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CASH FLOW-FINANCIAL PLANNING TOOL IN THE TOURISM UNITS

Case
Study

Keywords

*Tourism,
Travel,
Cash flow,
Financial planning,
Investment securities*

JEL Classification

L21, M41, Z32

Abstract

This paper addresses the issue of cash-flow tool for financial planning, cash flow calculation by applying the indirect method within a company in the field of tourism. Thus, it tackled issues concerning the organization of accounting of treasury which made a presentation of the subject reflected in treasury accounting record of the existence and movement of securities placement, availability of the accounts at banks, short term bank loans and other cash values. The importance of access to information as well as more detailed and clearer leads to an upward trend of the tourism society. Standardization of definitions helps to ensure that all parties are talking of the same terms or concepts with lower or no variables. This is essential for developers and contractors in different geographical regions of the world and different countries when they discuss issues of tourism and travel.

INTRODUCTION

In the domestic and international tourist activity it is practiced a wide range of shapes and write-offs tourist commitments on ways of meeting the need for tourism, its conditions of tender balance, and peculiarities of organizing the trip.

In general, the form can be defined by the concrete aspect that it dresses up associating/combining services (transportation, accommodation, food, recreational) that make the tourist product, and method of marketing.

Forms of tourism were limited as a result of the concern, depending on a number of criteria, the tourist circulation owing to its complexity and heterogeneity and the variety of access possibilities of consumers to the product.

Both studies and practice in the field gives a special importance of preparation of the financial statements, the importance of time for both those preparers and users of financial information.

"Finished products" of accounting are financial statements which may have significant impact on society by changing the behavior of individuals, generating significant social implications and changes.

Professor C.G. Demetrescu was the first Romanian author which in the paper "Accounting is whether or not science" (1947), has brought into focus the users of accounting information and their needs for information, stating that: "Accounting is useful through the services that bring you a variety of interesting subjects, among which we mention: the owner of the enterprise, people working with the enterprise, the state and public authorities, the staff of the enterprise" (Demetrescu, 1947).

MATERIALS AND METHODS

„In order to achieve this we have a thorough bibliography research, realizing that it was the starting point towards the research done” (Boiță and Pribeanu, 2016).

Treasury designation is originated in Latin where "thesaurus" translates into "treasure" or "deposit for valuables".

If at the national level for managing the "treasury" is designated as an institution that focuses on public budget resources, in the case of property treasury means units of liquid capital sums of cash, cash at banks, securities and other investment securities. The Treasury accounting records the existence and movement of securities placement, availability of the accounts at banks, short term bank loans and other cash values.

The Treasury includes all financial operations carried out by an entity during a financial year (usually a calendar year), regardless of whether they relate to

long-term financial investments or to exploit the current activity of the entity.

The importance of the Treasury has increased lately due to changes in the economic life of both macro and micro-economic nature, as for example: rapid evolution and contradictory interest rates and/or banking, inter-bank foreign exchange rate, economic units' equipment with modern technical computing, etc.

Cash accounting is organized and managed in such a way as to achieve targets in good condition.

"Statement of cash flows are of concern both internally to management and governance of the enterprise and externally to investors, creditors and the financial analyst, external enterprise" (Needles, Caldwell, 2001).

The board of cash flows structures developmental activities, financing and investment. As a consequence, there will be released the following Treasury flows:

- Treasury flows related to exploitation;
- cash flows related to investment;
- cash flows related to financing.

A. Cash flow related to operating activities

The flows of the operating activity represent the monetary effects of events and transactions related to exploit.

Cash flow arising from operating activities can be determined by using the direct or indirect method.

In general, the activities of exploitation include: production, purchase and sale of goods, the receipt and provision of services.

Indirect method uses only the necessary adjustments to convert net income in cash flow from operating activity; adjustments will be made only for those items, though, that are included in the profit and loss account, does not affect the cash flows.

B. Cash flows relating to investment activity

The cash flows of investment activity come from all operations related to the acquisition and disposal of long-term assets and other investments

The situation of cash flows-classification of cash receipts and payments according to operating, investing and financing activities (see table 1).

C. Cash flows related to financing activities

Cash flows related to financing activities are coming from assembly operations related to changes in the size and composition of the capital borrowed of the company.

„Conducting surveys on tourist activity appears to be a necessity of the modern age, providing public information needs, guiding institutions, both at micro and macro levels, premising of the conduct of other fields that coexist in closely related to tourism - management, marketing, etc.” (Boiță, Costi, et. all. 2014).

RESULTS AND DISCUSSIONS

In general, the activities of exploitation include: production, purchase and sale of goods, the receipt and provision of services.

