

FINANCE

Course of lectures

SECTION 1: PUBLIC FINANCE


SECTION 2: ENTERPRISE FINANCE

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Mulic Andrei

Could you please, introduce yourself

- * First Name, Last Name
- * Why did you choose the specialty finance and banking?
- * Why knowledge of the subject of Finance is necessary?

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- * Theoretical course
 - * Seminars
 - * Test 1
 - * Test 2
 - * Individual Work

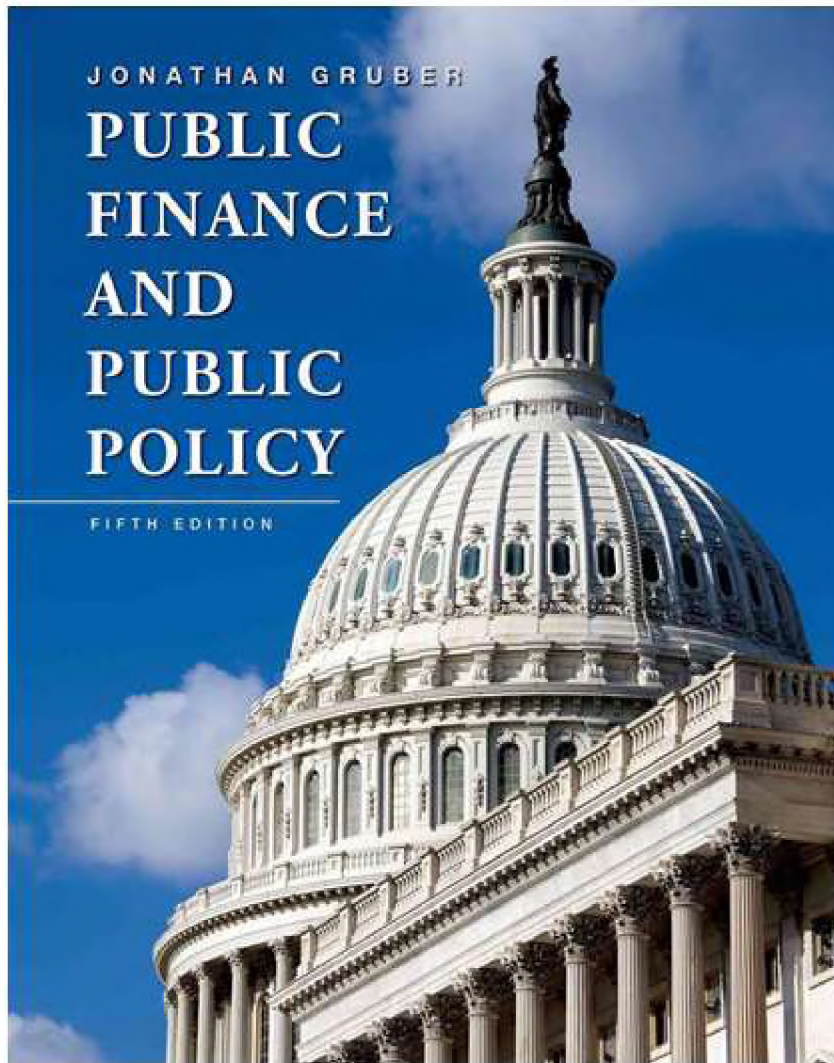
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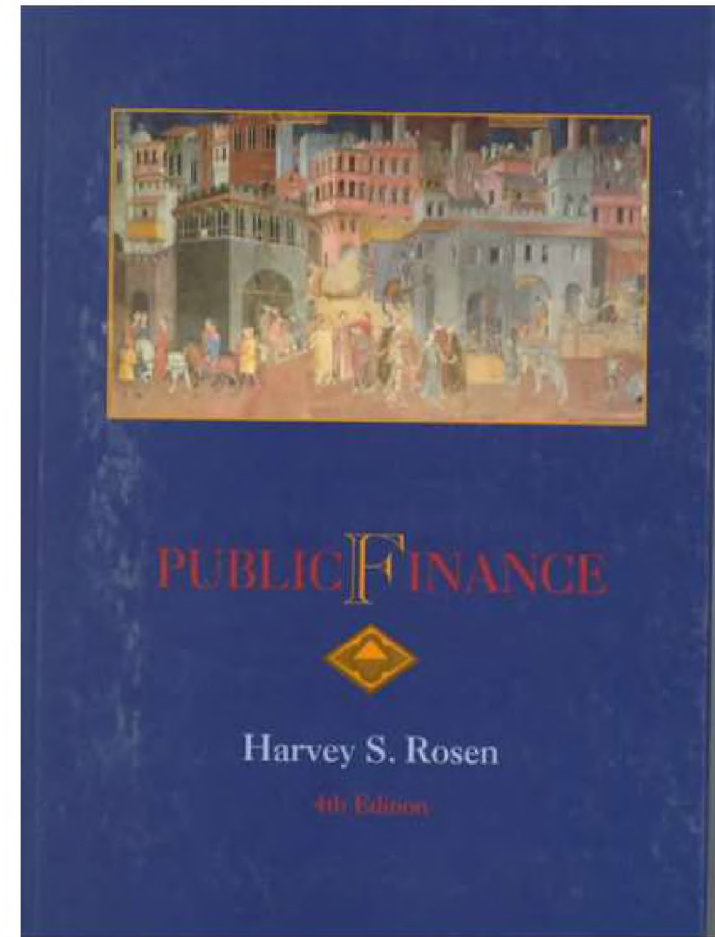
- * Codul fiscal al Republicii Moldova. Legea Republicii Moldova Nr. 1163 - XIII din 24.04.97. Republicat Monitorul Oficial al Republicii Moldova Ediție Specială, 08 februarie 2007, pag.4
- * Legea bugetului de stat pe anul 2015-2017
- * Legea finanțelor publice și responsabilității bugetar-fiscale nr. 181 din 25.07.2014. Monitorul Oficial nr.223-230/519 din 08.08.2014

