Volume **XII**/2020 ISSN 2344-102X
Issue (XXII) / **February** 2020 ISSN-L 2344-102X

SHORT ANALYSIS OF THE COMPANY'S TREASURY

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Abstract
In the current economy, the company can be seen as a system that operates only through its relationships with third parties, relationships that materialize through wealth flows. Located in the area of interference between finance and accounting, the treasury activity guarantees the circulation of money capital, the development of financial-banking relations, concentration and allocation of cash flows. This paper aims to provide a brief analysis of the company's treasury, by presenting the main notions related to this topic, as well as by providing a concise description of the evolution of the treasury over time, but especially in the current digital age.

Key words: *cash flow, cash equivalent, financial indicators, treasury evolution, electronic currency*

JEL Classification: *M41*

I. INTRODUCTION

Economic operators operate in the economy, taking into account their own policies and regulations, but without neglecting the standards, directives and legislative framework implemented by the competent authorities. These activities mentioned above generate a multitude of flows, of different nature, the most representative being the financial flows. The flows determined by the operations of exploitation, investment and financing materialize the treasury of a company. Thus, it can be appreciated that the treasury highlights the result of the entire activity of the enterprise and the way of observing the requirements of the financial balance.

Over time, there has been a growing acceleration in management's interest in analyzing the cash flow situation, rather than in the interest in analyzing profit-reflected performance. In his paper, Jantadej (2006), he argues that in order to measure their performance, companies in financial difficulty choose to rely on cash flow information rather than profit information. The authors Etemadi and Tariverdi (2006) considers profit a simple artificial concept, while cash flow is considered objective and real. In other papers, it is argued that cash flow is the highest quality asset which a firm owns, and managing this flow plays a decisive role in the survival of the same firm (Özcan, 2020).

In this context, *the purpose of this paper* is to provide a brief presentation on corporate treasury. Thus, the main aspects related to cash flow, cash equivalents, financial indicators that allow the reporting of information about the company's treasury were delimited. It also described the evolution of the company's treasury, highlighting the new challenges brought by technological progress, especially those brought by the emergence of electronic money. *The usefulness of the study* is universal, as this article is of interest not only to economic agents, but to all users of accounting information. This statement is reinforced by the permanent concern both on the part of the management and on the part of the persons outside the company, for the economic entity to generate patrimonial flows that take the form of liquidities.

For the proper functioning of a company, the permanent valuation of cash flow must be accompanied by a realistic valuation of assets, including sensitivity to future events, adverse developments and a correct recognition of income and expenses (Grosu & Chelba, 2019: 6). Thus, the analysis and forecast of the treasury is made in close connection with the forecast of the results of the entire activity, results that derive from the totality of the activities that the company carries out in the considered period.

II. COMPANY TREASURY – GUARANTEE OF DEBT REMOVAL

The origin of the “treasury” notion comes from the Latin "thesaurus" which translates as "treasure" or "deposit for valuables". In addition to Latin, also originating in French, the term treasury ('trésorerie') has the following conceptual meanings:

- stock – liquidity in cashier, cash on hand or short-term financial investments;
- cash flow - cash inflows or outflows into/from the company (Diaconu, Leuştean, Manea, Radu, Radu, Bârgăoanu, Busuioc, Voinea, Ionescu & State, 2006:173).

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By the treasury of the enterprise we understand the sum of liquid resources composed of the following elements: cash in cashier, available balance at banks, investment securities, short-term bank loans and other treasury values (Grosu, Hlaciuc & Socoliuc, 2013: 175). The treasury, in accordance with the explanatory dictionary of the Romanian language, represents a set of financial operations for the procurement and expenditure of funds (see https://dexonline.ro/definitie/trezorerie).

In general, the treasury "represents the set of monetary and financial operations carried out by a patrimonial unit in order to ensure the financial means necessary to carry out its economic activity in good conditions" (Moraru, 2012:164).

During the 1970s, the treasury was defined as the surplus of financing resources that are generated from the entire economic activity, respectively as the difference between cash and treasury loans. Retained by the French General Accounting Plan (1982), this definition is used, as a concept, to name the difference between assets with quick liquidation and debts with immediate exigibility (Leuștean & Busuioc, 2004: 29).

