CONSIDERATIONS REGARDING TO ACHIEVING THE FINANCIAL EQUILIBRIUM TO MICRO ECONOMICAL LEVEL

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ABSTRACT*: Financial balance at micro (company) can be assessed using indicators determined based on balance, the most important being: working capital, working capital requirements and net cash. To determine indicators of financial balance sheet items are structured according to financial criteria: the degree of liquidity for asset items and the degree of chargeability passive elements. In this structure function asset allocations include permanent and cyclical allocations and liabilities include permanent and renewable cyclical sources.Based on data from the balance sheet of a company, for three years in a row finance, after determining the financial balance indicators are presented considerations and conclusions regarding: financial imbalance causes; ways to restore financial balance and strengthen its possibilities.*

KEYWORDS*: financial balance; working capital; necessary working capital; Net cash; permanent allocation; allocation cycle; permanent sources; cyclic sources; financial performance; The operating cycle.*

1. INTRODUCTION

Financial balance at micro (company) can be assessed using indicators determined based on balance, the most important being: working capital, working capital requirements and net cash.

Heritage significance of the balance sheet is based on the following principles: the concept of enterprise is primarily heritage; balance sheet items are classified according to their liquidity and chargeability; financial balance sheet set out from the definition of working capital and liquidity.

The balance sheet items are structured according to their duration, and the criteria for classification given an important notions of liquidity and chargeability, making the difference between the active and passive elements for more than one year and shorter than a year.

Based on proprietary balance sheet are determined, the following indicators of financial balance, fundamentals financial management:

- Working capital (FR);
- Working capital requirement (NFR);
- Treasury (T).

2. PRESENTATION OF FINANCIAL EQUILIBRIUM INDICATORS DETERMINED BASED ON THE BALANCE SHEET

The revolving fund.

For definition and calculation of working capital (FR) asset and liability items are grouped based on the criterion duration of assets and liabilities.

The active elements are grouped in fixed assets with a liquidity of more than one year and current assets with a high degree of liquidity by year.

Passive elements are grouped into permanent capital include equity and other debt with higher chargeability one year and short-term debt is outstanding for less than one year.

Permanent allocation in fixed assets, are usually covered by permanent sources and where permanent sources outweigh the continuing need for the allocation of the funds, the surplus flush cycle of investment funding can be used for inventory and renew claims.

Working capital is the expression to achieve long-term financial balance and its contribution to the achievement of financial balance in the short term [4].

Working capital caused financial accounts (balance sheet liquidity-chargeability) is a revolving fund working capital liquidity or financial) FRF) and can be set in two ways [5].

Working capital is determined by the relationship:

Working capital = permanent sources - permanent allocation = (equity + debt on medium and long term) - (fixed assets).

This determination by calculation of the working capital is most relevant in view of the significance of this indicator.

Working capital can be determined as follows:

Working capital = current assets - current liabilities

Determined based on the working capital balance patrimonial (financial) is called net working capital globally.

If the working capital is positive means that the sources are permanent coverings for permanent funding allocations.

If the working capital is negative, permanent sources do not provide full funding of fixed assets, with an insufficient of working capital.

Thus, a positive working capital reveals a steady state because financial assets are funded in a sustainable manner by using stable sources, primarily equity, as well as medium and long term loans.

Negative working capital indicates a state of financial imbalance as permanent sources are insufficient to finance permanent allocations, and this situation is no need to resort to short-term sources, at the expense of needed operating cycle.

In stage of transition market economy, most of the companies mainly state-owned or privatized recorded a negative working capital due to the loss of consecutive financial years, which led to a decrease in equity.

Under these conditions had to resort to sources cyclical allocation needs permanent and often these sources consisted of overdue debts by suppliers and especially the budget, local budgets, social insurance state budgets special funds.

This phenomenon is manifest in some situations, but according to the market economy mechanisms these companies will inevitably go bankrupt.

Working capital can also be analyzed according to the permanent capital structure, ie equity and debt in the medium and long term.

This analysis allows us to highlight the extent to which financial balance is achieved through equity or degree of financial autonomy of the enterprise.

Indicator which shows the degree of autonomy is called its working capital and highlights the excess equity to net assets [5].

Working capital facility (FRP) determines Thus:

FRP = Equity - current assets

You can also determine and working capital loan (Fri) as the difference between the working capital and fund its working capital.

