

A FEW CONSIDERATIONS REGARDING THE SPHERE OF FINANCIAL RELATIONS

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The author discusses his financial affairs sphere, looking at this issue under a double aspect: analysis of the financial relations sphere and analyzing the financial activity sphere. Analysis of the financial relations sphere is made on the basis of four criteria, namely: the existence of the distribution relationship, the financial relationships as money relationships, a value basis; nature and conditions of transfer; the way needs are satisfied. In the sphere of business financial analysis, are used three areas: the programming and planning, the financial and business performance analysis and control.

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1.The sphere of financial relationships

Financial relationships are relationships of individual human nature in time between the multitude of human relationships, being part of the economy overall. On the other hand both financial relations and economic relations are social relations.

Finance science devoted some specific criteria (conditions) which delimits financial relationships and other types of relationships.

These criteria are⁶³ :

- I. The existing distribution relationships
- II. The monetary values of distribution
- III. The nature and conditions of transfer
- IV. The way needs are satisfied

I. The first criteria - Finance as distribution operations

Under this criteria, as well as economic class, social relationships are finance-economic distribution of a part of G.D.P. to meet social needs. But the relations of distribution are more comprehensive than financial relationships because:

a) relations of distribution are presented in the form of both monetary as well as natural, while financial relationships mandatory dress monetary form. But not all relationships are funds and financial relations.

b) distribution is formed as financial income (for the shares of public and private) and non-financial income (personal consumption purposes)

About financial relationships we can only speak with the general form of value transfer.

II. The second criteria - Finance as financial operations

Type monetary transfer is a mandatory financial relation, which are financial relationships. But money is the sphere of relations wider scope than financial relationships. In other words, not all relationships are funds and financial relations.

III. The third criteria - the nature and conditions of transfer – practically limits Financial reports itself in financial relationships.

Thus, for a monetary operation belong to finance, it must meet mandatory and cumulative three conditions⁶⁴:

63 I. D. Morar. – „Public Finance”, University of Oradea Publishing House, 2004, page 14

1. to have a instant transfer of resources and purchasing power
2.the transfer must be done without binding or without immediate equivalent but may take as definitive and free or on a temporary basis, repayable and payment of interest.

3. the resources to finance actions aimed at public or private business.

Express indication of the nature and conditions of transfer has a double utility:

a) primarily features enable a definitive formulation of financial operations, without the transfer being equivalent or without immediate equivalent generates changes in partners assets, in terms of enhancing the customer and reduce it to the payer.

b) secondly, to specify the nature and conditions of transfer is a basic criterion for analyzing the structure of finance, can delimit them in: finance itself; credit, the financial market, insurance and social protection, insurance of goods, persons and responsibility civil, business finance, international finance, as the transfer is final and charge or on a temporary basis, repayable with interest, etc..

Therefore, transfer - in general - and the financial nature - in particular - is without equal and without immediate equivalent. Taxes, subsidies and other transfers without equivalent, usually from taxpayers to the state are final and non-transfer relation under the law and based on documents generating obligations (drawing tax role).

Permanent transfer, and without immediate benefits, grant represents financial relationship itself (in effect, restricted finances).

Transfer value can be done temporarily, value refund will be mandatory, and are accompanied by payment of interest (in case of credit) or voluntary repayment became compulsory only in the event of a random phenomenon (the case of relations of property insurance, people and civil liability).

Such financial operations occur⁶⁵:

- Between banks and their customers with the opportunity of attracting funds temporarily available resources, and the provision and reimbursement of loans;
- Between owners and the beneficiaries of money through financial market;
- Between the insurance institutions and their customers, at the collection of insurance premiums and payment of damages and sums insured;
- Between participants from different forms of insurance and social protection and institutions that administer such funds, at the collection of contributions and payment allowances payable to the beneficiaries, etc..

IV. A fourth criterion - the kind needs satisfied

Nature and conditions of transfer depends mainly on whether needs to be covered⁶⁶.

Needs are satisfied by the public - as social needs, general level and at the company private - needs to own businesses.

Social needs, materialized in the financing needs of different social structures and objectives are important public needs. General public services, and other elements of the public sector should be maintained on the public effort.