Regarding the organization, the term treasury is characterized as a service that is a separate section in the organization chart of an economic entity, to whom are assigned tasks, with specialized staff and which is carried out according to clearly defined rules (Hlaciuc & Mihalciuc, 2008: 738).

Depending on the viewing angle of the treasury, the treasury may have different representations (Negrescu & Negrescu, 1999: 144). For a person doing business, the treasury is characterized as the totality of financial instruments that are available to an entity to honor its payments, respectively: cash in bank accounts, cash in cashier, checks receivable, commercial bills receivable, securities placement etc. If the financial resources are not sufficient, the economic agent will resort to the recourse of bank loans, to the discounting of some commercial effects not reached at maturity, etc. For the economist, treasury represents the difference between cash (liquidity) and immediate debt (payables). Hence the concepts of positive cash and negative cash. In other words, mathematically, an entity's treasury can have a positive or negative balance. The positive treasury represents the effect of the entire financial stability of the company and materializes in a monetary surplus. The negative treasury highlights a financial imbalance materialized in the form of a monetary deficit (Țugui, 2002:33).

One of the basic tasks of treasury in an enterprise is to guarantee the liquidity needed to settle all monetary obligations and to maintain a consistent financial stability. Liquidity is defined as cash or other assimilated securities and all securities that, by their nature, are immediately convertible into cash.

The main purpose of treasury management is to prevent a negative value of the treasury. In other words, the main goal is to avoid the situation in which the entity is unable to make payments (financial blockage) (Negrescu & Negrescu, 1999: 145). Treasury management refers to all the decisions and operations regarding the procurement and use in the best conditions of short-term liquidity (in a temporary horizon not exceeding twelve months) (Mironiuc, 2012: 210). In other words, the management of the treasury aims to ensure an adequate level of cash and its equivalents, the volume of financial resources in bank accounts, short-term loans, receivables, short-term investments considered favorable to the company, in order to ensure an optimal level of liquidity (Mateș, David, Bostan, Grosu, Dima, Șteț, Păiușan, Socoliuc & Pușcaș, 2010:438).

The existence of a negative treasury can have as unfavorable consequences the following: the loss of the opportunity to make purchases in optimal conditions, the degradation of the company's image due to the existence of late payments, the need to resort to short-term loans, etc. All these consequences trigger costs whose size is difficult to specify because they cannot be clearly assessed.

Treasury can also be defined as the sum of its components, as treasury assets and liabilities. The main element in this definition is liquidity, but also treasury financial assets. Liabilities include treasury and discount loans. The treasury determination relationship in this case is shown in Figure 1.

The treasury = Liquidity + Treasury financial assets- Treasury financial liabilities

Figure 1 – Treasury determination relationship

Source: Leuștean & Busuioc, 2004

The category of treasury assets includes: cash (in the bank and in the cashier), financial treasury assets (investment securities, cash receivables, treasury notes and certificates of deposit in the portfolio). Treasury liabilities are: credit balance of the current account, treasury loans (treasury deficits), discount loans.

In the general financial statements of the enterprise, cash flows are represented by the "Statement of cash flows (treasury)" which groups cash flows as coming from three activities, as follows:

1) Operating activities are the activities through which income is generated;
2) Investment activities involve the purchase and sale of fixed assets and other investments that are not part of the cash equivalents;

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ISSN 2344-102X
ISSN-L 2344-102X

3) Financing activities are those activities that result in changes in the size and composition of the entity's equity and liabilities (Standardele Internaționale de Raportare Financiară - IFRS, 2013: A600).

The position of the treasury in financial activities is central. The treasury of an enterprise can be compared with a bridge between the three main categories of activities, namely between: exploitation, investment and financing activity (Țugui, 2002).

III. What We Need To Know About Cash Flows

Cash flow indicates cash inflows and outflows and their equivalents. The cash flow has a great significance and can be considered the strength of the complete business plan of the company. It shows the surplus or on the contrary the cash deficit that will characterize the business in the forecast period. Cash flow demonstrates the company's ability to cope with the cost of financing (Grosu, Hlaciuc & Socoliuc, 2013: 75). Inputs and outputs flow can be done either in cash or without cash. The inflow and outflow represented in cash has a lower frequency in the total settlements, because large amounts of money involve large storage places and are accompanied by the risk of maneuvers (physical damage, robbery).

