BASIC CONCEPTS IN STRATEGIC FINANCIAL MANAGEMENT

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***Abstract**: The modern conception of economy bases the conceptualism of finances on judgment, logic and practicability, which leads to the increasing of the benefit and to the importance of the organization. Finances are represented by the financial resources of the organization that performs its functions. In order to provide the products and services useful to the society, both the public and the private domain are needed. The private domain has a competitive economy with products and services made from private capital. The public domain has a forecasted, concentrated economy, the products and services being made from public funds. Public finances are made up of resources, expenses, loans and public debts associated with the state, the public and administrative-territorial authorities, and are materialized in the public budget. Private finances are made up of resources, expenses, loans, receivables and payment obligations of private organizations. Banks and other financial institutions that attract capital form the financial market. Financial management provides the institution with the resources it needs. Financial management can be defined as the science that studies the processes of leading, predicting, organizing, training and controlling the financial capital available in the organization in order to achieve the proposed objectives. The organization is a system, a set of sides that interact, perform processes or solve tasks in order to achieve the proposed objectives. This is made of inputs, processes, outputs and control or feedback.*

***Key-words:** finances, capital, financial management, organization, public, private.*
***JEL classification:** G00, G2.*

1. The notion of finance and the finances functions

1.1. The concept of finance

Historically, finances have emerged together with the trade between products and money. Finances, during slavery, were considered a collection of money in order to ensure public spending, while in the feudal period, this phenomenon of trade between products and money increased, leading to the raising of capital in order to finance the army. The importance of the state increases during the period of capitalism having a role in maintaining the internal discipline, in protecting the regions and the national autonomy but also in development, increasing the need to raise public funds. If we refer to socialism, it can be specified that a fraction of the national income is used to exercise the state activities.

Generally speaking, finances are known as social principles of economic type, dependent on the fulfillment of state roles. The notion of "finance" from the Latin "finatio, finacias" means "to pay in money", but over time it has taken on different meanings, at present it includes operations, resources and monetary relations.

There is a close connection between finance and economic and administrative sciences, but also with politics. From the perspective of economic sciences, the target of finance is the economic links from the act of organizing and distributing monetary capital, in relation to the state budget and public institutions, but to the budgets of economic agents and non-profit organizations. Finances are decreed legally, legislatively or normatively, being imposed on society. Also, the legal framework for actions of a financial nature is given by political parties.

The modern conception of economy bases the conceptualism of finance on judgment, logic and practicability, which leads to the increase of the usefulness consumption, increase of the benefit and importance of the organization. So, finances are represented by the financial resources of the organization that performs its functions.

1.2. Finances in public and private domain

In order to provide the products and services useful to society, both the public and the private domain are needed. We are talking exclusively about the private domain if it has a competitive economy with products and services made from private capital. The public domain has a forecasted, concentrated economy, the products and services being made from public funds.

In reality, both the private and the public domain exist, their importance differing from one state to another. Thus, we can discuss about mixed economies, characterized by the co-operation of the public domain with the private one.

Capitalist economy is characterized by the American professors Richard and Peggy Musgrave as "a deeply combined system in which public and private sector forces interact and the economic system is neither public nor private, but involves a mix of the two sectors''(Musgrave, 1993).

The capital of the mixed economy is part of the value of a nationality; it comes from the built of the unfinished domestic product and imports, used for consumption, the built of unfinished capital and exports. At national level, financial resources are represented by the necessary capital in order to achieve economic and social goals, resulting from the unfinished domestic product and external sources. We can classify financial resources as belonging to:

a) Public organizations and administrations
b) Private and public commercial institutions
c) Non-profit associations
d) Individuals

There are obvious connections between the above mentioned categories, cumulative of the financial capital necessary to achieve the specific objectives of the organizations and distributive of the moneyed capital for the financial support of the establishment of products and services of public or / private nature. The materialization of financial budgets differs in the public domain from the private one (table no. 1).

