

## ACCOUNTING POLICIES APPLIED IN DETERMINING CASH FLOW

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## Abstract

*The internationalized economy must have a common language. The first step is the implementation and acceptance of the International Accounting Standards. A healthy economical entity always determines exactly and based on serious and largely accepted accounting policies its cash flow. Why? Because everybody knows that cash means the difference between going ahead with the business or staying back out of stage. This is why this study tries to show some largely agreed accounting policies in determining the cash flow and some methods such as the direct method, the indirect method and a banking method.*

**Keywords:** accounting policy, cash flow, cash flow table, direct method, indirect method

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## INTRODUCTION

The explanatory dictionary of the Romanian language defines the word politics depending on its many meanings: (a) the governance science and practice of a state; (b) the social historic activity field that contains the relationships, the orientations and the manifestations that appear in the parties, between categories and social groups, between peoples, etc. related to the promotion of their interests, in the fight for power; (c) orientation, activity, the action of one party, of some social groups, of the state power, etc. In the domain of the management of internal and external business; (d) ideology that reflects this orientation, activity, action; tactics, habile behaviour used by someone for a purpose; (e) a totality of purposes and objectives owned by the social groups and classes in the fight for their interests as well as the methods and means which help to achieve their goals; (f) means to understand and action in a certain field of the public affairs.

## WHAT ARE THE ACCOUNTING POLICIES AND THE TREASURY FLOWS

The accounting policies represent, the according to the OMFP 1752/2005 for applying the accounting regulations in conformity with the European Regulations, the principles, the basis, the conventions, the rules and specific practices applied to an entity for drawing and presenting the annual financial statements. Examples of accounting policies: the depreciation of the assets (choosing the method of the depreciation duration), re evaluation of the tangible assets or keeping their historic cost, the capitalization of the interest or the recognition of it as expenditure, choosing the evaluation method of the stocks etc. We have to note that this approach of the expression “accounting policies” is in concordance with the International Standards of Accountancy. [14]

The management of each entity must establish accounting policies for the operations that take place. These policies must be elaborated taking into account the specific of the activity, by the specialists in the economic and technical area, who know the activity that is developed and the strategy adopted by the entity. When elaborating these accounting policies it is necessary to respect the general accounting principles that are stipulated by the regulations applicable. The accounting policies must be elaborated in such manner that it would ensure the supply, through the annual financial statements, of some information which must be:

- a) relevant for the needs of the users in the decision making process and
- b) reliable so that:
  - they represent faithfully the assets, the financial position and the profit or loss of the entity:

- they are neutral;
- they are cautious;
- They are complete under all their significant aspects.

The modification of the accounting policies is allowed only if it is requested by the law or it results in more relevant information or more reliable referring to the operations of the entity. The entities must mention in the explanatory notes any modification made to the accounting policies, so that the users can appreciate if the new accounting policy has been chosen adequately, the effect of the modification on the reported results of that period and the real tendency of the results of the activity of that particular entity. The following are not considered modifications of the accounting policies:

- a) adopting an accounting policy for the events or transactions that are different from the events or transactions produced previously;
- b) adopting an accounting policy for the events or transactions that have not taken place previously or that have been insignificant.

In the national and international specialty literature, in different legal references, The International Accounting Standards, or in different working procedures at the level of firms and organisms, the treasury flows (treasury, the cash flow) are defined differently.

Univ. Prof. Dr. Mates Dorel (Dorel Mates, Dumitru Matis, Dumitru Cotlet and collaborators, Financial Accounting of the Economic Entities, Ed. Mirton, Timisoara, 2006) consider that the Treasury of the company ensures the evidence of the existence and the movement of the short term financial investments, of the available cash in the banking accounts, of the short term banking accounts, of the credentials, of the treasury advances, of the internal transfers, and of other similar values and the administration of the treasury has the role to ensure at an optimum level the cash and its equivalents, of the volume of the financial resources existing in the banking accounts, of the short term credits, of the values to cash, of the short term investments considered advantageous for the firm for ensuring the optimum level of liquidity.[3] – [4] – [5] – [6]

In the same paper we find also a definition of the Treasury Flows, which reflect the available cash that are successively in different stages, starting from liquidities, stocks, claims, which ultimately will be transformed in cash.

