

Materials of the Conferences

MODERN CONCEPTS OF MONEY FLOWS CONTROL ON BASIS OF ACCOUNTING INFORMATION

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In foreign theory of money flows control the concept of Total (complex) money control (TMC), the founder of which is A. King, has lately formed and actively been developing. The system of Total (complex) money control represents the extension of the concept of TQC – Total quality control, which has become the ideology of the modern business. The main idea of the TMC is controlling the flows of money in the course of adoption of every decision by every manager.

For Russian enterprises and organizations not money flows control but treasury management is indicative. The treasury management means financial resources and their channels control in the process of formation and behavior, distribution and secondary distribution, and also using; it is a conscious and purposeful action on economic contacts conditioned by mutual settlements between economic agents, currency circulation for getting optimal eventual outcome of the managing.

The money flows control should be carried out in the frames of an enterprise fiscal policy which is understood as a general financial ideology which the enterprise follows. The task of the fiscal policy is constructing treasury management effective system which provides the achievement of strategic and tactical targets of the enterprise activity.

The strategic and tactical aspects of the fiscal policy are closely interfacing: the adequate choice of strategy creates favourable opportunities for tactical tasks solution.

Really, the rates of strategic development and business solvency of an enterprise to a great extent are defined by how cash flows are synchronized against each other in time and terms of volume as a high level of such synchronization provides accelerated realization of the chosen business purposes.

Undoubtedly, rational formation of money flows promotes line balance and provides increase in production and realization of outputs. At that, any payment discipline violation has an adverse effect on productive supplies formation, performance level, finished commodity realization, the position of an

enterprise in the market, etc. Even in the enterprises successfully operating in the market and generating enough value of returns a pay inability can appear as a consequence of imbalance of different kinds of money flows in time.

On the other hand, this money flows control is an important factor of an enterprise's capital turnover acceleration. It is accounted for operating cycle duration reduction, more economical use of the inhouse and lessening of need in borrowed sources of cash. Consequently, the performance efficiency on a business entirely depends on the money flows control system organization.

The money flows control as the one of financial flows' component should be one of the most important business lines of a financial manager. Founding on the research of foreign and Russian authors, let us carry out the adaptation of the scientific idea development to the system of money flows control in Russian enterprises and organizations, and try to introduce the authors approach to the money flows control concept realization conditions and comprehension. In our opinion, the money flows control involves the accounts and cash resources control in the course of business transaction performance, flow-of-funds analysis and prognostics, cash resources optimal level determination, cash resources budget preparations, etc.

The essence of the money flows control defines the formation and functioning of this management class as a system.

The money flows control system is a form of interaction and control relations development realization, expressed, first of all, in management laws and principles and also in purposes, functions, structure, methods, process and mechanism of control. The given system is created for the performance of short and strategic projects of an enterprise, financial responsibility and business solvency retention, more rational use of its assets and sources of funds, and also business function financing facility cost minimization.

First all, let us specify the basic components of the research – the object and the subject.

The object of the money flows control is a thing where the cognitive and other activities are aimed at – it is a system of finance-economic intercourse appearing in the process of cash flows and financial instruments. Therefore, the objects of

control, in the author's opinion, should be not only money flows but also financial (cash) resources, and also the cost and the capital structure.

The subject of the money flows control is fixed in experience and involved in the process of human practical activity sides, properties and relations of the objects studied with a certain purpose under given conditions and circumstances. Respectively, we think it is necessary to consider an enterprise's money flows, which can function in different levels bearing an interconditioned character, to be the subject of control:

- 1) at the level of an economic unit in the whole;
- 2) by activity kinds (operating, investing, financial);
- 3) by segments of an enterprise's activity;
- 4) by business processes;
- 5) by organizational units of an enterprise;
- 6) by responsibility centers;
- 7) by separate commodity lines and business transactions.

The mechanism of money flows control is created and purposefully changed by the people who perform the regulatory activity of the total aggregate of functions, forms, methods, levers and incentives to achieve its highest efficiency in concrete economic conditions.

Actual money flows control in market conditions is possible only on the ground of effective accounts which is the data base to define the strategy and tactics of both internal and external control. The development and performance of management solutions are based on planned, standard, process, discount and analysis information. From the management view point the accounts should be considered as an information system involving fiscal, management and strategic accounting. It is the accounting data that make up the data base for the money flows analysis which, in its turn, allows planning the cash flow for the coming period more rationally.

Within the system of fiscal accounting the information reflecting the state and cash flow of an enterprise for an accounting period and necessary for the performance of the current management is formed. It is represented in a generalized form on the accounts of business accounting and can be itemized by analytical findings attraction. The fiscal accounting data are the most exact and available for the data users. However, in the aggregate form this information is not complete, operative and sufficient

to accept policy decisions and, in this connection, should be performed by other information forms.

Within the system of fiscal accounting the information about the money flows of separate organization departments, responsibility centers, different kinds of activity and concrete operations having provoked the cash flow is formed and used in day-to-day management as a rule.

The fiscal and management accounting data for effective money flows control are evidently insufficient. It is explained by the fact that the given accounting systems operate generally with the information about actually performed economical and financial services.

The 90-s became the time of business struggle go-go modification of terms in the world's economics, the new strategic thinking being more and more associated with business globalization and, finally, with passing to a new model of economic growth. The change from a traditional industrial economy to resilient economics, especially in industrially advanced countries, requires the creation of suitable discount-analytical provision of policy decisions taking in the field of money flows control on the basis of the system approach. The discount-analytical provision in the microlevel is the foundation for policy definition of a firm and for the definition of alternative approaches to the management practice. The solution of the given problem is the formation and development of strategic accounts as a whole (and money flows in particular).

The strategic accounts represent a global model of information technology which provides the administrators and specialists of an enterprise with the proprietary information for taking effective decisions and also provide the investing public with the information for an enterprise activity assessment. In the strategic accounts system the information about opportunity costs and business struggle, marketing policy of a firm, financial and money risks, inflationary expectations, etc. It is the money flows strategic accounts system that should be the information basis for the strategic management performance.

The foundation of management is the availability of operating and exact accounting information based on the bookkeeping and managerial accounting. The composition of such information is rather diverse: movement on accounts and in the booking office of an enterprise, earnings/receivables and payables of an enterprise, tax payments budgets, credit accommodation and

redemption organization plans, payments of interest, procurement activities requirements demanding prepayment, and much of the sort. The information itself arrives from different sources; its acquisition and collation should be tried and tested with particular care as lagging and errors at the information delivery can lead to severe effects for the company as a whole. At that every enterprise defines the form of delivery, information acquisition frequency and flow of documents scheme.

The importance and value of the money flows control at an enterprise is difficult to overestimate as not only soundness of an enterprise at a definite time

period, but also its further development capability and financial success achieving for a long-term prospects depend on its quality and effectiveness.

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