Table no. 1. The build of financial funds

Organizations and public administration	Private organizations
duties, dues, compulsory contributions from economic agents, banks, other organizations, individuals	savings of owners (associates, shareholders, owners)
public sales	bank or capital market loans
temporary treasury resources repayable from banks	subsidies from the public budget
public loans	profit or surplus reinvested
coin emission	other sources (attracted, irredeemable or grants)

The result of the intersection of points where the option for the private and public domain is equal, followed by the same stage of satisfaction, is a curve called the "recklessness curve." This represents the people manifestation as a product of the connection between the public and the private domain. If we relate to reality, the demand for resources is backwards proportional to resources (the demand for resources increases, resources become more limited). Therefrom results the budgetary constraints, which change the recklessness curve. The decisions that intend the provision of financial resources are based on aggregate demand and the distribution of expenditures.

1.3. The finances functions

1.3.1. The distribution function

The distribution function refers to the establishment of financial resources and their distribution. In the organization of public financial resources, the fields involved are: public, private, mixed, population, in relation to financial capacity. The distribution of financial resources is done on activities such as:

a) Education, culture, health
b) Social insurance and social protection
c) Communal household and social housing
d) National defense
e) Public order
f) Public debt
g) Other destinations.

Thus, according to this function the state has the obligation to intervene in the rectification of the disproportions between the adherents of the company, individually achieving the basic needs. The distribution of financial resources is made as a priority, for example: the construction of a road, social housing for the people in financial difficulty, maintaining the ecological balance, the construction of locations affected by natural disasters. The distribution of funds at the level of the European Community is made with priority to states in transition in order to protect the environment, the development of the infrastructure, the development of small and medium-sized private enterprises, the restoration of the agricultural sector, etc.

1.3.2. The control function

The control function of public finances is characterized by the fact that finances are available to the state and control the way of summation, distribution, use of financial resources because public finances are a segment of unfinished internal product, necessary to fulfill social needs.

The financial control bodies that serve this function are: the Ministry of Finance, the Court of Accounts, and the Financial Guard.

In the case of organizations' finances, the control function has a ascertaining and corrective aspect and a preventive one, which respects the economic-financial and fiscal legislation, defends the integrity of the patrimony, uses resources rationally, prevents losses, increases efficiency, etc. This function is performed by specialized personnel, shareholders, owners of sponsored organizations, etc.

1.4. Public finances, private finances and financial market

Public finances are made up of resources, expenditures, loans and public debt, associated to the state, public and territorial-administrative authorities, and are materialized in the public budget. Public finances "are expressed exclusively in money; expresses a transfer of values, not a change in the form of value; it does not suppose the refund (the refund appears as an exception); it is characterized by the absence of the consideration, as a direct and immediate equivalent (the consideration appears only as an exception); they are used to achieve objectives of general interest" (Moraru, 2008).

Private finances are made up of resources, expenses, loans, debts and payment obligations of private organizations. Private finances are producing goods and services to fulfill individual needs.

Banks and other financial institutions that attract capital form the financial market, which ensures the attraction of savings and their placement in the private or public domain as deposits, treasury bills, and bonds, newly emissive shares, financial titles. Repetitive reselling of these is carried out on the Stock Exchange.

Public finances are used to fulfill the general needs of society. "The objective nature of public finances certifies to the fact that these exist in order to serve the achievement of well-defined goals, the fulfillment of tasks that could not be performed by any other means or ways, which means that they are not the expression or desire of anyone or following the decision of a public authority "(Ungureanu, 2007).

Between the public finances, the private finances and the financial market there are relations of independence, interdependence and complementarity, the resources used to perform the functions of the state and of the public-administrative-territorial organizations are obtained by constraint or by contractual relations from the private sector. The private domain acquires its own financial resources from the financial market, contractually, using the demand and the supply of capital, from subsidies or from public sources.

The public finances are subordinated to the public law, while the finances of the private system to the commercial law. The three components of finance study are specific to the market economy, competitive.