Univ. Prof. Dr. Petru Stefea from the West University in Timisoara considers that during the classes in the Doctor School of the discipline “The analysis of the Position and of the Financial Performances of the Economic Entities” as “the cash flow is one of the most important management weapon, in the fight for avoiding risks and for ensuring the performance of the firms. This point of view can be justified by a simple question such as: “Why do we sell?” and the answer is very simple “To make money” in other words to generate a plus of cash.”[7] - [8]

Prof. Univ. Dr. Ion Stancu understand by cash flow (in the paper Finance, The Economic Publishing House, Bucuresti, 2002), the increase of the net treasury during the financial year, or in other words, the variation of the net treasury from the start to the end of the financial exercise. In the same time professor Stancu underlines the two trends of explaining the treasury flow: the French one, according to which the cash variation appears as a sequence of the interaction between the long term balance and the short term balance, respectively based on the variation of the trading capital and of the necessary trading capital. The Anglo-Saxon approach sees the problem of the treasury flows through the cash variations caused by the operational activity, investments and financial activity.[9]

The American Professor Robert Higgins (in his book Analysis for Financial Management, Irwin Homewood, Boston, M.A., U.S.A., 1992), considers that the cash flow is a process of continuous transformation in a period of time of the money in stocks, and then again in liquidity and which represents the blood of any company. If this circuit is slowed down determinately, the insolvency can occur. [1]

University professors Roman L. Weil, Clyde P. Stickney and Sidney Davidson (in his book *Accounting, the Language of Business*, Thomas Harton and Doughters, Arizona, U.S.A., 1990),

considers that through cash flow we understand the difference between “the receivable cash and the payments for the goods sold or purchased in a certain period of time.” [10]

The International Accounting Standard IAS 7 “The Statement of the cash flows” defines the treasury flows (also known as cash flows or cash-flow in some papers) as inputs and outputs of cash and cash equivalents. The cash has the cash availabilities and the deposits at sight and the cash Equivalents are the short term financial investments and extremely liquid which are easily convertible in amounts of cash and which have a risk of changing the value insignificant. The equivalences of the cash are kept more for the purpose of respecting the short term investments, than for investments or other purposes. [12]

In order to qualify an investment as a cash equivalent, this must be easily convertible in a pre established amount of cash, and the risk of changing the value must be insignificant. That is why an investment is normally qualified as equivalent of the cash only when it has a short due term, let us say three months or less from the date of the acquisition, The general frame for drawing up and presenting the financial statements where the “statement of the cash flow ” is included stipulates that their purpose is “to supply information about the financial position, the performances and the modifications of the financial position of the company, which are useful to a large sphere of users in economic decision making.”[2]

The users of financial statements include the present and potential investors, the employed personnel, the creditors, the suppliers and other commercial creditors, the government and its institutions, as well as the audience. Regarding the “statement of the treasury flows”, IAS 7 considers that this offers useful information for the evaluation of the company capacity to generate cash, as well as the necessities of the company to use the cash flows, respective of the moment and security of their generation. [13]

Within the treasury flows statement, according to the functional approach of the activities of the company, the flows are grouped in three categories:

- Cash flows that come from the exploitation activities (operational): the activities of exploitation are the main activities that produce investments and financing. The value of the cash flows that come from exploitation activities is the key indicator of the measure in which the activity of the company has generated enough cash flow to reimburse the loans, in order to maintain the functioning capacity of the company, in order to pay the dividends and to make the new investments, without going to external financing sources. The cash flows that come from the exploitation activities are mainly derived from the main activities that produce the income for the company. That is why they generally result from the transactions and other events that enter in determination of the net profit and loss. Examples of cash flows that come from exploitation activities are: the cash from the sale of goods and services; cash that come from redevenances, fees, and other incomes; cash payments to the suppliers of goods and services; cash payments to and in the name of the employees: the cash and payments of a insurance company for bonuses and payments; the cash and payments in cash from the insurance policies, cash payments and profit tax reimbursements unless they cannot be identified specifically with the activities of investments and financing; and the cash and payments that come from contracts closed in investments and transactions.

- flows that come from investment activities: the investment activities consist of purchase and sale of long term assets, as well as other investments that are not included in the cash equivalents. The separate presentation of the cash flows that come from investment activities is important because the cash flows represent the measure in which the expenses have been made for the resources meant to generate income and cash flows in the future. Examples of cash flows that come from the investment activities are: the cash payments for purchasing land and tangible assets, intangible assets and other such long term assets.