Fri = FR - FRP

Working capital borrowed (foreign) resources expressed amount borrowed term, intended to finance short-term assets.

Working capital needs (need for working capital).

Financing needs of the operating cycle is generally covered temporary sources called debt service.

Financing needs of the operating cycle, which are called cyclical or temporary uses, are short-term assignments that the firm must make the setting stock raw materials, production process of manufacture, finished products, goods, and provide different maturities paying customers.

The firm must supply goods for resale where trade activities and materials to achieve the finished products and auxiliary materials for the activity, and the characteristics of the manufacturing cycle, lasting results the embodiment of the goods for sale, as well as their period of storage.

Also, trade ties with customers, to achieve the projected turnover of the company are forced to pay some of their payment terms, provided that it must accumulate claims for funding sources.

At the same time, the activity, the company recorded payables to suppliers that received some consideration payment terms supplied goods or works or services performed or rendered by them.

In the short-term debts and liabilities of the company can be found by employees, shareholders, state, etc.

Until maturity debt mentioned, they are sources of financing current assets.

The difference between financing needs and debt service cycle to exploit called necessary (needed) working capital (NFR).

It is the expression to achieve short-term financial equilibrium of the balance between demand and sources of capital assets (exploitation).

NFR = allocation cycle - cyclical sources = (stock + debt) - debt service [4].

For the interpretation of the positive and negative working capital requirement is necessary to analyze the causes that led *to these situations.*

Thus, if the difference between allocations cyclical and cyclical sources is positive, it means an additional operating cycle needs in relation to their training sources.

This can be regarded as normal if due to increased financing needs, driven by development activity, or may be the result of an unfavorable gap between stock liquidity and receivables and chargeability debt.

If the difference between allocations cyclical and cyclical sources is negative, it signifies a temporary source surplus to the needs of current assets.

This can be regarded as normal if the acceleration due to rotation of the employment of current assets and liabilities with a maturity of more relaxed, or may be simply the result of temporary disruptions in supply and renewing the stocks or increased debt service due to their failure to pay at maturity.

Net cash (TN).

Elements are components of net cash flows the assets and liabilities, including cash availability play a primary.

Mention of financial assets: investment securities, notes receivable, certificates of deposit. Treasury liabilities are short-term loans, such as: cash loans, the credit balance of the current account, loans receivable mobilization.

Treasury account relationship is [1].

Treasury (T) = active Treasury - Treasury passive

Net cash can be determined and based on the financial balance equation:

$$FR = NFR + TN$$

where:

$$TN = FR - NFR$$

Where: TN- net cash;
FR revolving fund;
NFR- necessary working capital.

Positive net cash balance is the result of the entire financial company [5].

A positive cash outcome of an activity is effective and reflects the financial equilibrium of the company that provides short-term financial independence. Depending on the size of the surplus cash can be no question of placing effective and safe financial market - its money.

Treasury negative net financial imbalance means the end of the accounting year, a monetary deficit covered by hiring new short-term loans.

The negative net cash highlights the potential financial imbalances and monetary deficit covering of short-term loans that have a higher purchase cost and at the same time, chargeability high degree

The increase in net cash for the period from year to year is off to a great power indicator of synthesis named cash flow.

The increase in net cash, during the accounting period is analyzed period cash flow (CF) determined according to:

$$CF = TN\ 1 - TN\ 0$$

Where: TN1 (TN0) = net cash at the end (beginning) of the period.

Between profitability and liquidity are inter-relationships.

The development of a profitable activity creates prerequisites to obtaining a positive treasury and positive cash directly influence the possibility of obtaining a desired degree of profitability.

A profitable business is not necessarily recorded in positive cash; it changes depending on the financing needs as well as positive or negative gap between the average and the average debt collection debt settlement, liquidity allocations difference between cyclic and cyclic chargeability sources.

3. DETERMINING THE FINANCIAL BALANCE INDICATORS CASE STUDY.

Active elements are arranged according to the degree of liquidity into two categories: permanent and cyclical allocations and passive elements depending on the chargeability of: permanent sources cyclical sources.

Permanent allocations include structured assets: tangible; intangible assets and financial assets include current assets and allocations cyclic structured: stocks; debt and cash on hand (house and bank accounts).

Permanent sources include structured equity: capital; share premium; revaluation reserves; reserves; profit or loss carried forward (a).

Also in the permanent sources fall and debts to be paid within a period of one year, mainly medium and long term loans.

