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FINANCIAL POLICY OF ENTREPRENEURSHIP EXPRESSION OF ELECTIONS AND DECISIONS FOR PROFIT MAXIMIZATION

Ion Gr. IONESCU

[1]*PhD Associate Professor, "Tomis" University of Constanta, Faculty of Economic and Administrative Studies, Finances-Accounting-Humanistic Disciplines Department , Romania, E-mail: iionescu_levant@yahoo.ca*

Abstract *We consider that the financial policy represents the ideal backbone of any economic agent, because it always expresses the fundamental idea of conduct, with the stated purpose of maximizing the profit, regarding an important activity with strong connections, to a sector of activity for a certain period of time, to one side or to the whole enterprise. From this policy, the future strategies, tactics and operational activities that create background, form and meaning are drawn for everything that is to be carried out in the company. Our article addresses such issues, but refers to the financial sector, trying to analyze the structure of this policy and shed light on its important components. The research methods are: descriptive, comparative, analytical. with conclusions that have applicability in the practice of those who operate with various types of financial policies.*

Key words:
Financial policy
Funding,
Investment
Evaluation
Entrepreneurship
JEL Codes:
G32

1. INTRODUCTION

In order to have a corporation, we must first have money.

The capital of an enterprise can be approached and treated:

As a means or factor of production, which represents the totality of the assets available to an economic unit, consisting of: (Neagoe, 1997)

- money (financial capital);
- machinery, installations and so on (technical capital);
- raw materials, debt rights (legal capital).

As *funds,* for the purpose of national accounting. Capital operations are opposed to operations related to sales, services, expressing, designating the movement of funds in counterparty.

As *contributions* from the owners of the company or shareholders
(in the case of joint stock companies).

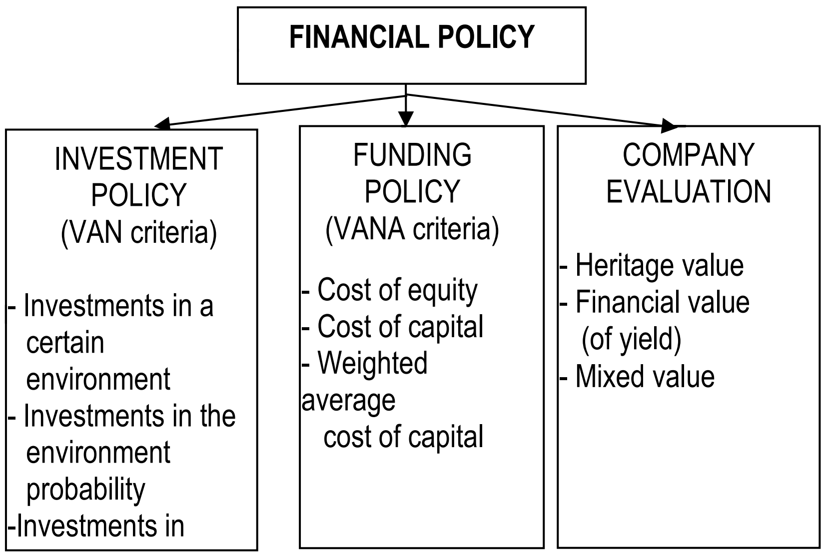
They are recorded in the liabilities of the balance sheet at a position of "capital" or "social capital", in the case of a joint stock company (public limited liability companies).

An important role in the formation and development of the financial structure is the financial planning. The financial planning is meant not to provide conditions, but to give the certainty that the money resources are given an efficient use, making concrete references to:

- what categories of funds and in what size does the corporation form in the future?
- how much does the corporation allocate to its own development? How much does he invest?

Only now, there is a need for a policy, represents an overall idea, coherent, rich in policy, as a rule, in the long term, whic content and all-encompassing, which is structured into component parts, to allow for profitable activities, for each compartment of the organization.

Figure no. 1 The content of the financial policy



Source - Author

"The finances are the subject of a policy of the managers of the company, which is the expression of a behavior, of some elections, of some decisions that aim to reach, to the best extent, the objective of maximizing the value". (Bocănete, 2010).