These payments include those that refer to the costs of development capitalised and to the tangible assets realized in own the cash from the sale of land and buildings, installations and equipments, intangible assets and other such assets on long term; cash payments for the acquisition of instruments of capital and claim of other companies and the interests in associating the

participation (others than the payments for these instruments considered to be equivalent with the cash or that kept in purposes of investment and transaction); the cash from the sale of social capital and claims of other companies and the interests in association in participation others than the payments for these instruments considered to be equivalent with the cash or that kept in purposes of investment and transaction; the advances in cash and the loans made to other parties (others than the advances and the loans made by a financial institution); the cash from the reimbursement of the advances and the loans made by other parties (others than the advances and the loans of a financial institution); payments in cash for the contracts futures forward, the options contract and the swap contracts, except the case when the contracts are made in purpose of investment or transaction or when the parties are classified as financing activities; and the cash from the futures contracts forward, options or swap contracts, except the case when the contracts are made for investment and transaction or when the cash are classified as financing activities. - - - Flows that come from financing activities: financing activities are the activities that consist of changes of the dimension and the composition of the social capital and the debts of a company. The separate presentation of the cash flows that come from financing activities is important because it is useful in estimating the future demands of cash flows on the side of the company financing. Examples of cash flow that come from financing activities are: the cash income from the obligations emissions, and other instruments of social capital; the payments in cash towards the shareholders in order to purchase and buy the shares of the company; the cash income from the treasury bonds, obligations, credits, mortgages, and other short or long term loans; the cash reimbursements of some borrowed amounts; and the payments in cash of the habitant for the reduction of the obligations connected to the reduction of the obligations connected to a financial leasing operation.

Making a synthesis, my conclusion is that the accounting policies regarding the analysis and the observance of the cash flows, represent the principles, the basis, the conventions, the rules and practices specific applied by an entity when making and presenting the treasury tables, as well as the observance of the existence and movement but also of transformation of the treasury structure that is of the cash and cash equivalents.

## METHODS REGARDING THE DETERMINATION OF THE TREASURY FLOWS

The analysis of the treasury flows on the three types of activities is useful for: the correlation of the profit (loss) with the cash; the separation of the activities that imply cash from those that do not, the evaluation of the capacity of the company to meet its obligations of cash payments; the evaluation of the cash flows for the future activities (cash -flow strategic).

The utility of the analysis is given by the fact that the global variation of the treasury is seen in the treasury balance, resulted from the administration of its real assets (from the exploitation activity) and through that result from the capital operations, which regard the investments and financing. When the real flows and the money flows are not the same, as it also happens, the treasury, the treasury is ensured through payments intervals associated to those flows.

Each of the three flows categories has the impact on a source or on a liquidity use..

There are two methods known for the determination of the treasury flows (generated from the exploitation activities, of investment and financing.)

- the direct method ;
- the indirect method.

There are of course in the economic practice other different variants that do not follow the International Accounting Standards, being consecrated various other methods used especially by the banks, the main characteristic being the detail of every month of the treasury flows and the format that the cash flow tables have from the point of view of the cash and cash equivalents recognized as being part of the cash flows.

## THE DIRECT METHOD

The companies are encouraged to report the cash flows obtained from exploitation activities using the direct method. The direct method supplies information that are used in estimating the future cash flows and which are not available through the indirect method. Through the indirect method the information regarding the major classes of payments and cash can be obtained as follows: from the accounting registrations of the company; through the adjustments of sales, their costs (interest and other similar income and expenses with the interest and other similar expenses for the financial institutions) and other elements in the profit and loss account with the modifications during the stock period and the claims and debts from exploitation, other elements than the cash; and other elements for which the effects of the cash are the cash flow and from investments or financing.

According to this method there are cash and payments in cash

a) the cash flow come from exploitation activities:

- the cash from the good and services sales;
- Cash that come from dues, fees, commissions and other income (which can be estimated based on the size of the turnover made, corrected with the modification of the balance of commercial claims from the financial year.)

b) Payments in cash to the good and services suppliers (raw materials and consumables; other material expenses, other exterior expenses, such as energy and water; expenses regarding the merchandises, expenses regarding the external services.) Their size is adjusted with the variation of the balance of the stocks of raw materials, the consumables and merchandises by adding the difference between the final stock and the initial one, respective with the variation of the balance of the commercial debts through the decrease of the difference between the final and initial balance of the financial year;

- Payments in cash to and in the name of the employees (expenses with the personnel adjusted with the variation of the balances in the uncorresponding accounts)
- Payments in cash or reimbursements of profit tax, only if they cannot be identified especially with the investment and financing activities (it refers to the expenses regarding the profit tax, if it supposes that the whole profit tax corresponds to the exploitation activity.)

