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PRACTICAL CONSIDERATIONS REGARDING THE TREASURY BUDGET OF THE ENTERPRISE

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Abstract *The treasury budget belongs to the category of the company's synthesis budgets and it represents a tool for financial planning in the financial management system of cash and the financial control that illustrates the inflows and outflows. According to the legal regulations, the treasury budget of the enterprise is a compulsory budget that must be periodically drawn, respectively at financial year level, quarters, decades, semi decade, days, which reflects the accumulation and decrease of cash. Treasury budget is a management tool for forecasting. Cash management efficiency entails increasing of the receivables speed, performing payments at maturity date, in consequence the synchronization of cash flows.*

Key words:
Treasury budget, cash flow, cash accumulation, cash decreases, Financial planning, financial control

JEL Codes:
G21

I. Interest. Specific aspects of the company's treasury budget.

„Short term planning will pivot around the concept of treasury; indeed, it plays a centralized role in company management because it is the meeting point of all monetary consequences related to the operations and decisions of the company. A good treasury management is based on a forecast of future receipts and payments, starting with the events"(Manolescu, 1994:218).

The budget of the treasury represents a component of the economic budget of the enterprise, it is a budget of synthesis targeting a short time-frame of 12 months, coinciding with a financial year of patrimonial management and it is performed on the full consonance with the operational objectives of the enterprise and oriented to support the strategic development objectives of the enterprise.

The development of the treasury budget of the company comprises logical and successive activities and rational and creative activities of procurement and use of funds based on knowledge, prior studies, analyzes, researches and forecasts according to the policies of the enterprise in terms of knowing the internal environment of the company and its competitive environment on the market in order to achieve a balance between receipts and payments. Starting from the idea that "The enterprise is itself an entity changing obliged to improve and constantly adapt the structure and quality of the transformations that occur on some inputs in order to meet market needs, personnel, administration and to win itself in terms of profit, image, market share, capacity expansion, resistance to competition etc." (Bîrcă *et al*., 2011:81*)* and the treasury budget of the enterprise, these must provide permanently flexibility and adaptability to the changes that occur. It requires permanent knowledge and continuous information about receipts and payments in order to intervene and correct certain deviations which would result in a negative net treasury.

„The forecast of treasury begins since the closing phase of commercial contracts by establishing the modalities and deadlines at which payment is made.

Also, in the forecast of treasury, there should be set both the periodic receipts at deadlines well defined and also the date of payments, both to those established by law (VAT, payment of taxes, corporation tax etc.) and those payments that are on well established dates, that the company does (paying salaries, paying suppliers etc)." Duran and Ţîrlea (2005), treasury budget represents a management tool that presents itself in tabular form that provides explicit information for achieving the fundamental objective of the enterprise, to obtain profit. The net cash flow is estimated by the difference between inflows and outflows. These cash flows follow the structure of the activities from which they are born, namely: flows from exploitation activities, cash flows from the financial activity and cash flows from exceptional activity.

The starting point in elaborating the budget of the treasury, i.e. the foresight of treasury is represented by order receipts: sales, loans contracted by the enterprise on long term, capital contribution of the shareholders or members, receipts from sales of tangible and intangible assets, financial income obtained as a result of a favourable exchange rate and interest on the account balance or bank deposits, exceptional revenue, and for payments of supply for purposes of consumption or sale of raw materials and goods, utilities, staff salaries, taxes to the state budget, taxes to the local budgets, long-term investments, and interest rates paid on long-term loans, services, other expenses included in payments. These are the source for receipts and payments. To these we add the final balance of the previous year net cash which becomes the initial balance for the current year for which the treasury budget is drawn. The collection deadlines have a great relevance to customers, suppliers' payment terms and procedures for collection, payment methods and their compliance.