At the enterprise level, three financial policies can be identified, initially considered independent: (Oncioiu-Holban, Ion-Bocănete, 2009)

- investment policy (internal and / or external);
- financing policy (own and / or borrowed sources);

dividend policy (distribution and / or reinvestment of dividends).

2. INVESTMENT POLICY

The investment decision is an integral part of the general policy of the company. It means not only a capital asset, but also a certain activity that aims to place the company in a certain position on the market, initiating and maintaining business relations with companies from different sectors of activity, etc.

Any longer term capital investment for profit purposes is an investment. "Regardless of whether the funds are placed in fixed assets or in current assets, the investment represents an important immobilization of these funds, in volume and duration, aiming to obtain a higher return in the future. Therefore, "the investment policy, takes into account the investment decision that leads to a capital asset, currently made, but which is to be spread over several future years, under risky conditions, in the hope of an increased return, with is to be obtained" (Stancu, 2002).

The investment can also be thought of as an action, by which significant amounts of money are spent, which changes the cash flow of the one who makes such a decision. Major investments in the sphere of company policy not only change the cash flow, but they also affect its financial position, measured by means of financial or statistical indices.

The forms that the company invests in include expenses for: construction, equipment, land, research-development, changes in stock levels, financial assets.

From a financial point of view, "the investment causes a very large capital expenditure that must be offset, in perspective, by the inflows of funds, respectively by the cash flows (profits) generated by the financed investment objective, spread over the whole life period. its economy" (Ștefan, 2002).

In the financial sense, the investment represents the renunciation of an amount of money, present and certain, in the hope of obtaining future, but probable future income.

In accounting sense, "the investment involves the allocation of an amount of money available for the purchase of an immobilized asset that will generate future cash flows and will determine operating expenses that must be covered by future cash flows" (Feleagă, Ionescu, 1998).

Certainly, „the investment decision is the central decision in a company, because taking an incorrect decision in this regard usually causes significant financial losses, and in some cases can lead to the bankruptcy of the company" (Stancu, 2002).

In the investment policy, there are decision alternatives that can be: (Dumitrașcu, 2014)

Specialization - represents the deepening of the activity profile in new products, in new technologies. For this, internal investments will be proposed, in the acquisition of new equipment in the improvement of personnel.

This type of investment is associated with the risk of too much specialization, but also the profitability of successfully conquering the respective segment of the market.

Diversification - represents the purchase of shares in the share capital of other companies. Therefore, external investment projects in the purchase of financial securities will be proposed. Risk mitigation, through diversification, takes place against the backdrop of a more moderate average profitability of the various internal and external activities of the enterprise.

"The choice of one or the other of the alternatives or of a combination between them, is based on their contribution to increasing the value of the company. For methodological reasons, this foundation is made first, separately from the financing policy, so that, finally, the decision integrates both contexts for evaluating investment projects" (Staicu et all, 1995).

A first hypothesis of finance theory was that of net separation, investment policy, financing policy (for any investment project, the financial market offers sufficient opportunities to purchase the necessary capital).

3. FINANCING POLICY

To start a business you need money and technical capital. The money (financial) is important.

The sources of procurement are external and internal to the enterprise.

The external sources for the purchase of the money capital (here are those outside the enterprise) refer to endowments, financing, actions and loans. They are staggered over time in order to maximize the short-term aspects of the capital markets. But the provision has to say what is the relationship between shares and loans.

A loan" has a specific cost, usually lower than that involved in "equity" or joint actions. Interest paid is deducted from profit or income, before establishing taxes, while dividends on shares do not.

But the loans also give uncertainty about the ownership of the company's assets in case of failures. So, a certain precaution in establishing the weight of company loans is required. Therefore, an optimal level of lending leads to the location of costs, to obtain the capital, at a low or as low a level as possible" (Chirilă, 2001).

The internal sources refer to depreciation and the part of the profit which, according to the contract for the establishment and the company status, is provided for the capital increase.

In the financing policy, the decision alternatives can be: (Giurgiu, 1995)

- *internal sources* – results from self-financing (depreciation + profit) and from divestments (disposals) of fixed and current assets;

- *external sources* - attracting capital from outside the company (public saving, bank capital, etc.). In turn, external sources may be own (attracting new capital from shareholders or associates) and borrowed (from bank or public lenders = buyers of corporate bonds).