c) The cash flows that come from the investment activities: payments in cash for the purchase of land and tangible assets, intangible assets and other long term assets. They can be determined based on the increase of tangible assets presented in note 1 in the financial statements and they are adjusted with the variation of the company debts towards the assets suppliers; payments in cash for the purchase of equity capital and claims of other companies; cashing from the sale of land and buildings, installations and equipments, intangible assets and other long term assets; cashing from the sale of equity capital and claims of other companies; advance cashing and loans made to other parties; cashing from the reimbursement of advances and loans made to other parties.

d) Cash flows that come from the financing activities: cash income from the share emission and other instruments of equity capital. It is determined based on the increase of the social capital, including the capital premium and it is adjusted with the variation of the claims regarding the subscribed capital unpaid; payments in cash to the shareholders for purchasing or buying the shares of the company. They are to be found when eliminating the equity capital and the reserves; cash income from the debentures, credits, mortgage and other loans.

They are constituted from the increase of loans and assimilated debts, registered by the company in the corresponding accounts, the interests income and other financial expenses that are visible in the profit and loss account;

- Cash payments of the lodger for the reduction of the obligations related to an operation of financial leasing. It is determined based on the analysis of the leasing contracts.

Cash flows- total

- Cash at the beginning of the period

- Cash at the end of the period.  
The result of the cash flows from the exploitation activities, investment and financing represent the net treasury.

## THE INDIRECT METHOD

IAS 7 presents the indirect method as an alternative to the direct method of determination of the treasury flows. The singularity of the method consists of the fact that the net profit (or the net loss) is adjusted with the effects of the transactions that are not of monetary nature, the delays or the engagements of payments and cashing from exploitation past or future and the elements of income and expenses associated to the cash flows from the investment or financing activities.

The situation of the cash flows through the indirect method is presented as follows the cash flows from the exploitation activities: [15]

- the net result
- the modifications during the period of the working capital
- Adjustments for the non-monetary elements and other elements included in the investment or financing activities.

a) Cash flows from the investment activities:

– cash payments for the purchase of land and tangible assets, intangible assets and long term assets; cash from the sale of land and buildings, installations and equipments, intangible assets and long term assets; cash payments for the purchase of equity capital instruments and claims of other companies; cash payments for the sale of equity capital instruments and claims of other companies; cash advances and loans made to other parties; cashing from the reimbursement of the advances and loans made to other parties;

b) Cash flows that come from the financing activities :cash income from the debentures and other equity capital instruments;cash payments to share holders in order to purchase or buy the shares of the company;the cash income from the debentures, credits, mortgages and other loans;reimbursements in cash of some loans;cash payments of the lodger for the reduction of the obligations related to a financial leasing operation;

Cash flows- total

- Cash at the beginning of the period;
- Cash at the end of the period.

The result obtained from applying the indirect method is the same as the one obtained through the direct method but the structure of the cash flows is different related to the exploitation activities. The cash flows from the investment activities and those from the financing activities are determined through the direct method.

Through the indirect method, starting from the accounting value of the financial year result, there are adjustments made for the determination of the cash flow. It must be taken in consideration the fact that the practice of an engagement accountancy are registered the incomes and the expenses in the moment of their invoicing and not in the moment of the cashing or the payment, and in the calculation of the profit there are considered some non monetary income and expenses elements, that do not suppose inputs or outputs of cash in the treasury, which makes the difference between the size of the accomplished result and the size of the treasury cash.

Through the adjustments the purpose is:

- the elimination of the effects of the engagement accountancy by taking in consideration of the net working capital. As a result, from the result of the exercise we diminish the variation of the stocks (raw materials, and consumables, production in course of execution, final products and merchandises, advances for the stocks purchase), the variation of claims (commercial calims and other claims) and we add the variation of the exploitation debts (the payments delays favourable to the company underlined by the variation of balances of the corresponding accounts.)

- the elimination of the income and non monetary expenses (depreciation and provisions constitutes or taken from the income) by adding the calculated expenses with the depreciation and the

provisions constituted and the decrease of the income from taking the provisions (practically , all the adjustments places from the profit and loss account: the adjustments of the value of the tangible and intangible assets , the adjustments of the circulating assets; adjustments regarding the provisions for risks and expenses; the adjustment of the value of the financial investments held as circulating assets)

- the elimination of these elements of income and expenses which are not related to the exploitation activity.

