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STANDARDS FOR OPTIMIZATIONS OF MACEDONIAN COMPANIES FINANCIAL STRUCTURE

Summary: A long period of financial politics of economic subjects, in current circumstances of market rules and mechanisms, has to provide conditions for the realization of extended, developed, strategic and ongoing objectives. In the circumstances where company's determination is to reach objectives, as segment Macedonian companies' current politics more and more needs are present in the definition of capital assets structure and sources for their financing, and results maximize the final financial effects.

Financial balance is a precondition for secure companies functioning. However, achieving and maintaining it is a complex problem which has to be completed thorough the analysis and prognosis of the significant factors that generate with different intensity and direction.

Key words: financial structure, financial balance, rules of financing, financing standards and capital assets, companies.

1. Introduction

A long period of financial politics of economic subjects, in current circumstances of market rules and mechanisms, has to provide conditions for the realization of extended, developed, strategic and ongoing objectives. In the circumstances where company's determination is to reach objectives, as segment Macedonian companies' current politics, more and more needs are present in the of definition of capital assets structure and sources for their financing, and results maximize the final financial effects. It will show the course financial balance, like short-term and long-term financial balance.

Financial balance is a precondition for secure company's functioning. However, achieving and maintaining it is a complex problem which has to be completed thorough the analysis and prognosis of significant factors. These factors generate with different intensity and direction when it is necessary to complete business and financial decisions very important to respect certain principals to maintain financial balance.

The starting basis for financial balanced determination has to present balance condition through its relevant indicators for:

– the level of capital assets immobilization,
– capital assets sources, i.e. the financial resources,
– capital assets apportionment use determined by cutting the balance of account's principals in separate parts (sub balance) and obliged to be in equilibrium.

The creativity of company financial politics is not only to identify and make the definition of short-time and long-time financing resources and capital assets immobilisations. Also, it is important to discover causes and problems in business subjects functioning that produce certain relationship's disturbances and difficulties to finalize financial equilibrium.

The idea is necessary to build certain agreement standards and rules of dealing and to make harmonious relationships of two mentioned relations:

1) short-time immobilised capital assets, short-time capital assets resources,
2) long-time immobilised capital assets, long-time capital assets resources.

2. The rules of financing as financial standard and mechanism of company financial politics

In the literature of economics that analyzes financial difficulties, company's financial relationships and politics, the rules of financing are identified as "golden", "holy" or "optimal". In the same time they have historical dimension, and are very often named as "classical" or "traditional" rules of financing. The identical attribute of these rules that they deal with is company's financial structure, i.e. capital assets and capital assets' resources. To understand the rules subject matter, the balance account has to be present with the following balance scheme.

Table 1. Horizontal rules of financing

Horizontal rules of financing	Activity (capital assets)	Passive (resources)
	1. Fixed capital assets 2. Variable capital assets	1. Self resources 2. Unknown resources long-term short-term
		Vertical rules of financing

We can notice two groups of rules in this balance scheme:

– horizontal rules of financing,
– vertical rules of financing.

Horizontal rules of financing demonstrate certain relationships between parts that show the possession, respectively the capital. The following results of effort to develop quality methods to express financial structure and financial balance deserve attention:

- Horizontal rules of financing [Кањевац 2006, p. 234]:
  - golden balance account rule,
  - golden (bank) rules,
  - rule for financing 1:1 and 2:1, and
- Vertical rules of financing 1:1, 2:1 and 3:1

a) Financing the rules of basic capital assets

Golden balance account rule, belonging to horizontal rules of financing, has very important place in the contest of financing basic capital assets. This rule refers to basic capital assets to be financed from permanent capital, i.e. of possessed resources or in the worst circumstances, from unknown, but long-term resources. The main disagreement in the content of implementation of the rules is represented by theoretical scientists. Some of them (Gerstner, Mellerowiez, Lohman, Antoine) assume that basic capital assets have to be only financed. The other group (Sellien, Leitner) assume that long-term resources can be used for financing financial capital assets. Besides the controversies in our opinion in financing financial capital assets there should be used permanent capital. Financing financial capital assets from long-term resources has to be considered only as an imperative retreat of the rule.

The implementation and respecting the golden rule enable not only to draw out parallels between basic capital assets and permanent capital, but also to determinate relations between self capital and borrowed capital. Because of the fact that this rule determines the functional priority of self capital in financing self capital assets, they point out that it is motivated by the request to protect the risk and these functions are connected in the vertical rules of financing.

The golden balance account rules sometimes influence the level of liquidity and financial security, and we have to consider the following acknowledgement:

1. We cannot accept as absolute an accurate fact that basic capital assets are loaded with high level of risk. The risk is the result of unprofitable working. Also in this case when a profit weakens, the risk does not have to be connected only with basic capital assets. It is known that a company shows a deficit because of no paid short-term requests, as a result of common business activities and political situations.