Limitations of using Dashboard of cash flow

Cash flow Dashboard represents an important tool in making comparisons at the international level, being less susceptible than the outcome of the activity variations depending on the accounting methods.

The limits of this picture consists of the fact that it does not allow assessment of performance over short periods (but presents the advantage informational medium and long periods) or accurately characterize the evolution of the company's financial position (irrespective of their off-balance sheet items, with effects on the capital structure and the existing commitments).

General presentation of the Company ARADON SRL: is a Romanian legal person having the legal form of the company closed, privately owned and operating in accordance with Romanian laws and this statute.

The company ARADON SRL is a Romanian legal entity that operates in the municipality of Timisoara, in accordance with Law 31/1990 - regarding companies.

Company ARADON SRL is registered with the Chamber of Commerce and Industry Timisoara, which is registered under number J35 / 875/1999.

ARADON SRL Company has as activity tourism, CAEN code: 7911.

The main activity of performing activities of ARADON SRL is selling tourism products, especially in the directions:

- sales and lodging;
- accommodation reservations;
- selling tickets, etc.

Accommodation services is a basic component of the tourism product, it is an indispensable element to ensure proper conditions of stay for tourists.

"It can be said that the work of an entrepreneur is a factor of progress for individual, community or society, or at least to solve temporary necessities for the majority of the community or society concerned" (Pribeanu and Boiță, 2013).

Practical considerations relating to specific accounting records of cash flow

In the light of the above theoretical elements, incidents in establishing and determining the cash flow of an economic entity, we will continue to present some of the accounting records made in financial exercises in 2012 and 2013 of the company ARADON SRL.

The achievement of continuous economic growth to producing by using existing potential involves constant concern of all relevant stakeholders (Pribeanu, Boiță and Milutin, 2016).

Accounting for shares in affiliated entities

In March 2013 A.G.A., ARADON SRL has decided to purchase 2,000 shares at the price of 60 Euros a piece, the shares of CLIO SRL. (affiliated company). Subsequently, in July 2013, a total of 1,500 pieces shares were sold at the price of 70 RON/ piece, and 500 pieces of 58 Euros/piece.

All operations have been carried out by bank transfer.

☐ buying shares:

501 "Shares held affiliates entities"	=	5121 "Bank in RON"	120.000 lei
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☐ the sale of shares at a price higher than the recording one:

5121 "Bank in RON"	=	% 501 "Shares held in affiliated entities " 764 "Income from disposal of financial investments"	105.000 lei 90.000 lei 15.000 lei
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☐ sale of shares at a lower price than the sale one:

% 5121 "Bank in RON "	=	501 "Shares held in affiliated entities "	30.000 lei 29.000 lei 1.000 lei
664 "Expenditure on disposal of financial investments"			

Accounting for bonds issued and redeemed

In order to support the process of retooling of the manufacturing line of cement brick, the company ARADON SRL had issued in the year 2014 a number of 1,500 bonds at the price of 200 Euros/piece.

In June 2014, given the market position, AGA of ARADON SRL decides their redemption and cancellation of bonds.

☐ redemption of bonds:

505 "Bonds issued and redeemed"	=	5311 "Account ,, Home" in RON	300.000 lei
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☐ cancellation of bonds redeemed:

161 "Loans from the bond issues "	=	505 "Bonds issued and redeemed"	300.000 lei
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Accounting of bonds

Also in June 2014, the company acquires 1000 bonds at a price of 30 Ron a piece, then sold the bonds as follows: 500 pieces with 50 Ron a piece, and 500 pieces with 20 \$ a piece.

☐ purchase of bonds:

506 " Bonds "	=	5121 "Account in Banks"	30.000 lei
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■ selling bonds at a higher price than the recorded one:

5121 "Bank in RON"	=	% 506 "Bonds " 764 "Income from disposal of financial investments"	25.000 lei 15.000 lei 10.000 lei
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■ sale of bonds under the registration price:

% 5121 "Bank in RON" 664 "Expenditure on disposal of financial investments"	=	506 "Bonds "	15.000 lei 10.000 lei 5.000 lei
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Accounting for cash settlement in RON

During the day of 18/04/2015 there are done the receipts in RON throw the cashier unit: cash withdrawals at bank 2,500 RON, liquidation of debts 140 RON, 250 RON sales of finished products and V.A.T. related (24%):

5311 "Account „Home” in RON"	=	% 581 "Internal Transfers" 461 "Different debtors" 70701 "Income from the sale of Finished products" 4427 "V.A.T. collected"	2.950 lei 2.500 lei 140 lei 250 lei 60 lei
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The cashiers of the following payments are made in RON: RON 25,000 advance payment of wages, purchases of goods 100 lei V.A.T. (24% share) protocol expenses 120 RON:

% 425 "Advances gave to the staff 371 "Goods " 4426 "V.A.T. deductible" 623 "Expenditure on advertising, commercial and protocol"	=	5311 "Account „ Home” in RON"	25.244 lei 25.000 lei 100 lei 24 lei 120 lei
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Accounting for cash foreign currency settlements

The company ARADON SRL receives from a client in cash 80 Euro at a fixed exchange rate of 4.39 lei / euro. Subsequently there are deposits in bank 50 Euro. The last day of the official rate of Euro is 4.32 lei / euro.