Sources include total operating cycle, with maturity up to one year (debts to suppliers, consolidated state budget, employees, shareholders, and other creditor).

Also in the short-term debts and loans come with maturity up to one year, contracted from credit institutions.

The shows the active and passive elements grouped according to these criteria, three years of management in a company (Table no 1).

$$FR_1 = 2331438 \text{ lei} – 2522420 \text{ lei} = - 190982 \text{ lei}$$
$$NFR_1 = 1346435 \text{ lei} – 1548867 \text{ lei} = - 202432 \text{ lei}$$
$$TR_1 = 11450 \text{ lei} – 0 \text{ lei} = 11450 \text{ lei}$$

or

$$TR_1 = - 190982 \text{ lei} – (- 202432 \text{ lei}) = 11450 \text{ lei}$$

$$FR_2 = 2585488 \text{ lei} – 2573420 \text{ lei} = 12068 \text{ lei}$$
$$NFR_2 = 1412476 \text{ lei} – 1143861 \text{ lei} = 268615 \text{ lei}$$

$$TR_2 = 32453 \text{ lei} – 289000 \text{ lei} = - 256547 \text{ lei}$$

or

$$TR_2 = 12068 \text{ lei} – 268615 \text{ lei}=-256547\text{lei}$$

$$FR_3 = 2914244 \text{ lei} – 2640928 \text{ lei} = 273316 \text{ lei}$$
$$NFR_3 = 1372539 \text{ lei} – 989246 \text{ lei} = 383293 \text{ lei}$$
$$TR_3 = 40564 \text{ lei} - 150541 \text{ lei} = - 109977 \text{ lei}$$

or

$$TR_3 = 273316 \text{ lei} - 383293 \text{ lei} = - 109977 \text{ lei}$$

Table no 1.

-lei-

No	Explanations	N_1	N_2	N_3
1	Tangibles assets	1940203	1991203	2050458
2	Intangible assets	350012	350012	350012
3	Financial assets	232205	232205	240458
4	Assets (permanent appropriations) (1+2+3)	2522420	2573420	2640928
5	Stocks of raw materials	390103	402346	410342
6	Stocks of products in progress	420520	490567	560876
7	Stocks of finished products	85016	98765	50754
8	Stocks (5+6+7)	895639	991678	1021972
9	Claims	450796	420798	350567
10	Stocks and claims (8+9)	1346435	1412476	1372539
11	Cash and bank accounts	11450	32453	40564
12	Current assets (cyclic allocation)	1357885	1444929	1413103
13	(10+11) Social capital	1911000	1911000	1911000
14	Primes of capital	17425	17425	17425
15	Reserves	450025	450025	506463
16	Profit or loss brought forward	-48520	- 47012	0
17	Profit or loss for the current	1508	103450	358789
18	Equity (13+14+15+16+17)	2331438	2434888	2793677
19	Long-term loans		150600	120567
20	Permanent sources(18+19)	2331438	2585488	2914244
21	Operating liabilities	1548867	1143861	989246
22	in which: outstanding debts	789435	256786	0
23	Short-term loans		289000	150541