The result of all management operations is represented by the cash flow management. Exploitation operations, investment and financing constitute management operations. Calculation of cash flow management is realized by adding net income, depreciation and interest. In order to reflect the ability to pay off creditors, it must be calculated the cash flow as the difference between management flow and the economic growth. The economic growth is obtained by adding gross assets to circulating net assets. Calculation of cash flow management is of great relevance for the enterprise because if it is higher than zero this indicates the fact that it has self-financing capacity and it will assist us in establishing the liabilities related cash flow. It is determined as the difference between cash flow management and fixed assets and circulating net assets. In case the cash flow is positive related to debt, it means that the enterprise has capacity for payment its creditors being suppliers, suppliers of fixed assets, remuneration, various creditors, banks, shareholders. The reverse situation is assessed as a poor situation, a warning on the vulnerability of the company; its solvency and liquidity that require corrective urgent decisions otherwise the company would result to insolvency.

The problems posed by development of a forecasting plan of the treasury comprise two issues:
- Highlighting the monthly revenue and expenditure;
- Monthly balance of treasury.

For an enterprise that has budgetary procedure, this Treasury plan is developed using different budgets:
- The budget for sales, which include receipts; from the latter are deducted the forecasts of sales delayed by loan customers. These forecasts have, generally, a particularly uncertain character since the second or third trimester;
- Supply budgets, staffing, investments, etc. which lead to payments obtained by the appropriate translating of generating actions." (Manolescu, 1994:226-227).

Preparing the treasury budget requires information on receipts and payments as a daily average of them. Forecasting does not imply a linear planning of receipts and payments. These are depending on the sales budget and the purchasing one and as a result there may be circumstances generating deficit in a situation where the payments exceed the revenues and surpluses where receipts are higher than payments.

II. The legal framework regarding budget elaboration of the treasury

In Romania, the treasury budget is governed by Order 616/04.05.2000, "*On approval of methodological norms for establishing the budget of revenues and expenditures by economic entities*".

The compulsorily statements that must accompany the financial statements at the end of the fiscal year are:
01 - The general activity budget;
02 - The budget activity of the treasury, respectively the cash flow determination;
03 - State guaranteed loan;
04 - The main economic and financial indicators.

According to this order, businesses have an obligation to prepare annually the budget of income and expenses.

"Form 02 - Budget of treasury activity, respectively the determination of cash flow, is a synthesis of own resources, grouped according to origin (Order 616:2000).

III. Examples from economic practice

Structurally budget treasury includes the following elements: reserves, legal reserves, other reserve, subsidies, interest on loans, concessions, licenses and other rights, land and land improvements, buildings, raw materials, supplies, materials nature ob Inventory finished products, merchandise, goods on consignment, house in lei house currencies, expenses for raw materials, energy costs and water costs for maintenance and repair expenses, concessions and rents, transport costs of goods and personnel, expenditure on staff salaries, income from sale of finished goods sales revenue, income from foreign exchange differences, interest income. Treasury budget is presented in tabular form that provides information in a synthetic form respecting the origin of the source type activity. We present an annual synthetic budget model of the Treasury:

Table 1. Model of Annual Synthetic budget of treasury

ANNUAL SYNTHETIC BUDGET OF TREASURY
to date...........

The element's name	The financial year	
	Previous	Current
A	1	2
Cash flows from operating activities:		
Revenues from client		
Payments to suppliers and employees		
Interest paid		
Profit tax return paid		
Receipts from insurance against earthquakes		
Net cash from operating activities		
Cash flows from investing activities:		
Payments for the acquisition of shares		
Payments for the acquisition of tangible assets		
Proceeds from sale of tangible assets		
Interest received		
Dividends received		
Net cash from investing activities		
Cash flows from financing activities:		
Receipts from issue of shares		
Receipts from long term loans		
Payment of finance lease liabilities		
Dividends paid		
Net cash from financing activities		
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of financial year		
Cash and cash equivalents at end of financial year		

We present a model of analytic treasury annual budget (broken down by month)