Usually needs financing of economic agents is due to meet private finance but sometimes finance can participate in public funding (eg subsidies)⁶⁷.

Depending on how satisfied the needs, financial practice devoted two types of transfer:

64 C. I. Tulai, "Public Finance and Fiscalit y", "Casa C r ii de  tiin a" Publishing House, Cluj-Napoca, 2003,page 19-22.

65 C. I. Tulai, op.cit., page 19-22.

66 I.D. Morar, op. cit. page 16.

67 C.I. Tulai, op. cit. page 21.

a) the transfer for free and finally, when resources are intended to meet ongoing needs and support consumption permanently. In this case the funds are committed, directed towards public institutions and private entrepreneurs in certain circumstances subsidized by the state.

b) transfer on a temporary basis, repayable with interest and, when needs are temporary. In this case involved resources are directed towards applicants of credit loan. From another perspective, the transfer may be required (if the payment of taxes) and voluntary (if optional insurance).

Regardless of the nature and terms of transfer, in all these cases are financial reports, not because we are dealing with an equivalent or immediate benefits.

Therefore, financial relationships occur as a result of the transfer of value and power of buying up funds in the economy or from these funds to various beneficiaries, through the transfer of money made without benefits (equivalent) and direct and immediate as grant or under repayable - in some cases - in order to meet public needs and / or private.

Synthetic, in the financial relationships we include:

a) relations which express a compulsory transfer of money resources (and therefore the value of purchasing power) without equivalent (benefits) directly and immediately and for non-refundable. These are classic financial relationships or relationships in the financial sense or restricted public finances. They find their reflection in the state budget, budget social insurance state or local budgets in some extra funds are defined in taxes and fees, including fees paid to social insurance and health insurance, made by taxpayers, which is feeding public funds. *The purpose of public finances is generated from the needs of society.*

b) relations expressing the transfer of value and power of compulsory purchase in the form of money over a fixed period in the form of guarantees (material) or in the form of loan funds for which interest is due - if the credit relations - are under repayable law (including public credit).

c) relations expressing the transfer of value and power of voluntary or compulsory purchase if necessary, without direct and immediate benefits, but with possibility of a subsequent benefits, in the event of a random phenomenon.

Examples: insurance relationships of goods, persons and civil liability and compensation.

d) relationships that occur in the formation and distribution of funds to money available to enterprises, for economic activity and their development, on account of his own income, the bank loans, the issuance of bonds, the sale of social parts (or shares). These relationships are called finance financial enterprises (or finances of company) and designed to achieve profits in the private entrepreneur.

In conclusion, financial relationships described in all four points, *public finance (pet. a) credit relationships (pet. b) insurance relationships (pet. c) and the finance of company (pet. d)* financial relationships together form in the broad sense.

In case the movement of resources between partners is done on a commercial basis, with equivalent or benefits, we are dealing with money relationships, which are not of financial nature. They do not belong to either distribution or serve as personal consumption. Appropriate operations for sale - purchase, payment of salaries, of works or services performed, etc..

Even if a series of operations have money financial nature, they have a close connection with finance, representing as appropriate, be prerequisites for future financial operations, or the final effects of prior financial transactions, or use by spending itself of resources allocated of financial funds. Here are several examples of this regard⁶⁸:

• **financial operations, premises for future financial transactions:**

68 C.I. Tulai, op.cit. page. 22.

-Surgery for sale - purchase, payment for finishing the goods, requires financial payments such as spilling taxes, payment of dividends, repayment of loans, interest payments, etc.. Or non-financial operations such as payment of goods purchased, pay, payments for services; etc..

-Operation of the payment of wages, non-financial in nature leads to the typical financial payments: taxes on wages, contributing to fund unemployment or supplementary pension insurance and contribution to Mandatory health.

-Succession and donations from individuals have no financial nature but are accompanied by the obligation for payment of taxes.

• **financial transactions that give finality to prior financial transactions.** In this situation are included, especially in operations caused by use or spending itself acquired resources of their beneficiaries, for example:

-Purchase of machinery, equipment, facilities investment, amounts due from associates captured;

-Pay for current production, due to borrowing from banks;

-Pay loans from the public budget allocated from the budget;

-Payment of pensions, unemployment aid, sickness allowances, maternity, etc..