Cash flows provide a sound basis for approximating the ability of firms to make cash and cash equivalents, which are essential to meet debts to suppliers.

Money are represented by cash in liquidity form available in entity and with which payments are made to individuals or legal entities. To this money is added liquidity realized as a result of the receipts made.

The output flow consists of:

- operating expenses - production involves operating expenses: acquisitions, salaries and assimilated, commitments, taxes, other expenses;
- investment expenses, arising from the investment program developed by the company;
- dividends paid;
- profit tax;
- value added tax (Leuștean & Busuioc, 2004: 34).

From the comparison of the inflows with the outflows for certain periods (month, quarter, semester, year) are obtained either surpluses or cash deficits. For an economic entity, a decisive factor of viability is the maintenance of the balance of cash flows, respectively the stability between receipts and payments.

Some of the receipts and payments that an economic entity carries out in connection with its activity are made in cash, through its own cashier (Pătruț, 2003: 217). The category of collection operations performed through the cashier includes: invoices for deliveries of goods, provision of services and execution of works under a certain ceiling established in accordance with the legal provisions; receivables from debtors, guarantees; cash withdrawn from bank accounts for making various cash payments (Hlaciuc & Mihalciuc, 2008: 781). Cash payment operations include: invoices for purchases of goods, services and execution of works, within the ceiling legal value; salaries, prizes, material aids; advances for settlement; dividends.

Depending on the currency in which they materialize, cash flows may exist in the national currency or in foreign currency. Thus, the economic agents can make, within the limits provided by the legislation in force, receipts and payments by cashier in foreign currency.

Other treasury values - assimilated to cash (postal and fiscal stamps, treatment and rest tickets, travel tickets, meal vouchers, etc.) - are also managed through the cashier's office of the entity (Paraschivescu, Radu, Lepădatu & Pătrașcu, 2010: 354). The following supporting documents are used to record cash payment and collection operations: receipt, cash check, payroll, payment-collection order (Mateș et al., 2010: 474).

As we presented at the beginning of this subchapter, the inflow and outflow, respectively the receipts and payments made by the company can be without cash, these being done through accounts opened with banks.

All operations performed through bank accounts are recorded by the bank in its account statement. This document contains receipts, payments and the final balance. The account statement together with other documents are handed over to the company where based on them the registration in the accounting will be made.

The transfer of cash between the treasury accounts, respectively between the bank accounts opened at the same bank or at different banks and between the bank accounts and the cashier of the unit, is done through Internal Transfers (Paraschivescu et al., 2010: 344). Internal transfers are transfer operations. Their reflection in the accounting is justified by the gap between the moment of depositing (on the basis of a slip) the bank the supporting documents regarding the actual transfer of amounts between the treasury accounts and the moment of their recording in the account statement. A certain amount of time may elapse between the two moments mentioned above.

IV. Cash Equivalents – Completion Instruments Of Cash Flow

Cash equivalents are short-term investments (current assets) that are highly liquid, that are convertible into cash at any time and that are subject to an insignificant risk of change in value. These are purchased by the

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patrimonial unit for speculative purposes, in order to achieve a gain in a short time, resulting from the difference between the lower purchase price (redemption) and the higher sale price (resale) (Balteș & Ciuhureanu, 2015: 233).

An economic entity may at some point obtain a surplus of funds, which may be transferred to the bank account for safekeeping or may be invested in the business of other companies. The decision to participate in the financing of other economic entities may be for a longer period or may be short-term. Financial operations performed over a period of up to one year are known in the literature as short-term financial investments (Hlaciuc & Mihalciuc, 2008: 750).

Short-term financial investments are "investment securities materialized in the operating space of the capital in terms of the realization of capital countries or short-term income, which are: shares issued by companies within or outside the group purchased for resale, bonds issued and redeemed at maturity for cancellation, to be sold for short-term earnings, bonds to be able to use other investment securities, to be able to make short-term profits (the guarantor, the future contract, the treasury bills, the certificates of deposit) "(Moraru, 2012: 167).