Public Finance and Public Policy



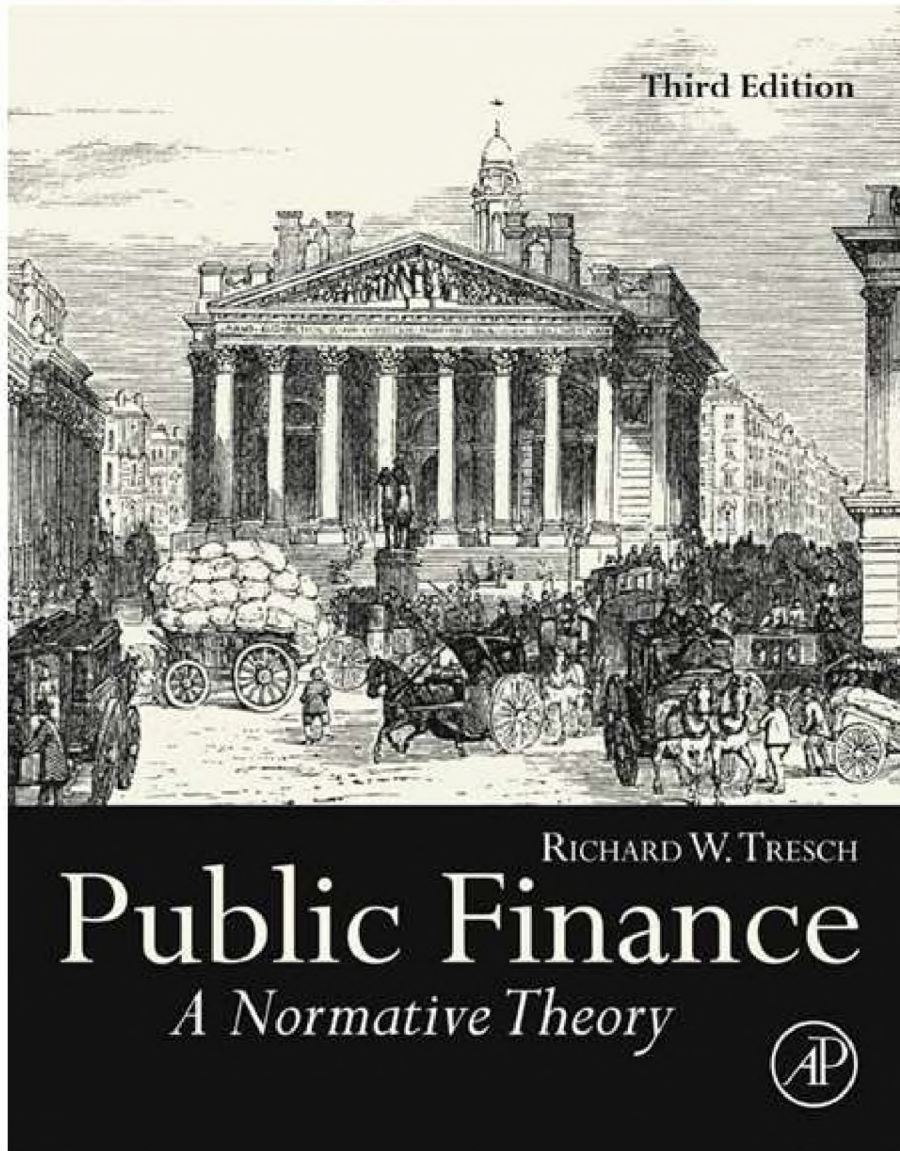
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Public Finance