Table 2. Model of Analytical annual budget of treasury

ANALYTICAL ANNUAL BUDGET OF TREASURY
FOR THE YEAR ______

INDICATOR	Jan.	Feb.....Nov.	Dec.	TOTAL
Reserves	5499		5499	64324
Legal reserves	277		277	3376
Other reserves	5138		5138	61837
Subsidies	29649		29649	355795,8
Interest on loans	1		1	15,2
Concessions, patents and other rights	5		5	65
Land and land improvements	5795		5795	69543
Constructions	93803		93803	1145876
Raw materials	8563		8563	103765
Consumable materials	71		71	831
Ob nature materials inventory	2156		2156	25876
Finished products	20		20	297
Merchandise	166		166	2083
Merchandise on consignment	11		11	133
House in lei	17		17	214
House in foreign currency	48478		48478	585286
	952		952	11427
Raw material costs	553		553	6528
Energy and water expenses	312		312	3749
Maintenance and repair expenses	74		74	894
Concessions and rental expenses	4136		4136	49642
Transport of goods and personnel costs	53393		53393	641846
Expenditure on staff salaries	31409		31409	398634
Revenue from the sale of finished products	60		60	774
Income from sale of goods	2		2	24

Income from exchange rate differences.	5360		5360	64324
Interest income	281		281	3376
TOTAL PAYMENTS	54794		54794	657526
TOTAL RECEIPTS	86773		86773	1041278
NET RECEIPTS	31979		31979	383752

„Annual plan of the treasury aims:
- To recap, month by month, receipts and payments of any kind;
- To diminish, given the availability of the at the beginning of year, the annual balance (deficit or surplus) of the treasury;
- Recognizing the importance and distribution in time of the needs released, to predict financial means necessary to meet these needs.

The annual plan of the treasury thus permits foresee profile treasury surpluses and needs. Knowledge of this profile ensures:
- Better placing of surpluses;
- Better coverage of needs through short-term loans, less expensive and more accessible" (**Manolescu, 1994:223).**

We appreciate that the treasury budget structure must be adapted and to respond to the needs of the enterprise

III. Conclusions

Practice proves that:
- Treasury budget is not made by all enterprises;
- We notice that at the end of the year, following the fact that the national law requires that annual financial statements be accompanied by Annex Net Treasury of company X enterprises draw this Annex on the basis of data and information actually made at the end of the fiscal year, without having, at the beginning of year, drawn up the treasury budget;
- some enterprises draw up the treasury budget only in contracting loans when this is required by the bank;
- we meet other situations of mandatory cash budget preparation for projects funded: Government, EU, Swiss, Norwegian;
- There are companies who prepare treasury budget on a financial year without dividing it on trimester, on months, decade, semi decade, days;

Proposals and practical recommendations are materialized in the following:
- We recommend the practical implementation of the treasury budget by all enterprises;
- We recommend the treasury budget breakdown on profit centres;
- drawing up their own procedures for applying the system of incentives and their control;
- Deepening of the treasury budget up to its daily tracking;
- preparation of the Daily Report of treasury document;
- we recommend the daily Comparison, semi decade, decade and quarterly of the treasury budget with actual receipts and payments in order to intervene in the amendment of the treasury budget.
- Organizing the scheme regarding the circuit of documents of collection and payment and the daily treasury reporting forms, establishing the persons responsible for the preparation and presentation periods;
- Continues and permanent updating of the database information that provides daily information about customers and suppliers;
- We propose to achieve a balance and optimize supply sales the use of modern analytical methods;
- In the Net cash planning should be taken into consideration that this must be positive;
- In the event of negative treasuries there occurs the vulnerability of the enterprise and there are required earlier instruments and decisions relating either to obtain additional income for the purposes of revenue growth, calling on loans, additional capital contribution of the shareholders or associates, or either payment within the meaning of postponement the payment of suppliers;
- Treasury budget preparation to be reported at the enterprise's needs.

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