Investment securities are different from fixed assets because the latter are acquired and held by the company in a sustainable manner while investment securities are purchased and held in the short term. Investment securities fall into the category of current assets.

The investment securities are represented by the following properties:

• they are negotiable securities, constituting rights, freely transferable, because when they are sold there is no need to draw up a written document;

• they are interchangeable titles, as one title can be exchanged for another of the same category, from the same issue; they confer the same rights on holders and have an identical value;

• securities may or may not be listed on the stock exchange (Munteanu, 2003: 490).

If the purchased securities were issued by other companies, the transaction is called a sale, and if the securities are repurchased by their issuers to be canceled or resold, the transaction is called a repurchase.

Shares are defined as securities, representing a certain, fixed and pre-established part of a company's capital and which gives the holder the right to receive dividends (see https://dexonline.ro/definitie/ac%C8%9Biune). Bonds are negotiable debt securities, usually issued by joint stock companies and are also key elements of the treasury.

The shares represent parts of the share capital of an entity and allow the holder to get involved in the management of the patrimonial unit, while the bonds do not offer this possibility, they have the status of loans made by the economic entity, for which interest is paid (Hlaciuc & Mihalciuc, 2008: 757).

The accounts with the banks ensure the accomplishment of the operations that refer to: the values receivable, the availabilities in lei and in foreign currency, the short-term bank loans, the interests related to the availabilities and bank credits. Different methods are used (acceptance, letter of credit, etc.) and settlement instruments that have implications on the accounting of transactions through bank accounts.

Non-cash payment instruments can be classified into two categories:

- exclusive payment instruments: payment order, check, card;
- simultaneous payment and credit instruments (commercial effects): bill of exchange and promissory note (Pătruț, 2003: 219).

The values to be collected represent patrimonial elements that due to the high degree of liquidity are immediately converted (at maturity) into cash. These are term payment instruments in the possession of the beneficiary to be collected in the short term, including: checks receivable, bills receivable, bills remitted for discounting (Moraru, 2012: 173).

Cash and cash equivalents in bank accounts, amounts being settled as well as their movement are highlighted using the "Current bank accounts" account. On the one hand, this account expresses cash in lei and in foreign currency, and on the other hand, it can be used as a current account, which can reflect, at a given moment, either the cash available in the accounts or the bank payment credits granted by banks, within the credit limit.

It should be mentioned that the meanings of the debit, respectively the credit from the economic agent's accounting are in the opposite direction to the debit and credit from the bank account statement (Munteanu, 2003: 512). Banks keep their own accounts, and as the account statement is released from their own records, it is justified to record receipts on 'credit' and payments on 'debit' due to the fact that by collecting for a customer a sum of money the bank shows that obligation to the customer (credit), and through payments to the customer, he becomes indebted (debit).

Short-term bank loans are granted by banks to economic entities, for temporary needs, for a period of up to one year, having as destination: procurement of stocks, production for export, coverage of temporary financial needs, etc., being highlighted in the accounts with the help of account "Short-term bank loans". Balteș, 2015: 256).

In the market economy, the role of banks is more accentuated not only by the fact that they mobilize and keep safe the money of individuals and legal entities, but also by granting loans on different terms to both economic agents and the population.

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Interest due on loans granted by banks in current accounts, respectively interest receivable for cash temporarily in current accounts is managed using the "Interest" account. Interest due and receivable, related to the current year, are recorded in financial expenses, respectively financial income.

The letter of credit represents “the funds reserved at the bank in a separate account, at the disposal of a supplier, from which payments are made as deliveries, execution of works or provision of services subject to certain conditions” (Lepădatu, 2013: 35).

The cash advance represents a special form of letters of credit that reflect the amounts offered to the administrators or other persons empowered by the company, in order to make payments for its benefit (Paraschivescu et al., 2010: 358). A special feature of these categories of liquidity is that the amounts appear in the account of the holders of advances from the moment of advance until the moment when the payments made are settled.

V. Reporting Information About The Company's Treasury With The Help Of Financial Indicators

The treasury is the basis for calculating financial analysis and management indicators. These indicators can be short-term (ensuring solvency) and long-term (determining the need for financing). With their help, it is possible to make forecasts regarding the evolution of the financial situation of the entity. The main indicators that highlight the cash of an economic entity are presented in Table 1. They fall into four categories: liquidity, risk, activity and profitability indicators.