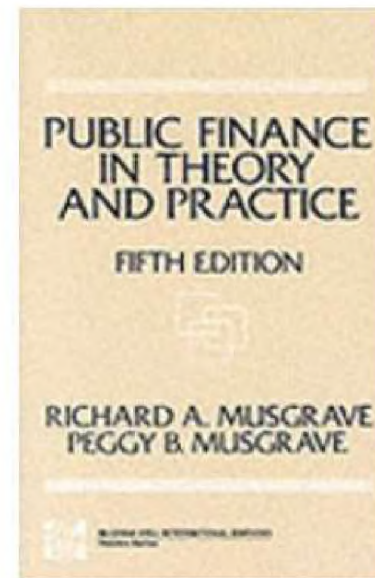


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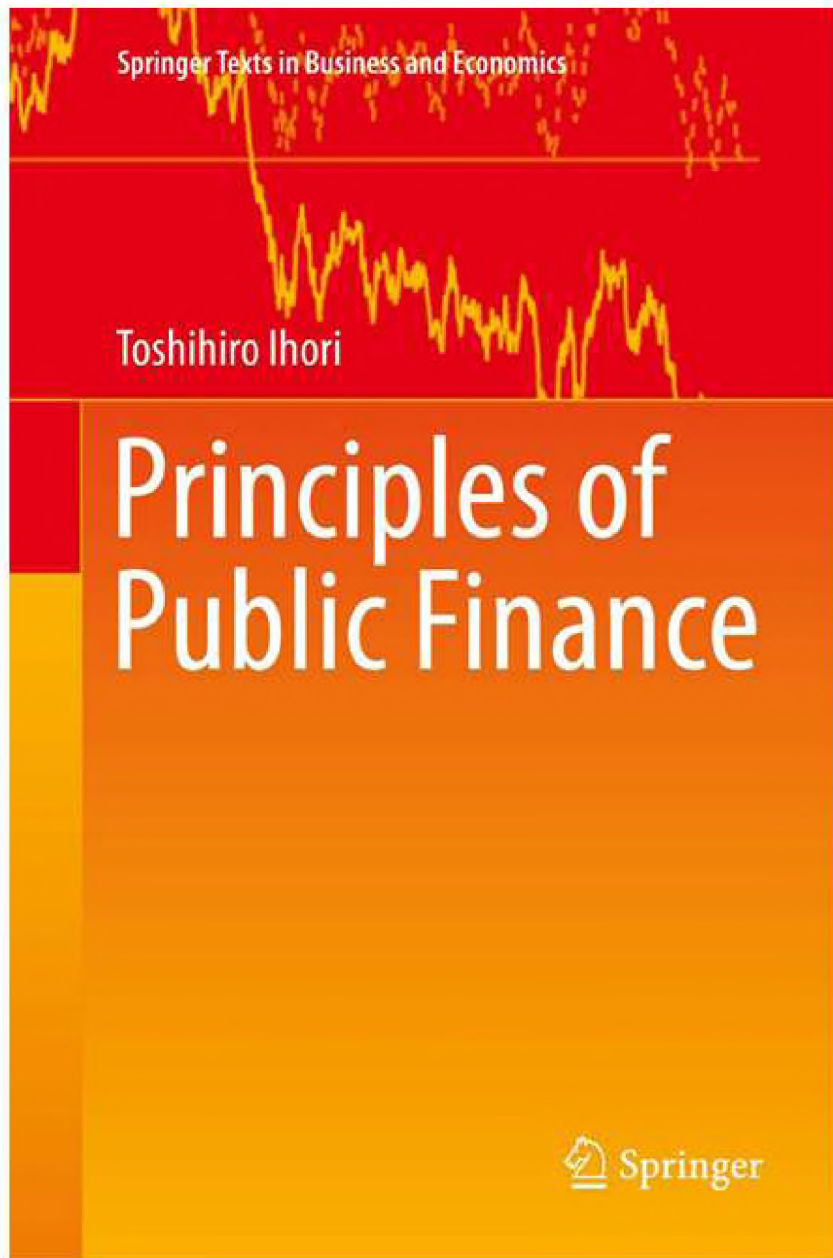
Public Finance: A Normative Theory