Regarding the calculation method of the treasury flows IAS 7 recommends, I underline again, the direct method, as this supplies useful information for estimating the future flows of treasury, and through the indirect method this information is not available. In practice though, especially in the Anglo-Saxon area, some economic entities prefer the indirect method as it has a calculation logic that is close to the accounting reporting format.

## OTHER METHODS OF DETERMINATION OF THE TREASURY FLOWS

As I have previously specified there are also other methods of recognizing the treasury flows which are used in the current activity these of course do not exclude the stipulations and the formats that are requested by the International Accountaing Standards.

In this way I will present below the exemplifying structure of the treasury flows situation according to the OMFP 1752/2005 stipulations: [14]

a) Treasury flows from the exploitation activities: Cashing from the customers, Payments to the suppliers and employees, Paid interests, Profit paid tax, Cashing from the ensurance against the earthquakes, net treasury from exploitation activities

b) Treasury flows form the investments activities: payments for purchase of shares, payments for the purchase of tangible assets, cashing from the intangible assets sale , cashed interest, cashed dividends, Net treasury from the investment act ivities

c) Treasury flows from financing activities: cashing from shares emissions, payments of the debts corresponding to the financial leasing, Paid dividends, Net treasury from financing activities, net increase of the treasury and the treasury equivalents.

d) Treasury and treasury equivalents at the beginning of the financial year

e) Treasury and treasury equivalents at the end of the financial year

As we can notice this model is taken according to the recommendations of the International Accountancy Standards and represent the direct method of determination of treasury flows. For each element we must present the value corresponding to the previous financial year. If the values above are not comparable, the absence of comparability must be presented in the explanatory notes, accompanied by the relevant comments. An element from the treasury flow statements for which there is no value must not be presented, except the case when there is an element corresponding for the previous financial year. A very important stipulation in the professional accounting reasoning from the OMFP 1752/2005 is represented by the enumeration of risks that can influence the future cash flows from the point of view of the quantity and the quality when the economic entities develop transactions with the financial instruments (to make a connection with the crisis that has started in 2008, about which we have mentioned in our introduction to this study and with extremes by the well known term “toxic effects”):

a) The market risk incorporates not only the loss potential, but also the earning potential that include the three types of risk:

- The currency risk – the risk

Market risk incorporates not only the potential loss, but the gain and includes three types of risk: the exchange risk – is the risk that the value of the financial instrument to fluctuate because of the variations of the currency exchange; the risk of the interest rate at the fair value – is the risk that the value of a financial instruments to fluctuate because of the variations of the market rates of the interest; the price risk – is the risk that the value of the financial instrument to fluctuate as result of the change of the market prices, even if these changes are caused by specific factors of the

individual instruments or their emitent, or factors that affect all the instruments transactional on the market.

b) Credit risk – is the risk that one of the parties of the financial instruments not to execute the obligation assumed, causing the other parties a financial loss.

c) The liquidity risk – (called also the financing risk), is the risk that an entity meet difficulties in procuring the necessary funds for can result making the engagements that correspond the financial instruments. The lisquidity risk can result from the incapacity to sell quickly a financial asset to a close value at the fair value.

d) The risk of the interest rate at the treasury flow - there is the risk that the future treasury flows to fluctuate because of the variations of the market rates of the interest. For example, in case of the loan instrument with variable rate, such fluctuations consist in changing the effective interest rate of the financial instrument, without a change corresponding to its fair value. An economic entity must present its objectives and its policies of risk administration, including its covering policies. As far as the associations of risks with the treasury flow; a responsible management takes in consideration permanently these correlations.

In the following lines I will present the vision that some banks have on the accounting principles of recognition of the cash and cash equivalents in making the cash flow table

The forecast of the cash flow is a very important instrument in the analysis of a customer, because the result obtained proves the capacity of the business financed by the bank to supply the liquidity necessary for the reimbursement of the credit and payment of the corresponding interest.(that is the first and the most important objective that is observed by the creditors, in general, as the reimbursements of credits and rates ensures as a financing institution liquidity, minimum provisions and of course profitability.)

Unlike the accounting balance sheet, which presents the historic information the cash flow is mainly a forecast of the future performance. Because of that, it is very important to attach to the forecast a list of hypothesis from which they start in estimating the evolution of the sources and exists of cash corresponding to the future activity of the company. For example: what rate of increase/decrease of the sales is assumed, if they take into consideration the season variations, what interest rate is taken into consideration, what currency is used, what will be the effects of the new investment from the point of view of the inputs/outputs etc.