Table 1. Indicators reflecting the company's treasury

Name of the indicator	Calculation formula	The usefulness of the indicator and the interpretation of the result
1. Liquidity indicators a) Current liquidity indicator	$\frac{Current\ assets}{Current\ liabilities}$	- this indicator guarantees the coverage of current debts from current assets; - the recommended indicator value is around 2.
b) Immediate liquidity indicator (acid test indicator)	$\frac{\text{Current assets} - \text{Stocks}}{\text{Current liabilities}}$	- the indicator shows the ability of the entity to hedge current liabilities immediately from current assets, but eliminating inventories because they may be difficult to settle.
2. Risk indicators a) Indebtedness indicator	$\frac{Borrowed\ capital}{Equity}$	- this indicator shows the share of borrowed capital in equity; - if this indicator increases, the degree of indebtedness will also increase.
b) Interest coverage indicator	$\frac{Profit\ before\ pay\ the\ profit\ tax\ and\ interest}{Interest\ expense}$	- this indicator expresses how many times the company can honor interest expenses; - the lower the result, the lower the entity's position is considered to be at risk.
3. Rotation rate of loans-suppliers (Average balance of suppliers)	$\frac{Cost\ of\ sales}{Average\ stock}$	- the indicator shows how many times the stock was rolled over the financial year; - if the result is a small value, the company must ask some questions.
b) Inventory turnover rate (number of storage days)	$\frac{Average\ stock}{Cost\ of\ sales}\ x\ 365\ days$	- this indicator shows the number of days in which stocks are stored in the entity; - the lower the value of the indicator, the more favorable the situation.
c) The turnover rate of customer debts (Average customer balance)	$\frac{Average\ customer\ balance}{Turnover}\ x\ 100$	- this indicator shows the efficiency with which the entity collects its receivables and expresses the number of days until the date on which the debtors pay their debts to the entity; - an increasing value of the indicator may highlight problems related to the control of credit granted to customers, and in conclusion, receivables more difficult to collect (bad paying customers).
d) Rotation rate of loans-suppliers (Average balance of suppliers)	$\frac{Average\ balance\ of\ suppliers}{Purchases\ of\ goods\ (without\ services)}\ x\ 365\ zile$	- this indicator approximates the number of credit days that the entity obtains from its suppliers

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Table 1. *Cont.*

Name of the indicator	Calculation formula	The usefulness of the indicator and the interpretation of the result
e) Rotation speed of fixed assets	$\frac{Turnover}{Property, plant\ and\ equipment}$	- this indicator expresses the number of rotations performed by fixed assets to achieve turnover; - if the value of this indicator is increasing, it is highlighted that the company uses the fixed assets efficiently.
f) Rotation speed of total assets	$\frac{Turnover}{Total\ assets}$	- this indicator expresses the number of rotations performed by total assets to achieve turnover.
4. Profitability indicators a) Return on capital employed	$\frac{Profit\ before\ pay\ the\ profit\ tax\ and\ interest}{Capital\ employed}$	- the indicator reflects the profit that the entity obtains from the money it has invested in the business; - the committed capital refers to the money invested in the entity both by the shareholders and by the long-term creditors.
b) Gross sales margin	$\frac{Gross\ profit\ from\ sales}{Turnover} x\ 100$	- the indicator indicates the share of gross sales profit in turnover; - a decrease in the percentage of this indicator may show that the company is not able to control its production costs or to obtain the optimal selling price.

Source: Adaptation from Toma, 2012

The indicators presented in the table above provide valuable information regarding the current financial situation of the company, but also offer the possibility to create a perspective related to the future. Knowing the level of these financial indicators allows comparisons with other entities in similar sectors of activity, domestic or international, which brings a real advantage for the company in order to know the competitive environment.

VI. Short Evolution Of The Company's Treasury – A Perspective In The Future

In ancient times, the treasury was seen as an organ of the state, a means of executing the king's private council. In this context, the treasury was first put into operation in June 1660 (Lowndes & Gill, 1931). The notion of treasury has taken on new forms over time as the financial market has developed and become more volatile. Thus, when we talk now about the treasury, we no longer refer only to a simple state body, but also to a vital component in running a business.