The criterion for selecting one or the other or a combination of them is the weighted average cost of the capital of the enterprise. More specifically, it is the marginal cost of the additional capital needed to finance investment projects. From this point of view, self-financing is cheaper.

Lower costs can be obtained from bank loans and the obligatory loan, if the debt ratio is reasonable.

The most expensive are the attractions of new capital, of the shareholders. However, the increase of own capital presents the advantage of improving the financial structure of the company (increasing the share of own capital) and, consequently, it offers new possibilities of financing the development.

"The recent preoccupations of integrating the investment decision with the financing decision have led to the formulation of another selection criterion of the investment projects, the **adjusted net present value**". (Vintilă, 2000)

(VANA), which also takes into account the capital opportunities offered by the financial market.

VANA = Investment VAN + Financing VAN.

Under these conditions, the decision alternatives multiply. for example, a negative investment NPV can be offset by a positive financing NPV. This can be the case of an investment for the public sector (the construction of a highway, a parking lot, etc.), which can enjoy a series of tax facilities, public subsidies, etc.

The same integration, in the financial reasoning of the flexibility condition, considers “the introduction in the calculation of VANA of the principle of reversibility (return) on the initial investment decision, the possibility of option (renouncement, modification or maintenance of the initial project), or of the psycho behavior -sociological of the "actors" of the company, etc. Modeling these new variables in financial policy calls on recent theories, options, agent, signal "(Vintilă, 2000).

4. DIVIDEND POLICY

The dividend policy concerns the decision of the GMS to distribute the dividends that resulted at the end of the financial year and / or reinvest them in the development of the company. Dividend distribution complements the image of a profitable and remunerative company for its own equity.

The constant distribution of dividends leads to the increase of the public's trust towards the corporation, to the increase of the market value of the company. “The reinvestment from the net profit, leads to the increase of the self-financing capacity, to the improvement of the financial structure of the capital of the company. Under these conditions, the corporation will have a higher financial potential to support its own development (self-financing but also the ability to apply for new loans), all of which are factors that increase the value of the company”. (Manolescu, 1995)

The alternative of full or partial reinvestment of the net profit in financing the investment projects of the company is part of the financing policy. That is why we often say that dividend policy is part of the financing policy.

"The evaluation of the company becomes possible after the financial analysis of its performances and after the capture of the investment strategy elements and their financing. Based on the elements provided by the analysis and the financial policy, an assessment of the assets and liabilities assets of the company can be made, an assessment of future revenue streams, which are expected to be released by the corporation or a mixed assessment of the present and future capacity. , for remuneration of capital investments” (Niculescu, 1997) in the respective corporation.

Whatever the method of valuation, the intrinsic market value of the enterprise, as a whole (the overall value) and / or the equity invested in it (the net value of the shareholders' equity) is investigated.

5. CONCLUSIONS

From the above, we understand that the financial policy is a structural element represents the general policy of any company, with a significance, we could say, first of all, about the establishment, distribution and use of all sources, resources and funds, for the implementation of the economic and development programs, maximizing the efficiency of the operating and investment cycles and all actions and activities. However, there must be a serious synchronization, between economic and financial policy.

An integral part of the general policy, of the company, the financial policy aims to develop and solve the issues regarding the methods and means of procuring the financial resources and establishing the financial balance, setting the prices, reducing the expenses, at the same time with those of the capital costs. and must be permanently adapted to the concrete conditions of each company.

The financial policy choices and actions support the financial structure adopted by the company, in relation to its objectives, profitability, risk and growth. The main problems to be solved, of the financial policy, are "choosing a rate of growth of the economic capital and the financing modalities of this growth, because such a choice governs the increase of the financial capital and the degree of autonomy of the enterprise".

The primary objective of the company and the reason to be, is to obtain a profit, the level of which depends on the increase of the financial capital.

In this framework, the company will seek to maximize the economic capital, through measures and investment and financing decisions. The increase of capital involves the problem of the cost of financing, but also that of the proportion, between the equity and the borrowed ones. The cost of capital refers to the expenses of purchasing and using all the means of financing, being an indicator that allows the financial manager to select the investments and the sources of their financial coverage.

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