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THE CONTENT OF THE PRIVATE FINANCES FROM THEORY TO PRACTICE

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Abstract *To explain or solve any problem, there is a path, from theory to practice. In our study, we focused on the subject of private finance, because it is a chapter of great actuality and because in the economic-financial activity, from the smallest and weakest economic agents to the corporate giants, nobody ever he can do and do nothing without the leverage called private delights. In companies that are respected, they are serious and have tradition, culture and experience, for increased efficiency, the theory of practice has been merged, in a balanced ratio depending on the stage traveled. In our nocturnal study, we consider this aspect that we consider essential. There will always be a road, from theory to practice, and the winners will be those who will keep in mind both.*

Key words:
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1. INTRODUCTION

The annual financial statements must provide a true and fair view of the entity's financial position, performance, changes in equity and cash flows for that financial year.

These situations are a structured financial representation of a company's financial position and transactions. The objective of the overall financial statements is to provide information on the financial position, performance and cash flows of an enterprise, useful for a wide range of users in making economic decisions. The financial statements also show the results of the management of the resources entrusted to the management of the enterprises.

Communicating in a single, unanimously accepted language will ensure a higher level of credibility and will increase the opportunities for access to the capital market. An enterprise whose financial statements are in compliance must explicitly and unconditionally highlight this fact in the notes to the financial statements.

When it comes to finance, one has to take into account either the private sense of finance of economic agents or the public (public) public meaning of the state. The epithet of "modern" is given to the private sense of finances, representing the ensemble of economic agents that perform the financial management of individual patrimony or the patrimony of enterprises.

The analysis of the content of finance (private) can also cover two ways of their manifestation - theoretical and practical, in view of the timely creation of financial science.

2. FINANCIAL THEORY

The content of finance is the subject of a recent theory that has crystallized over the last 40 years as a distinct field of scientific research. What leads to the identification of financial theory, and to becoming it as a science, is fulfilling the "canons" of a legitimate scientific identity and the breakthroughs of financial theory, to the most appropriate formalization of reality (Figure no. 1).

The noted American researchers (Rool and Ross, 1994) recognize that, no more than 40 years ago, finance discipline (in a modern sense) does not exist as a field of scientific study. This statement is made on the background of the recognition of famous modern finance precursors, starting with Aristotle (322 BC), continuing with D. Bernoullui (1738) and ending with (Markowitz, 1952), to quote only the most representative. The lack of legitimacy of the integration of financial research prior to the 1960s in a scientific theory comes precisely from the failure of the canons to recognize a distinct scientific field.

Starting with the validation in 1966 of the model (Modigliani and Miller, 1958) of the financial structure of the enterprise (elaborated in 1958), we can justifiably speak of the creation of a new theory, that of modern finance.

For the first time in financial theory, on the implicit hypothesis system (the equilibrium financial market), the "leverage" model was empirically tested and statistically tested across the US electrical product industry.

Concerning "financial breaks with traditionalists", there have been researchers who have challenged some basic assumptions, such as the irreversible nature of the investment decision or the existence of a single macroeconomic factor to substantiate the value of shares. Thus, much more comprehensive models of financial reality were born, such as the (Black and Scholes, 1973) model and the multifactor model, etc.

Fig. no. 1 The content of the financial theory

FINANCIAL ANALYSIS

SYSTEM OF HYPOTHES	MODELS OF ARBITRATION	EMPIRICAL VERIFICATION	STATISTICAL VALIDATION
Rational behavior Homogeneous anticipations Priced prices	The leverage effect Eval. model of financ. assets Multifunctional modeL	Analysis of the main composition factorial analysis Discriminant analysis	Null hypothesis Probability Law The threshold of significance The risk of the first and second class

Source – Adaptation author

To identify the fundamental objec- tive of an enterprise is to determine the motivation for carrying out its entire business.

This identification proves to be complex. Several theories have been developed in this respect, ranging from unicriterial (maximizing profits) to complex, multi-criteria (optimizing relations between participants in the enterprise).

Neoclassical economic theory and financial theory have identified, as a major objective, the maximization of the value of the enterprise or maximizing the wealth of the owners. In its initial form, this objective was expressed in the form of profit maximization as the main source for increasing the value of the enterprise, to increase the degree of satisfaction, following the consumption of this wealth. For corporation that counts on the stock exchange, the fundamental objective can be appreciated by maximizing stock market capitalization (stock exchange x total number of shares).

