

ACTUAL TENDENCIES FOR FINANCIAL CORPORATIVE MANAGEMENT

Nistor E. Ioan

*Universitatea „Babeş-Bolyai” Cluj-Napoca, Facultatea de Ştiinţe Economice şi Gestiunea Afacerilor,
Str. Teodor Mihali, No. 58-60, Cluj-Napoca, ioan.nistor@econ.ubbcluj.ro, 0264-418654*

Văidean Viorela-Ligia

*Universitatea „Babeş-Bolyai” Cluj-Napoca, Facultatea de Ştiinţe Economice şi Gestiunea Afacerilor,
Str. Teodor Mihali, No. 58-60, Cluj-Napoca, viorela.vaidean@econ.ubbcluj.ro, 0264-418654*

Corporate finance is mainly oriented towards the management of money resources and financial relationships that rise between economic agents in the process of pecuniary circulation. Moreover, financial management represents the process of settling the purposes for influencing finances with the help of the methods and the levers of the financial mechanism. The structure of the financial mechanism is further analyzed as well as the constitution of the financial management's object and subject.

Key words: corporate finance, financial management, financial mechanism

Corporate finance is an area of finance dealing with the financial decisions corporations make and the tools and analysis used to make these decisions. The supreme purpose of all corporations is to increase their value, i.e. to increase the price (the market value) of their shares, to pay dividends to the shareholders and to remunerate the work of their employees. This is why *the financial aspects* of corporate management are central problems of it.

Corporate finance is oriented towards the management of money resources and financial relationships that rise between economic agents in the process of pecuniary circulation.

The corporate finance as a discipline can be divided into long-term and short-term decisions and techniques. Capital investment decisions are long-term choices about which projects receive investment, whether to finance that investment with equity or debt, and when or whether to pay dividends to shareholders. On the other hand, the short term decisions can be grouped under the heading "Working capital management"¹³⁵. This subject deals with the short-term balance of current assets and current liabilities; the focus here is on managing cash, inventories, and short-term borrowing and lending (such as the terms on credit extended to customers).

Financial management contains a system of principles, methods, forms and procedures for regulating the finance market mechanism in order to increase the competitiveness of economic agents.

Financial management represents the process of settling the purposes for influencing finances with the help of the methods and the levers of the financial mechanism.

The fulfillment of financial functions is based on the evidence and financial analysis system for the financial means, resources, goods and capitals of the corporation. The functions of corporate finance are further presented in table no. 1:

Type	Finance function
Object management function	Organizing monetary circulation; Providing the financial means and investment instruments; Supplying the main fixed and current funds (equipments, raw material, technical-material means); Organizing the financial activity; <i>Financial Planning</i> : a complex of measures regarding the evolving of tasks and their fulfillment.

¹³⁵ The goal of working capital management is to ensure that a firm is able to continue its operations and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses.

	Financial Forecasting: long term evolving of modifiers in the financial status of the company (of the corporation) on the whole and of its subsidiaries.
Subject management function	<p><i>Organizing:</i> organizing and drawing up the financial programs.</p> <p><i>Settlement:</i> acting upon the object of management, through which the financial stability status of the company's system is reached, in case of deviation from the fixed parameters.</p> <p><i>Coordination:</i> coordination of the activities of all shackles of the management system, administrative system and of the specialists.</p> <p>Financial analysis: analysis of the financial status of the company (corporation), the execution of financial programs, etc</p> <p>The Control: verifying the organization of the financial activity, the execution of financial programs, etc. In the controlling process, the information about the financial means usage and financial status of the object is selected, supplementary reserves and possibilities are found, modifications of the financial programs are introduced and financial management is organized.</p>

Table no. 1 Corporate finance functions

For corporate administration, the finance management function also implies providing financial means (the leading of capital: to attract, set and use it) and the distributive functions – assuring balanced movement of material and financial resources in the production process.

The existence and efficient functioning of corporative management in the market economy conditions, are not real without a strict financial management and its capital leading is not possible, i.e. assuring the main types of financial resources (investment resources) like material and monetary means, diverse types of financial instruments.

The corporation's capital is on one hand, *the source*, and on the other hand, *the result* of the corporative management activity.