1) Currency collection:

5314 "Account „Casein foreign currency"	=	4111 "Clients"	351, 20 lei
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2) Bank deposit:

581 "Internal transfers"	=	3514 "Account „Casa” in foreign currency"	215, 50 lei
5124 "Foreign	=	581 "Internal	215,

currency accounts in Banks"	=	Transfers "	50 lei
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3) recording at the end of the financial year to exchange differences (favorable):

% 5314 "Account „Home” foreign exchange 5124 "Foreign currency accounts in Banks"	=	765 "Income from exchange rate differences"	3, 50 lei 1, 50 lei 2, 50 lei
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If the exchange rate was unfavorable (official rate lower than the fixed record) the registration to be made is:

665 "Expenditures from exchange rate differences"	=	% 5314 "Account „Casa” in foreign exchange" 5124 "Foreign currency accounts in Banks"	
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Accounting for other values

The company ARADON SRL is purchasing with cash payment postage stamps of 500 RON and travel vouchers of 150 RON V.A.T. 24%. It records the use of postage stamps by 300 RON, and travel vouchers 60 RON.

■ Acquisition of other values:

% 5321 "Fiscal stamps and postal stamps" 5323 " Tickets and travel tickets" 4426 "V.A.T. deductible"	=	5311 "Account" Home” in RON"	686 lei 500 lei 150 lei 36 lei
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■ the use of postage stamps:

626 "Expenses and fees for telecommunications "	=	5321 "Fiscal and postal stamps"	300 lei
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■ the use of travel vouchers:

624 "The costs of transporting supplies and personnel "	=	5323 "Tickets and travel tickets"	60 lei
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Accounting for settlements with bank accounts

The company receives a trade-in value of 50.000 RON to be made towards the input.

As a result it receives a discount available for 42,000 RON, while the Bank retains a fee of 2.000 RON and interest of 6.000 RON.

■ submission to the discounting effects:

5114 "Submitted effects for"	=	413 "Received effects"	50.000 lei
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▣ actual discounting of commerce effects:

%	=	5114 "Submitted effects for discount"	50.000 lei
5121 "Available to banks in RON"			42.000 lei
627 "Costs of banking services"			2.000 lei
666 "Interest charges"			6.000 lei

Based on the statement of account, the economic unit records collection from a customer invoice in the amount of 60.000 RON and payroll tax of 48.000 RON and social security contribution unit of 5.850 RON.

▣ amounts received from the client:

5121 "Bank accounts in RON"	=	4111 "Clients"	60.000 lei
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▣ payments from the bank account:

%	=	5121 "Bank accounts in RON"	3.850 lei
444 "Payroll tax"			48.000 lei
4311 "Social security contribution unit"			5.850 lei

The company ARADON SRL receives money orders from sale in packages worth 3.000 RON, which did not appear in the statement. At a later date the amount is charged.

▣ counting money orders:

5125 "Amounts in the process of deduction"	=	4111 "Clients"	3.000 lei
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▣ total payment amount:

5125 "Amounts in the process of deduction"	=	5125 "Amounts in the process of deduction"	3.000 lei
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Accounting for cash advances

The company ARADON SRL grants the chief of the branch an advance of treasury in the amount of 1.600 RON. Later they settled in 1.200 RON for collective transport staff to and from work. Unspent amount is deposited in cash.

▣ granting cash advances:

542 "Cash advances"	=	5311 "Account „Casa" in RON	1.600 lei
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▣ deducting cash advances:

%	=	542 "Cash advances"	1.600 lei
624 "The costs of transportation of goods and personnel"			1.200 lei
5311 "Account „Casa" in RON"			400 lei

It is granted a cash advance to the chief of department Technical Control of Quality (CTC) in the amount of 1000 Euros at an exchange rate of 4,3 RON/Euro, for a refusal, quality settlement abroad. At the end of the financial year the dollar rate is 4.8 RON/Euro.

▣ granting cash advance in foreign exchange:

542 "Cash advances"	=	5314 "Account „Home" in foreign exchange"	4.300 lei
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▣ registration of the difference of exchange rate:

542 "Cash advances"	=	765 "Income from exchange rate differences"	500 lei
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Accounting internal transfers.