"Management theories regard the corporation as a group of individuals with specific individual objectives. For these, we seek to maximize the utility function from the point of view of the company's management (Giurgiu, 1995). This utility function is built on five independent variables: (Stancu, 2002)

- the size of managers' salaries (directors);
- staff;
- the volume of investments;
- cost level;
- profits.

The goal pursued by this feature of maximizing utility is the economic growth of the enterprise. This growth can be seen either as an increase in turnover or as an increase in the total economic asset.

Behavioral theories have abandoned the idea of maximizing a function and summed up to a function of a minimum threshold. The objective, within these theories, will be the result of negotiations between individuals and the groups that make up them, each tooth having its own goals.

This outcome of the negotiations envisages five topics to be negotiated:

- production;
- stocking;
- sales,
- the market segment;
- profit;

The construction of these theories is based on the Anglo-Saxon concept of organizational slak, which is nothing more than the surplus of rewards actually received by different participants in the enterprise's economic life over what they would have expected to receive in order to remain in corporation. Specifically, this shareholder objective translates as a surplus of dividends, distributed to them in relation to other businesses, so that they remain loyal (to keep the shares bought).

Signal and agent theories start from the intent to harmonize the interests of the various categories of participants in the life of the enterprise:

- class of shareholders;
- managers class;
- class of creditors;
- employees class.

The objectives pursued by each class of participants are divergent if they are exaggerated.

Signal theory refers to the fact that managers are emitting, through their activity, signals about economic growth rates, rates of indebtedness, and more. Transmitting these signals involves a cost for managers because they try to convince others of the efficiency of their work.

The class of owners and the class of creditors aim to determine the veracity of the previously transmitted signal, and in turn, they also incur some costs of verifying the information. Signal theory aims to minimize the cost of transmitting, receiving and checking signals. This is in fact a theory of optimizing communication between the participants in the life of the enterprise.

Agent theory starts from the fact that the owner is the main participant and managers are mandated on behalf of the owners to manage the corporation. From this point of view, "a series of expenses arise through which managers want to convince the owners of their good intentions and skill, but also the principal (the owner called the agent, takes care that the manager does not act solely in his interest, neglecting the interest of the enterprise" (Manolescu, 1995).

Based on these theories, there is a new category of financial securities: convertible bonds, which serve the interests of the creditors with the interests of the managers of the enterprise and the interests of the owners, which can be converted into shares if the creditor is sufficiently motivated to become the owner.

In conclusion, it identifies itself as general objectives: survival, profit, economic growth. Financial goals identify: financial equilibrium, financial profitability, economic growth, flexibility. Criteria to measure these goals and goals are either absolute amounts such as working capital, net treasury, turnover, self-financing capacity, margin on variable costs, or relative amounts, such as leverage, profitability, etc.

3. FINANCIAL PRACTICE

Finance is the subject of corporate practice, so it is the object of an activity aimed at achieving a well-defined goal. The ways of manifesting the content of finance, the primary objective is to maximize the value of the enterprise, increase the shareholders' wealth. "Managing all means and instruments to achieve this goal is the subject of financial management. In their work, managers must observe at least 3 imperative conditions:

1 - obtaining profitability hoped for by shareholders in relation to other investment opportunities offered by the financial market (at the limit, purchase of state bonds) and in relation to the degree of risk assumed by investing the capital in that corporation;

2 - ensuring the company's solvency against creditors;

3 - Ensuring a good flexibility of action for all the "actors" of the enterprise: shareholders, creditors, employees, suppliers, customers, the state, etc. In a competitive economic situation, each of them sets and pursues a winning individual strategy. The art of financial management is that, in this "cooperative economic game", the objective of maximizing the overall value of the enterprise, in practice of the value of the contribution between the

"actors" of the enterprise - capital, debt " (Bocante, 2010).

"Financial analysis, as a first action of financial practice, can be studied as internal action of the company's managers and as external action by current and potential partners or competitors of the enterprise" (Oncioiu-Holban and Ion-Bocănete, 2009) Objectives pursued are not the same; internal analysis seeks to identify the cash-flow outflow potential; in the external analysis the financial equilibrium is achieved, at the level of the working capital, the net treasury, etc. and profitability of the enterprise at the level of accumulation margins, self-financing capacity, etc.

The financial analysis aims to "determine the financial performance, strengths and weaknesses of financial management in the year ended. Its realization implies a methodology for verifying the financial balance and the capacity of releasing new value in order to appreciate the firm's competitiveness" (Niculescu, 1997). This methodology applies to accounting summary documents - the balance sheet and result statement (profit and loss) - and to the financing sheet (financial flows) which is also built on the basis of the two synthetic accounting documents.

