability, current assets turnover, dependence on the supply and sales markets (domestic and foreign), securities, etc..

This whole investigation is carried out by the banks through the loan file documents and direct knowledge of credits of the applicant firm. Analysis results are communicated to the Managing Committee of the bank for processing such information providing ratings and scores. Credit decision on the amount, duration, repayment, interest, etc. will take account of the score and the classification of the company (under score) in a class (category) Risk: A, B, C, D or E, as below:

Category A	Companies with profitable economic activity, which can repay loans and may pay interest
Category B	Companies with good economic activity, but in perspective may appear negative aspects
Category C	Those companies are threatened by worsening their economic situation
Category D	Companies that have economic and financial indicators varied between satisfactory and unsatisfactory
Category E	These companies recorded losses and is uncertain repayment and interest payment

Specific scales used for recruitment for the two components of credit analysis, following the final classification to represent the average results of the two categories above;

Risk category	Managerial analysis	Economical – financial analysis
A	between 4 and 5 points	over 20 points
B	between 3 and 3,9 points	between 16 and 20 points
C	between 2 and 2,9 points	between 11 and 15 points
D	between 1 and 1,9 points	between 6 and 10 points
E	between 0 and 0,9 points	between 0 and 5 points

For bank customers who already have a portfolio of loans incurred in previous periods, request a new credit analysis is combined with the debt service. That analysis uses indicators of interest coverage, outstanding loans, fees, payments etc., giving three grades according to the result: good quality, poor quality and inadequate. Combination of the five risk categories (A, B, C, D, E) with the three qualities of an array of debt service resulting classification indebted company into one of the 15 risk classes. For each of these classes there is an increase risk of specific interest with an appropriate first degree of risk assumed by banks in granting credit business called.

	Portfolio quality		
	Debt service		
Enterprise performance	Good	Poor	Inadequate
Category A	Minimum risk	Observation	Under standard
Category B	Observation	Under standard	Uncertain
Category C	Under standard	Uncertain	Major risk
Category D	Uncertain	Major risk	Major risk
Category E	Major risk	Major risk	Major risk

Interest rate (Rd) is calculated as annual rate, but short-term loans granted by fractions of a year, most often a quarter (90 days). Therefore, the interest rate at a fraction of a year can be determined as a proportional rate, depending on the size fraction: quarterly rate, in a proportion of one fourth of the annual monthly rate, the rate of one / 12 S. of. m. d. Given the possibility of capitalization but the bank interest rate is higher than the proportional equivalent fraction of that time.

Size of interest (D) is determined by loan volume (C) and the number of actual days credit (Nr):

$$D = C \times Rd \times Nr\ / 360 \times 100$$

As regards the number of days credit is important for financial management to distinguish between the day of settlement, the actual days of receipt of loan documents and bank business day (credit agreement, bank statement), the actual day of interest calculation. Transfer operations between the company and bank account records on the operation time gaps occur, with implications for treasury business and the interest calculated. In operations earlier settlement payments on the operating statement and receipts from operations, settlement is back on the business day the statement.

In the same sphere of concern for treasury management and shall include the necessary boundaries to be made between on the house (the counter) of the bank (between the hours of 8:12), working day (approximately 250 days a year) and calendar day that taken in calculating the rate (365 or 366 days a year).

It also distinguishes between settlements with third business unit have the same bank account, to settlements with firms that have bank account to another unit in the same location or different locations. In these situations, the boundaries between the settlement day and the operating acquire different meanings depending on the actual duration of bank transfers. Applicable cost of credit includes, in addition to interest, a number of commissions and administrative costs, risks. The vast majority of these are variable in proportion to the size or the size of credit risk. Administrative costs, the handling means of payment (checks, commercial paper etc..) And filing them, are remunerated by fixed charges (a fixed flat fee per title).

The real cost of credit is higher than that applicable. Taking calculating interest and fees (variable) number of calendar days and not the working one factor determining the actual cost increase of 365/360 = 1.0139. Operation with annual interest rate, fractional proportion of loan period with the report Nr. / 360, also causes an increase in actual cost (fair report would be: Nr./ 365).

CONCLUSIONS

An efficient management of enterprise job streams involves both asset management (income / expenditure) and treasury management, or revenue flows and payments. Of statistical evidence that most bankruptcies are due to weaknesses in treasury management. More widespread concerns for treasury management are motivated by economic instability phenomena both macro and macro: inflation, interest rates and lower rates of return and degree of self-financing. The Treasury positive and negative leads management costs (the opportunity, through absence of the fructification of the cash surplus and financing costs of new loans cash deficit). The main objective of treasury management is to avoid a negative structural treasury (to avoid what it calls common in the Romanian economy ”financial blockage”, a situation characterized by the inability to meet payments company).

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