It may be noted that there are situations in which operations have the same type or financial nature, in relation to the destination resource or quality of such beneficiary. Appropriate donations for the purpose of public utility and the benefit of individuals, the payment of insurance premiums, and collection of damages or sums insured loans granted to state and those of individuals, etc..

It is also mention the case of exceptional charges. Taxes are an exception to the principle of free and finally transfer (specific duties), the transfer of title and return time (if credit) and whose transfer to permanent or refund is conditioned on random factors (insurance). In the case of taxes, the money transfer means benefits. However, tax is included in financial operations, because the transfer is done by state or local organizations, in order to meet public needs.

Moreover the correlation of financial relationships with non-financial, financial bodies are concerned about progress in the best conditions of all money transactions. Therefore, the scope of financial activity is greater than the scope of financial operations, or in other words, the sphere of finance is more narrow than the scope of financial relationships, in the sense that not all relationships are funds and financial, but only those relationships which express money transfer value, assuming it is binding and transfer of purchasing power, producing in such a change in the size and not just a change in the forms.

Changing the forms (in the form of “merchandise” in the form of “money” or vice versa), takes place in the production and trade and is not part of the sphere of finance, since financial relationships that generate leads only to changing the shape and value not changing the size of a person who has a physical or juridical person.

In conclusion, financial relationships are money transfer permanently and without direct and immediate needs in terms of general satisfaction, and sometimes collective own businesses. This is the sphere of financial relations and the subject of finance economic class.

Public finance division relations as the monetary part of the gross domestic product to the state to cover public needs.

Private finance are relationships in the form of monetary allocation of a part of gross domestic product at businesses, in order to realize profits in their task.

2. Financial sphere activity

Financial activity represents all operations performed by financial institutions and specialized agencies in connection with developing forecasts, plans, financial budgets and programs, financial execution and financial control.

Object of economic activity differ in relation to the level at which it unfolds⁶⁹:

- at the macro level and mezzo-economic level, forecasts are developed in extensive programs, using models to optimize options, aims monetary financially mechanism functioning as a whole;
- micro-level (base level units) programs are developed, plans and budgets a little complexity, and the most intense activity is related to the financial execution.

Financial scope of activity has three components, namely⁷⁰:

1. *The programming and planning*, which includes the operations of making plans, programs and financial performance forecasts of future financial flows. This activity is materialized in the programs, plans, budgets - such as budget revenues and expenditures, the state budget, special funds, social insurance budget, financing plans, programs, etc..

2. *Financial activity execution*, which includes the operations of receipts and payments necessary in financial activity. Revenue collection, preservation and making their payments operations are called treasury operations. An important part of execution is the execution of financial budget, which includes two parts:

- the *Execution of revenue*, which materialized in cashing operations, tracking revenue collection and

- the *Execution of expenditure*, which provides operations to pay expenses on the budget.

Treasury notion that has multiple meanings⁷¹:

a) it represents the storage and administration of treasury, consisting of: the income state reserves of precious metals and precious stones, foreign currencies, currency, debt of state;

b) the execution of the house of the state budget and the institution that creates this execution;

c) treasury operations of economic agents, operations that are related to the execution of budget revenue and expenditure, with an attempt of synchronization of money flows - financial and non-financial - in order to avoid situations and lack of availability and financial blockade, the bankruptcy and insolvency. How in practice can not be timing perfect, often appear pluses or goals of the house. Company Treasurer role is just to prevent gaps and to mobilize the cheapest resources to cover that, respectively, to find the most profitable investments available resources for short and long term, so that cash will increase the company.

3. Activities include analysis and control operations to synthesize the results of the execution of their financial and valuation in order to use the results of this activity, and financial control of operations performed at the level of the firm, and company level through specialized organs and conditions established by law .

Scope along with the financial relations field financial activity are represented by the area of finance.

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69 C.I.Tulai, op.cit. page 23.

70 I.D. Morar, op. cit. page 17-18.

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