Under the conditions of globalization, the transfers of financial funds, of capital have increased, the foreign investments lead to the globalization of the financial market and to the standardization of financial products. Thus, finance is an indispensable function of the management.

2. Managerial finances, function of financial management

2.1. The systemic approach of managerial finances

The management of finances in the public domain is associated with the government, the executive politico-administrative power given by the Parliament, and the organization is carried out by the Ministry of Finance. The management of finances is a function of management in the private domain, and the financial manager takes over by delegation a part of the tasks, the rest being delegating.

Financial management continuously assures the institution with the necessary resources and uses them efficiently. Financial management can be defined as the science that studies the processes of leading, predicting, organizing, training and controlling the financial capital available in the organization in order to achieve the proposed objectives.

Financial management is a complex of scientific notions, methods and techniques of evaluating the need for financial capital and ways of obtaining them, of economic-financial procedures, means for establishing, distribution and usage of budgetary resources, if issuing and implementing budgets, of improving the managerial decisions of a financial nature, of estimating the economic efficiency of the activity.

2.2. The organization as a financial system

The notion of organization can be associated with a company, public institutions, a design or educational institute, a non-profit association. The organization includes one or more departments, compartments, sections, which perform specific functions. An organization is a system made up of subsystems (departments).

The organization is therefore a system, meaning a set of parties that interact, perform processes or solve tasks in order to achieve the proposed objectives. The organization, as a system, is made up of inputs, processes, outputs and control or feedback.

It initially receives inputs that are processed into outputs and then checked, determining whether they achieve the system objectives, correcting them if necessary. Whatever enters in the organization, are inputs or resources for the process that takes place within the system or subsystem. The manager is responsible for how they are used.

Following the process of transforming resources, results are obtained, which can be products or services.

2.3. Monetary value

The unit of measure for inputs (resources) and outputs (results) is money, so the procedure of reflecting in monetary capital resources and results is indispensable.

In order to anticipate the usage or progressive wastage of fixed assets used in the transformation of resources, depreciation is used as an expense of the organization that is withheld from revenues. This notion is attributed to objects, fixed assets with a sufficiently high value, which transfer their value to the products or services created by the organization in annual rates. It is a difficult operation because not all resources, products, services can be expressed in money.

Depreciation is part of the organization's management policy and is strictly dependent on the cost of acquiring fixed assets, on their viability, on residual value and estimating the annual profit resulting from the use of fixed assets or the effectiveness of their use in non-profit organizations.

The organization's inputs or resources can be:

a) Of material nature, for example land, buildings, machinery and equipment, machinery and other means of transport, raw materials and materials needed in the operational processes (steel, plastic granules, meat, vegetables, salt, sugar)

b) The human resource, made up of people paid as employees, with a labor contract, who negotiates a salary that allows assigning a monetary value to it or voluntary people, who perform different jobs in the sphere of production or provide services.

c) The money in the form of inputs or outputs, has as sources: the initial capital invested, loans and credits, donations, the sale of products and services, budgetary allocations, the reinvested profit

d) Information

e) Intangibles, meaning software, projects, customer portfolio, organization’s location, reputation, registered trademark, license, inventions and innovations, value of managers and staff.

The outputs or results of the organization can be tangible, measurable, or weighed (the products), others are intangible (the services). Ideally is for them to be tangible, for the benefit of the organization and the beneficiaries, the values attached to the resources and the results we find recorded in the accounting.

The manager allocates the resources; these are under his direct control with the accountant's support. Control of financial resources means measuring the inputs with emphasis on the efficiency of the use of resources, it means measuring the outputs taking into account the quantitative and qualitative aspects of the products and services and any long-term results.

Financial management represents the organization’s activity in order to obtain and use the resources necessary to achieve the proposed objectives. Financial management involves the following stages:

a) The planning stage of the program, of operations and investments

b) The stage of implementation of financial plans, financing, control of administrators

c) The stage of evaluating the performance of the managerial information system

d) The specific audit or financial control stage.

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