2. The company financial stability cannot be guaranteed only by respecting the golden rule. It is determined from many other factors of internal and external nature and its influence does not depend on the rule's implementation.

3. It can happen that a part of the capital assets is financed from short-term loans and nevertheless the state of liquidity is achieved. It happens in companies where large amortized deductions and assets can be used temporarily for obligations' payment. Obligations' payment can be achieved from assets on the basis of achieved income as well as not achieved.

The golden financing balance rule arranges norms and standards in the financing of working capital assets. Other financing rules also indicate the methods of financing working capital assets. It is very important in the conception to clarify the subject matter of these rules in the thesis of financing rules of working capital assets.

b) The rules of financing working capital assets

The function of working capital assets to accomplish financial equilibrium can be realized according to managing these assets. The managing includes two complex areas of decisions:

1. Using the working capital assets respecting the principals of productivity, economy, rentability and the state of liquidity.
2. Financing working capital assets according to the principals of optimal combination of financing resources.

In the way of using the working capital assets, managing has to obtain sufficient coverage and quality of these assets, and it is according to the coverage and dynamic of business tasks of every business subject.

Optimal financing of working capital assets signified the respecting rules of instrument's financing.

Actually, the most part of rules of financing that are known of theoretical mind (horizontal and vertical), that will be discussed further, consider financing working capital assets.

3. Horizontal rules of financing working capital assets

Presenting a financial structure and relations between company's assets and their sources and in the working capital assets can be effective through the golden rule of financing.

According to this rule of financing capital assets are financed from self sources or from long-term borrowed sources. Working capital assets have to be financed form short-term sources.

In the meantime the golden balance account rule can be also required not only basic assets, but a part of working capital assets in the level of so called "iron" reserves, to be financed from long-term sources. According to this we have two questions to answer:

1) what is the content of "iron" reserves,
2) what sources its financing has to be obtained.

The iron "reserves" or permanent working capital assets (it is the name they are called) present the part of working capital assets that permanently, in unchanged volume, are present in a company. They are minimal "iron" reserves of production materials, small inventory, unfinished production and completed products that provide normal work and continuously have to be upgraded and maintained on a specified level [Rodič, Markovič 2004, p. 67-68].

Rational financing of these assets is available only when it is carried out from so called working capital fund. It is an account category that can be counted in the following method:

$$WCF = LTA - LTIA \text{ or } WCF = WCA - STCA,$$

WCF – working capital fund,
LTA – long-term capital assets sources,
LTIA – long-term immobilized capital assets (basic assets and long-term distribution),
WCA – working capital assets altogether with short-term distribution,
STCA – short-term instrument sources (autonomic and time deposits [Markovič 2006, p. 45]).

Working capital fund has to be equal with permanent working capital assets. In this case there are possibilities for payment capacity with financial equilibrium or the payment lessens the adjusting of flow and outflow of financial assets. It proves that the state of liquidity is possible only when there is equilibrium between permanent working capital assets and working capital fund, but it can be complete only when the flow and outflow adjustment exists.

They prove the relationship between some property parts, i.e. company assets also represent the golden (bank) financing rule. This rule is unwritten law for credit (bank) institutions.

The implementation of this rule generates the needs to secure the state of liquidity. It can be achieved through the balancing of deadlines between active and passive activities. According to this rule acquired foreign capital must not use disadvantages when it is achieved. However, this rule from the bank organizations does not respect but secures the state of liquidity. The bank organizations would achieve it because they have the ability of existing long-term bank credits against passive credit work. Through the permanent revolving of short-term capital it can transform to long-term, respectively make substitution of one short-term to the other. In this way disrespecting the golden bank rule of financing does not pose a danger of state of nonliquidity.

The rules of financing 1:1 and 2:1 have similarities and differences. The similarities consist of the use of measuring the state of liquidity by the means of the balance account situation, i.e. through placing the relations between assets and company resources.

According to the rule 1:1 the balance has to exist between financial assets and demands on one hand and short-term resources on another.

The rule 2:1 is used for measuring the state of liquidity of second degree on the basis of request of working capital assets to be twice bigger from short-term obligations.

Implementing the rules can be very useful for the assessment of company's state of liquidity only when it can make an additional assessment with mediation of some other indicators.

The process of financing working capital assets can be realized on quality way if business subjects develop rules of behaviour in the financial area and it can place the standards of assessment of capital structure. It can be done with the implementation of vertical rules.

4. Vertical rules for financing working capital assets

Depending on categories that treat of the principals of financial politics, the vertical rules for financing are divided in three groups:
– the rules relating to own and borrowed capital,
– the rules that specify the height of own assets necessary for covering the capital,
– the rules which can standardize relations between short-term and long-term resources.