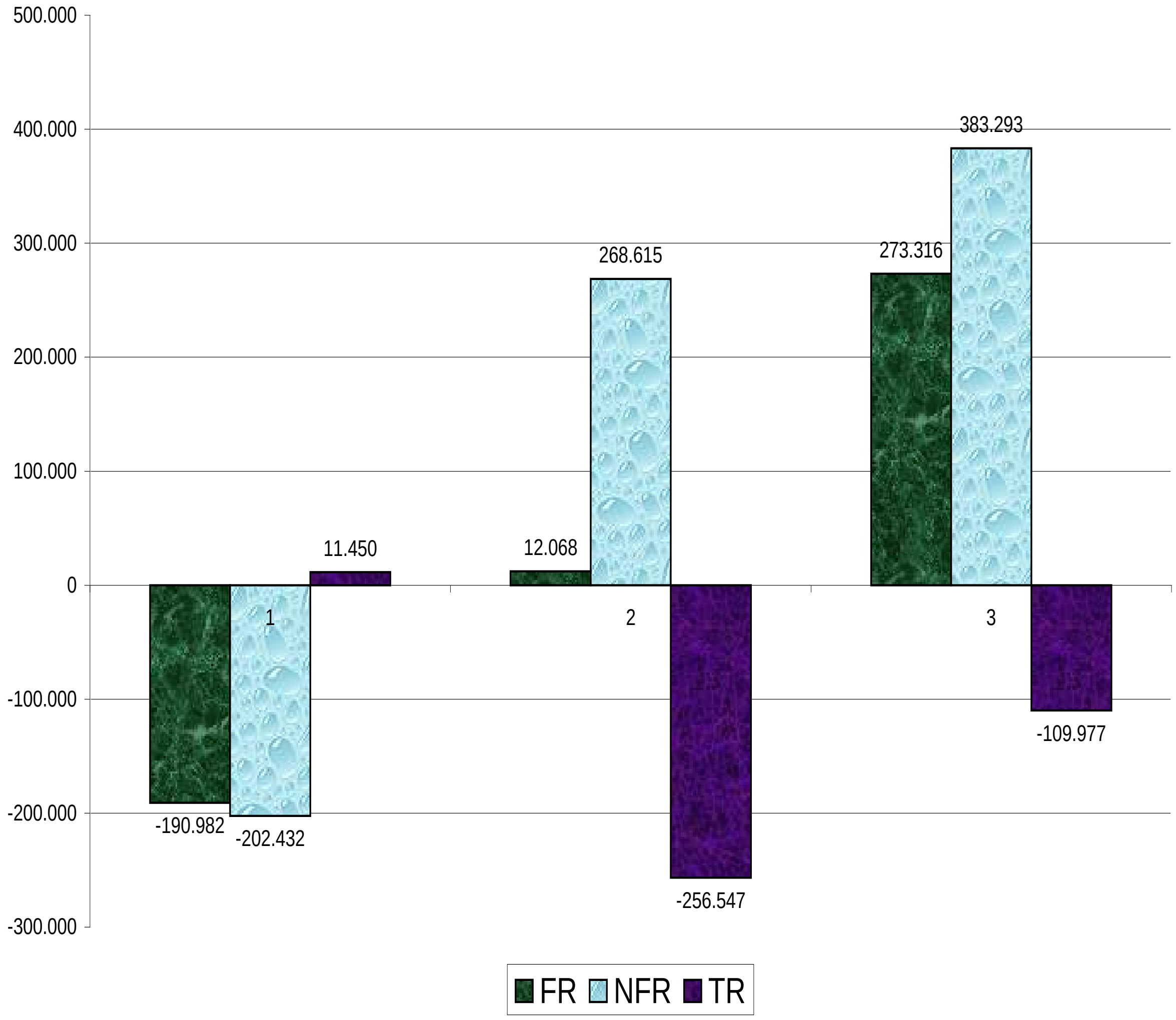

Figure no 1. *Evolution of financial balance indicators.*

4. CONCLUSIONS

The first year there was a negative working capital, which reveals a state of financial imbalance, permanent allocations being financed partly from permanent sources, with the need to resort to sources at the expense of cyclical needs of operating cycle.

The main reason for this is recording losses in previous years, which led to a decrease in equity (commercial company went through a process of disinvestment) and reduced profitability recorded in N1 not sufficient to lead to a financial equilibrium.

Also needs working capital was negative, so the cyclical allocation (stocks and receivables) were higher than cyclical sources (debts of operation).

This is due to increasing debt service, but not by increasing their maturity, which would have been a good thing because of a record of overdue debts, the company recorded outstanding debts to third parties, primarily the providers of goods and services.

Net cash register positive values representing minimum cash and cash equivalents in current accounts of credit institutions that could not access credit needed because no relevant financial performance.

In the second reporting period financial situation has improved significantly.

The record positive working capital and financial balance begins to be restored, because there is an increased level of profitability due to increased turnover, profitability threshold was exceeded.

The equity increased as a result of recording a significant profit, and also, the company took out a long term loan with permanent effect on growth sources.

Working capital requirements during this period recorded positive values, up from the previous period, but the causes are different: there is a sharp decline in debt outstanding and an increase in financing needs operating cycle due to the development work.

Net cash negative values due to the contribution of borrowed sources (short term loans) to finance the operating cycle.

In last year's consolidated financial balance, positive values of working capital increased significantly due to the capitalization process, as a result of higher profitability.

Working capital requirements also increase, but this trend is due only increase borrowing cycle operating in the development work.

Net cash is a natural development, the loans being repaid at maturity.

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