EKONOMSKA PRIRODA NOVČANIH TOKOVA I NJIHOVO MESTO U KORPORATIVNOM UPRAVLJANJU FINANSIJAMA

ECONOMIC NATURE OF CASH FLOWS AND THEIR PLACE IN CORPORATE FINANCE MANAGEMENT

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Summary

Constant movement and circulation of money both within individual companies and at the level of the state's economy is conditioned by the cyclical nature of the economy. This is because the circulation of money actually reflects the relationship between different forms of business entities in the economy through monetary expenditures and revenues. Cash flow acts as a basis for such interaction. Skillful management of cash flows at the macro and micro levels can "heal" the economy and, ultimately, bring it to a new level. And above all, for the appropriate management of cash flow it's necessary to determine the economic nature and essence of this concept. The term "cash flow" - appeared in the foreign literature on financial analysis and financial management in the late 50s of the last century.

In the scientific and practical literature on economic analysis, a lot of attention has been paid recently to financial management and control issue defining the essence of cash flow. Despite the fact that the term "cash flow" is widely used in the theory and practice of economics, a single common definition of the concept does not exist. A well-known expert in the field of financial management E.F. Brigham clearly interprets the concept of cash flow as actually net cash, coming to the firm (or being spent by it) within a certain period .

Zvi Bodi and Robert Merton mention that cash flow expresses the interaction between the participants of the financial system, which includes markets, brokers, companies with financial service providers, and other institutions that allow households and government organizations implement their decisions

J.K. Van Horne points out that the concept of cash and cash flows can be interpreted differently depending on the task analysis. Cash and cash flows are considered as operating cash or working capital, i.e. in a narrow or broad interpretation of the term.

Poddierohin A.M. defines cash flow as a set of consistently distributed time events that are related to a separate and logically completed fact of a change of financial resources ownership through the implementation of obligations between economic agents (entities, state, households and international organizations). Cash flows are directly related to the movement of funds in the company, which reflects the revenue of financial resources and their use, available to the entity.

L.O. Kovalenko and L.M. Remniova explain "cash flows" as inflows and outflows of cash and cash equivalents as a result of industrial and economic activity of the enterprises. In such a way funds

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are used to finance current operations and include cash on hand and money in bank accounts of enterprises. To cash equivalent, they include short-term investments that can be converted into cash and have an insignificant risk of changes in value.

Tereshchenko O.O. focuses on the operating Cash-flow, which he considers as a criterion for assessing the financing company internal potential. The scientist believes that the availability of sufficient size of the operating Cash-flow allows the company to finance the investment through its internal financial resources, to repay financial debt and pay dividends.

I.A. Blank defines cash flow as the "main index characterizing the effect of investments in the form of the cash returned to the investor. The basis of cash flow for investment is net income and amortization of tangible and intangible assets''. He also notes that "the cash flow of the enterprise is a set of distributed in time inflows and outflows of cash, which are generated in the course of its activity" .

Within the economic nature cash flow is the institutional form of cash and, therefore, describes the activities of the company from the position of change of its existing and newly created cash reserves. The economic nature of the cash flow is expressed in its essential characteristics - guises in which it appears in the running of the company. Finance of corporations is directly related to the movement of funds. So, cash flow management is a system of principles and methods for the development and implementation of management decisions related to the creation, distribution and use of funds of the corporation.To ensure effective cash flow management corporations must follow certain principles that will optimize cash flow, adapt them to the current requirements of financial support managerial decisions, link with general corporate purposes, and minimize risks and more.Cash flow management can be considered as a multilevel multifunctional control system.

From this perspective, cash flow management in investing, operating and financing activities is considered. Thus, cash flow management in the process of operating activities can be described through components: cash flow management in the process of production and sales, and cash flow management through the implementation of other types of operations. Cash flow management in the process of investing activities can be considered as cash flow management in the process of real investment and cash flow management during the financial investment.

Cash flow management in the process of financing activities can be summarized as: management of the cost of money capital that is involved; the management of the structure of money capital that is involved; service management and debt recovery. Both external and internal factors influence the formation of the cash flows.

The external factors influencing the cash flows are: situation on the commodity market, the situation of the stock market, corporate tax system, the current practices of lending of suppliers and customers, system of cash transactions of business entities, access to financial credit, opportunity to raise free funds earmarked funding, the degree of competition in the market of the resources required to support the activities of the corporation.

The internal factors include: the life cycle of the company, the length of the operating cycle, seasonality of production and consumption of goods, urgency of investment programs, depreciation policy of the company, mentality of owners and managers of the company.

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