There has been an Evolution not only in the term of treasury, but also in the role of treasury in society. Therefore, according to Blach, Wieczorek-Kosmala, Gorczynska & Dos (2014) the evolution of the role of the treasury can be divided into three distinct phases. The first phase, called "immature treasury," was specific to the period before the 1970s. At that time, treasury functions were decentralized, performed through manual processes, and predominantly comprised operational activities. The second phase, called "mature treasury," as the name implies, was a period in which the role of the treasury extended beyond simple operations. At this stage, special emphasis was placed on financial risk management, and more advanced operating tools began to be used. The third phase includes the Strategic Treasury and is specific to our days. Being the result of globalization and the rapid evolution of the financial system, the strategic treasury is placed in the center of the company, aiming at maintaining and forming the liquidity of resources, as well as achieving the company's objectives.

A new challenge for the company's treasury is the digitalization of the economy, which is rooted in technological innovation. Changing consumer behavior, business interactions, disruption and even the emergence of new processes, systems and economic sectors, are just a few results of the impact of technologies on the economy (Bukht & Heeks, 2017: 2).

At present, the influence of digitalization on the company's treasury is felt by adhering to the single payment in euros, but also by the appearance of different digitized means of payment. In general, the way business is done now is completely changed, noting an optimization of existing processes and services, but also a real emergence of new services and systems (Polak, Masquelier & Michalski, 2018).

One of the most important payment methods and one of the newest forms of currency, which has emerged as a result of very rapid technological progress, is electronic money. This form of payment, which does not require an intermediary to be managed, differs from the old perceptions of people who consider currency a simple tangible instrument that must be transported and seen (Vovchenko, Tishchenko, Epifanova & Gontmacher, 2017).

The advantages of this new form of storage and transmission of traditional currency are the following: fast processing of receipts and payments, reducing the risk of collecting money, reducing cash costs, avoiding difficulties in meeting payment terms and conditions between trading partners, ease of flow money between

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government and individuals, increasing transparency for the informal economy, accelerating financial inclusion (Polak, Masquelier & Michalski, 2018; Said, 2019).

To the detriment of the benefits presented above, we also list the challenges that electronic money brings as a result of their implementation: the need for new regulations on this form of settlement, lack of awareness, knowledge and consumer confidence regarding electronic money, the cost of installing the issuance of this currency and the ongoing support of administration and maintenance (Said, 2019).

Registering electronic money in accounting could be another challenge. Electronic money for the purpose of recording in accounting must be understood as the unit of value that:

a) is stored on an electronic device;

b) is accepted as a means of payment by persons other than the person who produces them;

c) is the liability of a person, liability executed in cash or cash form. (Abdelwhab Mahmoud Jadaan, 2017).

Understanding the above explanations, it will be easy to see that discount cards, gas station cards, public transport tickets and the like are not considered electronic money. These forms of settlement are accepted only as means of payment only by their issuers.

VII. CONCLUSION

An enterprise must be seen and understood as a living organization, positioned at the center of economic life, within a complex set of activities and flows takes place. The company's treasury, as the management center of all these flows, aims to provide the necessary funds for the activity of the economic entity in optimal conditions. Achieving this goal is vital for maintaining the company's market, but also for the company to maintain its credibility in front of partners. This trust is maintained by the payment of all current obligations by the company at maturity and by avoiding the recording of outstanding obligations. In this regard, the company's management must pay particular attention to the existence of a "cash stock" in the treasury or have other slightly liquid assets similar to physical stocks (cash equivalents).

The current challenges lead the Treasury Department to openly address all technological developments, those related to liquidity management, the emergence of electronic money, as well as regulatory issues regarding these innovations.

In conclusion, we believe that any company should be prepared to make appropriate changes to the implementation of electronic money, as well as to develop methods of automatic management of cashless accounting. In this context, precise and complete regulations are very important. The lack of regulation of the circulation of electronic money in the accounting standards and the fiscal legislation make the electronic payment systems work at very complicated legal schemes in order to be able to implement the activities of the law. This lack of an appropriate legislative framework is a significant obstacle to the spread of the electronic payment instrument.

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