The main actions of the financial analysis can be carried out in succession or as independent working steps: (Stefan, 2002)

- analyzing the financial balance on the basis of the balance sheet;
- analysis of profitability margins based on the results account;
- financial diagnosis of enterprise profitability and risk;
- analysis of financial flows based on the financing table (Figure no. 2).

The conclusions of the financial analysis underpin the entire enterprise's economic financial perspective (internal analysis) and motivate the behavior of all partners, investors and competitors towards the corporation (external analysis). Enterprise budgeting, attracting external capital (own and borrowed), preservation and expansion of market segments, and other economic strategy and tactics, find in the financial analysis a basis for substantiation as an essential starting point in these value judgments.

Fig. no. 2 The content of the financial analysis

FINANCIAL ANALYSIS

ANALYSIS OF THE FINANCIAL BALANCE	ANALYSIS OF RENTAB. MARGINS	FINANCIAL DIAGNOSIS	ANALYSIS OF FINANCIAL FLOWS
Floating capital The need for working capital Net Treasury	Added value Operating profit Net income	a)Diagnosis of profitability -economic -financial b)Diagnosis of risk -of exploitation -financial -bankruptcy	Variation of the working capital Variation of the need for ball floating capital Variation of the net treasury

Source – Adaptation author

Financial management represents the whole of the company's management of the company's financial resources (Figure no. 3). Overall, we can distinguish short-term financial management of current and treasury assets and liabilities and medium and long-term financial management of assets and liabilities (at the top of the balance sheet). "There is a short-term financial management aiming at ensuring the financial balance between the needs of current and treasury capital, on the one hand, and the sources of circulating capital (own, temporarily attracted, treasury credits and eventually the discount ones), on the other" (Stancu, 2000).

Fig. no. 3 The content of the financial management

FINANCIAL ANALYSIS

SHORT TERM	LONG TERM
stock management customer management credit management Currency risk management treasury management operating budgets	guest (portfolio) investment guestation of capital own guarantee of financial debt rate risk rate a interest the investment budget and others long-term funding

Source – Adaptation author

Specifically, "this segment of financial management seeks to optimize the management of inventories of materials and products, customer receivables, treasury bills, in order to increase profitability and liquidity, under conditions of risk mitigation" (Vintila, 2000). It also aims at easing the maturities of operating debts and reducing the cost of credit by arbitration between several credit sources: bank, discount, factoring, etc.

However, there is also a long-term financial management, which is the subject of choosing a financial strategy to increase and consolidate the value of the enterprise. This is in fact the second form of manifestation of private finance (as a policy).

4. CONCLUSIONS

Carrying out the activity of any company requires decisions to be taken to achieve its objectives, among which the fundamental financial objective has the central role. In the framework of the major financial decisions at the corporate level, the financing decision has as its main objective the choice of sources of financing and the establishment of some proportions of these sources according to certain determinants and the cost of obtaining the respective sources. As a result, the financial structure of the company is a quick and concrete way of implementing the financing decision. In order to make its activities more efficient, the company's management must take the most appropriate decisions in order to meet the company's fundamental financial goal, which is either to maximize capitalization or maximize value for companies. Efficiency of the company's activity is achieved by choosing an optimal and flexible financial structure.

. To better understand how the financial structure of the firm influences the market value of the companies and how an optimal financial structure can be determined, when it is accepted, there have been developed several theories of the financial structure . They analyze, on the one hand, how the financial structure is the result of the influence of several factors, whether or not this is an optimal level, and on the other hand how the financial structure influences the company's market value or stock market capitalization, and it is possible to maximize these values. Taking into account the theories of the financial structure and a selection of empirical studies on the influence of the financial structure on the value of the company, empirical research has proposed to achieve several objectives among which the most important we consider to be the following:

- presenting and explaining the concepts of financial structure and market value of the company and their connection with major decisions at the corporate level in order to achieve the fundamental financial objective of the company;

- the theoretical and empirical analysis of how dividend policy and capital increases by cash contribution - as proof of the protection of minority shareholders' rights - influences future financing decisions;

- tracking how the financial structure influences the company's market value or stock market capitalization;

- designing regressive models to analyze how listed companies. make financing decisions under the influence of the selected microeconomic determinants and compare the resulting financing mode to that described by one of the theories of the financial structure;

- designing regression models to analyze the influences of the financial structure and its determinants on the market value of listed companies at B.V.B. and comparing the resulting influences with those described by the theories of the financial structure (the main objective).

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