The rules relating to own and borrowed capital express the defaulter's obligation to achieve a certain structure of the instrument's sources that will guarantee a creditor to pay up his own accounts receivable at validity date and completed sum.

There are two ways of providing accounts receivable:
– to determine the low limit for financing a defaulter from own sources,
– to place solid relations between own and borrowed sources.

In case when we have to make an assessment of company's financial situation and its credit value , the necessary minimum is the rule of financing its implementing that amount of its own and borrowed capital has to be identical. This rule is known as a rule of risk equability. However, for a better protection of the creditors this rule requests own capital to be two and sometimes three times higher then borrowed capital.

Respecting the rule for relations between private and borrowed capital has to provide the implementation of the principal of security, but also the principal of state of liquidity in managing the company's financial politics. Meanwhile, the state of liquidity cannot be achieved with the increase of personal total capital. Specifically the state of liquidity is presented as a dynamic category that is determined from a large number of factors from internal nature (lost, financing of working capital investments, investment in the stock, problems in harsh investment in final products e.t.c.) and from external nature (common state of nonliquidity, harsh conditions in selling and payment, increasing obligations of government connected with taxes and similar). That is why there can be a situation in which the company is in the state of liquidity if it does not posse private capital if it realizes financial dynamics that is achieved in harmony in financial flow and agreed dynamics in the inflow and outflow of financial assets.

Relations between private and borrowed capital are very important for the achievement of higher profitability.

The profitability starts to be higher when expenses for interests of borrowed capital are smaller of average interests achieved with using that capital. As a result the profitability of private capital increases [Rankovič 2002, p. 35].

Affecting company's profitability by the capital structure is illustrated on the following hypothetic example:

The previous example shows that a company is going to achieve financing with the maximum use of possibilities for external loan. However, we have to know that

Table 2. Example of affecting company's profitability by the capital

Number	Elements	Variants	
		I	II
1	Private capital	100.000	50.000
2	Borrowed capital	/	50.000
3	Total capital (1+2)	100.000	100.000
4	Investment income	20.000	20.000
5	Spending for interests	/	5.000
6	The rest of income	20.000	15.000
7	Private capital's interest sum	20%	30%

too much loan posses a latent danger for breaking the principles of independent flexibility as very important principles of company's financial politics.

From the aspect of principle's reliability it is a very important relation between short-term and long-term capital. In conditions when possibilities for financing private sources are restricted, the best alternative is using long-term sources for financing. Namely short-term credits are returned in short time period, but the rule is that their interest is higher than the interest of long-term credits. However, in the process of creating a final decision for using credits on the basis of two alternatives (short-term and long-term credits) it is necessary to present the following moments:

– What is the difference between a form and the contents of the short-term credits?, and
– How to complete a payoff of long-term credits?

Nevertheless, according to these short-term credit type, because of their prolonged and permanent upgrading, they are presented as long-term credits by the contents.

On the other hand it can happen the company uses a higher sum of long-term credits, and according to previous conclusions its reliability is higher. However, if the long-term credits appear for a payoff in short future, they are treated as short-term credits with all characteristics associated with the price of the capital that is formed while using the following credits.

5. Conclusion

Basic and working capital assets are engaged in the process of reproduction that can develop conditions for the realization of business activities. However, after achieving the business objectives, they have different functions. These assets are not only different because of physical characteristics, but also because of degree and speed of flexibility. The differences in the functions of basic and working capital assets in the process of realization of the business' objectives create the needs of different approach in management.

In the process of managing assets that has to determine their optimal volume and structure, the very important fact is instrument's financing.

In the context of the questions connected with the way of basic assets financing has to point to build precise rules. These rules have to present common accepted standards that will be basic criteria for the assessment of the optimal source's choice for financing these assets.

With the help of these rules it is possible to follow up the realization of financial principles. On the other hand the implementation of these rules will make conditions for building the optimal structure of the capital and for the permanent control of the creditworthiness of business subjects.

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STANDARDY OPTYMALIZACJI FINANSOWEJ STRUKTURY FIRM MACEDOŃSKICH

Streszczenie: Długookresowa polityka finansowa w obecnej sytuacji rynkowej powinna zapewnić warunki do realizacji poszerzonych, rozwiniętych celów strategicznych. Przedsiębiorstwa są zdeterminowane do osiągania swoich celów. Bieżąca polityka oraz potrzeby są coraz lepiej reprezentowane w strukturze aktywów kapitałowych oraz źródłach ich finansowania, co w rezultacie sprzyja maksymalizacji końcowego finansowego efektu. Równowaga finansowa jest warunkiem niezbędnym, zabezpieczającym funkcjonowanie firmy. Osiągnięcie i zachowanie tej równowagi jest jednak złożonym zagadnieniem, które może być zrealizowane poprzez analizę i prognozę głównych czynników na nią wpływających.