The projection of the cash-flow refers only to the cash movements towards and out of the business. For example, the expenses with the depreciation will not be taken in consideration, because these do not assume that the cash leaves the business when an asset is paid off.

In order to start filling in the used form (see the cash flow model already filled in), we will pass from the balance of opening amount between the balances of all the banking accounts held by the customer at the location of the company. The value of the cash at the end of the period (the closure balance sheet)- which becomes the starting value of the next period of time (the opening balance) flows then mathematically from the amount mentioned above function of the other information that will be included in the form.

The main elements that compose the forecasted liquidity flow are: [16]

## INPUTS/ENTRANCES

- Sales with cash payment on spot – it represents the cash that enters in the business from the main sources of financing: the existing sales, without considering the effect of new investments.

- It represents the cash that enters in the business from the main financing sources: the existing sales, without considering the effect of the new investment, as well as the cash from the planned to obtain as a consequence of the new project. In case of a spectacular increase of the sales, the account managers will request to the customers to justify this forecast (the economic contracts that sustain this increase)

- To cash from the debtors- the credit periods offered to the customers will be taken in consideration- when do the money effectively enter in the account of the company after the sale has



been made? The numbers that have been obtained by the sales will be explained, those existent, as though the business would continue without the project of development considered, as well as those projected- the direct result of the project financed by credit. The season effects will be taken into consideration.

- The approved credits – represent credits for which there is also approval but there have been taken totally.
- The entrances from the long term financial debts (credits) do not influence the liquidity flow as the issuance of the credit is made by the bank in the measure in which there are acquisitions of fixed tangible acquisitions and/or intangible of the respective modernisations.
- The entrances, repactive the exists of the liquidities corresponding to the medium and long term can take place integrally, one time, or partially, in parts of utilization according to the creditation contract.
- The cash flow is influenced only by the assets acquisitions, endowments, or modernisations which represent the contribution of the economic agent at the accomplishment of the investments.
- Subventions – the given subventions for the investments, as sources of completing the equity capital, represent liquidity entrances.
- Increase of capital in cash- the increase of the equity capital paid by supplement cash.
- Other entrances – sales of tangible assets, associated credit, VAT reimbursement, etc. In case of the tangible assets sale, there will be taken in consideration the credit periods offered to the buyers, and in the form we will write the amount obtained from sale e xactly from the month where the cashing of the value is forecasted, and not in the month of the transaction closure.

### *Payments*

- Cash payment acquisitions – ex. Raw materials. The season character of the business will be taken into account. Is it necessary to constitute some big stocks for satisfying the season demand? The correspondence will be kept between the numbers of the monthly stocks and the number of the stocks from the accounting balance sheet.
- Payment for the acquisitions on credit at falling due- the exact moment of making the payment to the supplier will be taken into consideration.
- Personnel expenses – the tax corresponding to the salaries will be added. Also it is necessary to take into consideration the need to hire personnel supplementary or possible raises of the salaries for the personnel already employed. The premises in estimating the numbers referring to this category corresponding to this category will be detailed in the cash - flow annex.
- Rent, insurances- the payments corresponding to the leasing contract for the industrial space. You must include also the payments of the supplementary rent for the new buildings when it is the case. For the payments that correspond to the insurances, you will put the amounts corresponding to the contracts of insurance for the buildings/equipments/vehicles etc., at the moment of the due term of the premiums (monthly, trimestrial, semestrial, and annual.)
- Marketing and advertising expenses – the character of the expenses of advertising will be taken in consideration – they appear only in the case of new products launch, it is for seasons, etc.
- Credit instalments payment- the long or short term credit reimbursements refer to all the credits that the economic agent benefit of, including those employed by other banking societies. There will not be taken in consideration the credits that are given and reimbursed in the same month. In the case of the credit lines there will be taken in consideration only the positive or negative difference between the credit and debit turnover, which will be registered in payments and cashing, depending on the case.

In the end, I recall the rules that must be taken in view for the elaboration and the analysis of the liquidity flow projection: (a) the forecasted cash flow will include all the revenues that will be cashed and the payments that will be made in the prognosis period, (b) the cashing and the payments are calculated for the month in which there certain perspectives that will be cashed or paid effectively. The value of each prognosis is determined by the manner of fundamenting of the hypothesis presented.