It is taking out of bank cash 5.000 RON.

▣ entry of cash in pay office:

5311 "Account „Casein RON"	=	581 "Internal transfers"	5.000 lei
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▣ outgoing cash from the bank account:

581 "Internal transfers"	=	5121 "Bank accounts in RON"	5.000 lei
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The economic unit makes a transfer of 40,000 RON from the account of availability opened with the Bank „A", in the account of availability from the Bank, "B":

▣ transfer amount from the account from "A" Bank:

581 "Internal transfers"	=	5121 "Bank accounts in RON"	40.000 lei
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▣ enter amount available from the bank account "B":

5121 "Bank accounts in RON"	=	581 "Internal transfers"	40.000 lei
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Following these operations, account 581 "Internal transfers" not show sold.

Interpretation of the cash flow statement

It is observed that the cash flow generated by the operation is positive, and has a high value (8.639.605 RON), which denotes the operational effectiveness of

the undertaking.

It represents 104% of gross profit, as a result of the significant size of the calculated item, namely the depreciation of tangible fixed assets (which reflects the technical equipment of the enterprise).

The flow generated by the operating activity was decreased variance related exploitation, claims which have not been covered only in 29% of the debts.

The flow generated by the investment business is negative (5.673.601 RON).

The flow is due to acquisitions of investments (large enough for 5.831.609 RON in upgrading manufacturing flows, as well as equipping with patterns and moulds of Division 3).

This reflects the concern of the enterprise for the replacement and modernization of its manufacturing assets, investment policy advocated by its economic profitability.

Flow generated by financing activity is (1.581.055 RON).

The main explanation lies in the fact that a part of the outcome of the exercise is intended for distribution in the form of dividends.

At the same time it is established that the undertaking has committed new loans for the purchase of tangible assets.

The net increase of cash and cash equivalent is positive (1,581,055 RON), reflecting the efficiency and liquidity of the result generated by the operating activity, which enables coverage of current needs and those in the long term.

CONCLUSIONS

Due to the fact that in the last decades we have been witnessing a series of transformations in the global economy, we considered it necessary to study major changes, the assessment of their impact on the accounting and financial information of fundamental profiling appropriate economic analysis in the context of financial developments.

By carrying out a presentation in a logical approach, it has been pursued:

- how the information provided by the financial statements are presented to users in their approach and exploited to characterize the activity of an enterprise and its main determinants of aspects: financial position and performance obtained;
- there have been highlighted aspects of information and perspective of economic and financial analysis;
- it was conducted a survey of traditional techniques and modern methods used internally and internationally, allowing the treatment of information, their interpretation and the issuance of assessments on the performance and financial position of an enterprise;

- the advantages and limits of information instruments of economic-financial analysis were identified.

Assessment of the activity of an enterprise is closely related to the relationship of the user information with its policy and accounting information system: for management and staff in the field of accounting, financial accounting-results have informational value, in turn; shareholders, suppliers, and external analysts are in a situation of information asymmetry.

Firms are used most often by the synthesis documents, either to present in a favorable light the governing bodies, or to "sell" the future society.

Therefore it is recommended that senior managers of enterprises that, for maximum realization of information systems and financial statements, instead of determining the users and get the information from other sources, displaying a cautious attitude or flattering, often to deal with an open attitude.

Market confidence in the company's management will enhance transparency as it demonstrates and emphasizes that knows what's going on in working, basing decisions accordingly.

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ANNEXES

Table 1

The situation of cash flows-classification of cash receipts and payments according to operating, investing and financing activities

Activities	Flexures de mileage	
	Incoming	Outgoing
Operating	<ul style="list-style-type: none"> ■ selling goods and services to customers; ■ interest revenue (related appropriations) and dividends (related investments). 	<ul style="list-style-type: none"> ■ paying employees ' salaries; ■ paying suppliers for purchases of stocks; ■ payments to other individuals for expenses; interest payment to creditors;
Investing	<ul style="list-style-type: none"> ■ sale easily negotiable value titles,or short-term or medium; ■ sale of fixed assets; ■ credit recovery. 	<ul style="list-style-type: none"> ■ purchase of fixed assets and other assets under construction; ■ purchase easily negotiable value titles or short or long term; ■ the granting of loans.
Financing	<ul style="list-style-type: none"> ■ selling ordinary shares or privileged; ■ issuance of debt titles. 	<ul style="list-style-type: none"> ■ the redemption of ordinary or privileged shares; ■ debt repayment; ■ dividend payment.

Source: Needles B., Anderson H., Caldwell J. – *Basic principles of accounting*, ARC Publishing House, 2001, page. 714