The structure of corporate finance is presented in the following table:

<i>Corporate finance</i>				
<i>Financial relationships</i>				Financial means and funds
With other companies	Inside the corporation	With the resort organization within the association	With the creditor-financial system	
The providers	The corporation's workers		With budgets of different levels	Registered capital (share)
The buyers	The shareholders		With the banks	Supplementary capital
The building and transport companies	Between subsidiaries and branches		With the insurance organizations	Reserve capital
External economic relationship			With the extra-budgetary funds	Fixed assets
			With the commercial-papers market	Current assets

			With the investment funds	Investment funds
				Reserve fund
				Depreciation fund
				Exchange fund
				Other funds

Table no. 2 The structure of corporate finance¹³⁶

The finance notion is wider than that of capital because it includes not only the financial means, but the financial relationships, too. Capital management is analyzed from the point of view of financial management – the management of finance (the own and borrowed means) and that of financial relationships set between economic agents involved in entrepreneurial activities.

The object of financial management is constituted by the totality of fixed and circulating means of the company (its assets), and their forming sources (the passives) the conditions for money circulation and value rotation, financial resources movement and financial relationship.

The subject of financial management is constituted by a specialized group of persons (direction of financial subsidiary), which takes care of evolving and applying all sorts of administrative actions upon the objects of management. The structure of the financial management system of the company (corporation) is presented as follows:

The financial management system of the corporation			
<i>The administrative subsystem (the subject of management)</i>			
The financial department		The financial manager	
<i>The management system (the object of leading)</i>			
Monetary circulation	Value rotation (capital)	Financial resources and their sources	Financial relationships

Table no. 3 The structure of the financial management system of the corporation

The corporation capital management actually is the main task of financial management.

The main directions for capital management include:

- **working with the financing sources** (equity and borrowed capital, short term and long term borrowing, profit distribution, the issuing of securities, etc);
- **the investments of the company (corporation) and evaluating their efficiency** (the capital return, the current and future value of the company, evaluating financial risks, etc);
- **the management of fixed and circulating capital;**
- **financial planning** (the financial plan, the budget, the business plan, management accounting, etc);
- **the analysis and control of the financial activity.**

In order to realize the tasks of company's financial management, the financial mechanism is applied (table no. 4), which represents a system designated for organizing the interactions between financial relationships and the monetary means for their efficient action upon the final results of the corporative management activity. The leading of the company's finance includes the strategy and tactics of management.

¹³⁶ joint-stock company

The tactics in the finance management domain is oriented towards reaching the set purpose in definite conditions. For the current activity, the expense reduction problems are solved, as well as stimulating the entrepreneurial initiative, the increase in labor productivity and the rationalizing of production and circulating expenses.

The strategic management of finance pursuits to find ways of accumulating capital and redistribution of financial resources towards the most efficient spheres of economic activity. From the point of view of finance management, the company has to maximize its profit and to increase the finite production volume.

<i>Financial methods</i>	<i>Financial levers</i>	<i>Juridical insurance</i>	<i>Informational insurance</i>	<i>Normative insurance</i>
Planning	The profit	Laws	Diverse types of information	The instructions
Prognostication	The incomes	The President's decrees		Normatives
Crediting, auto financing	Depreciation deductions	The Government's Resolutions		Norms
Taxation	Financial sanctions	The orders and dispositions of ministries' and departments'		Methodical indications and recommendations
Material stimulation and responsibility	Dividends			
Insurance	Interests			
Leasing	Investments			
Factoring	Special funds			
Forming the funds	Deposits			

Table no. 4 The structure of the financial mechanism within corporate management

To conclude with, the signs of a successful financial management of a company are:

- the survival of the company (corporation) in competition;
- avoiding bankruptcy and great financial failures;
- leadership in competition;
- maximizing the value of the company;
- acceptable development rhythms of the company's economic potential;
- the increase of the production volume and its accomplishment;
- maximizing the profit;
- minimizing the expenses and the losses;
- assuring a profitable activity.

The accomplishment of the financial functions is based on the evidence and financial analysis system of the financial means, the resources, the goods and the capital of the corporation.

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