Public finance in theory and practice

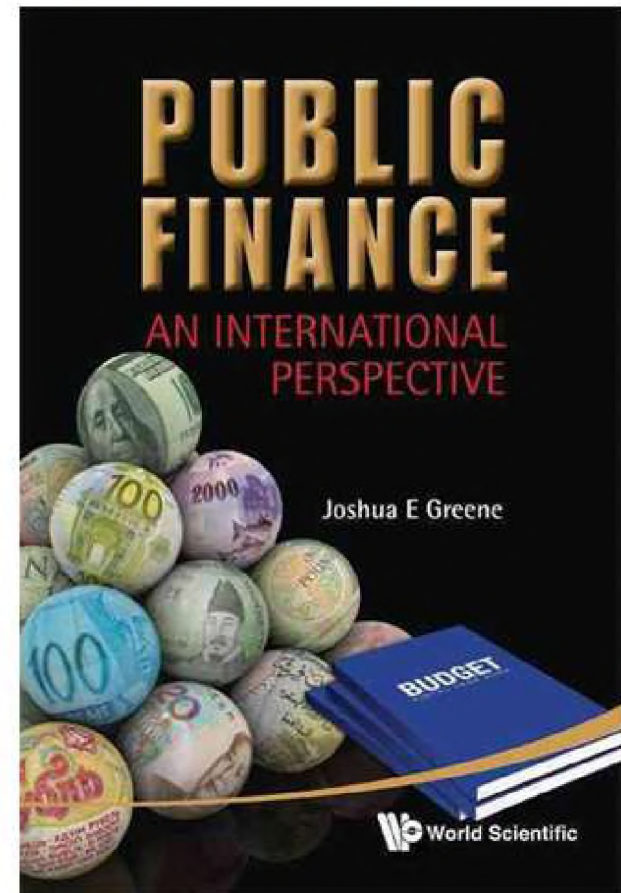


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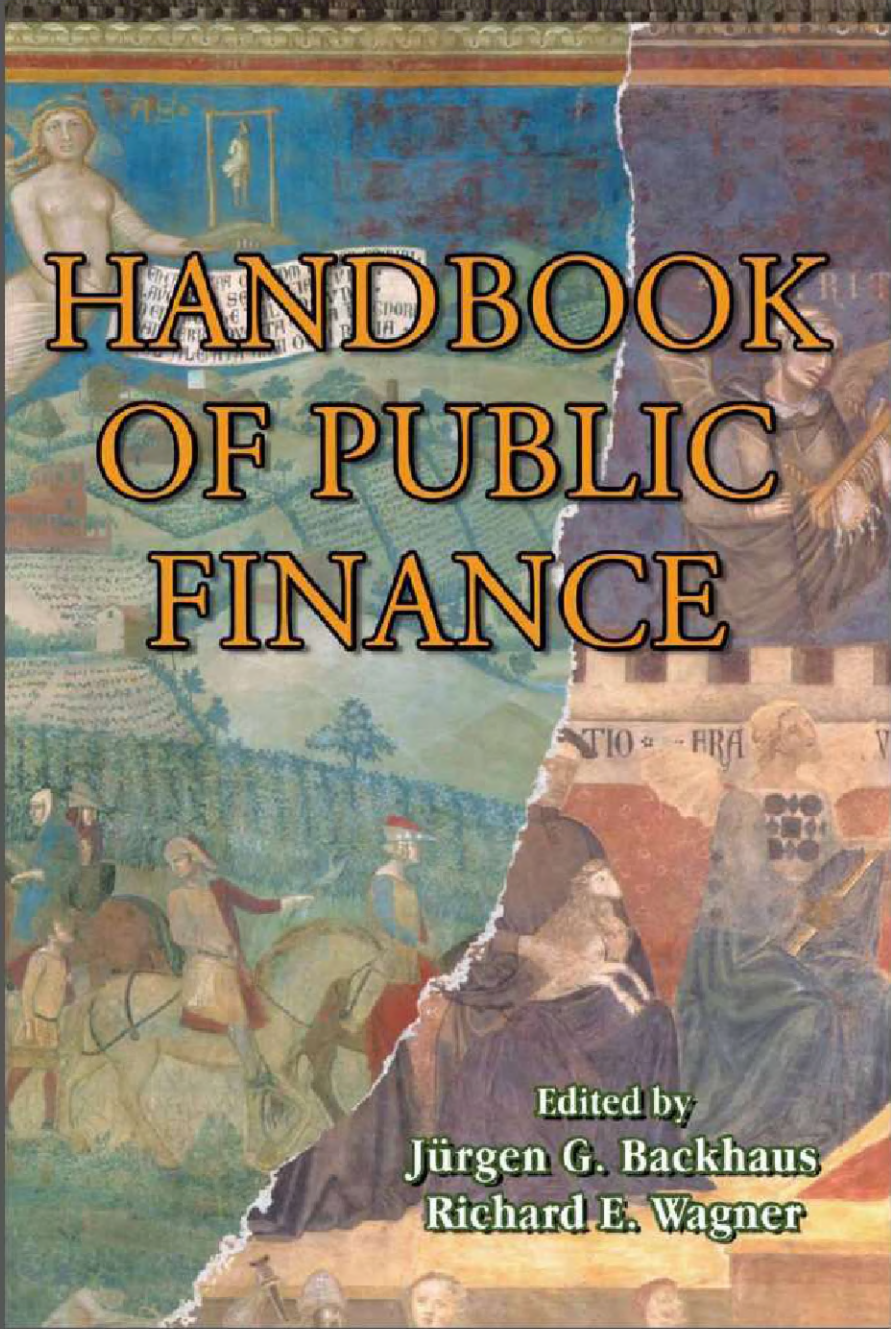


2016

Public Finance: An International Perspective



2011



HANDBOOK OF PUBLIC FINANCE

Edited by
Jürgen G. Backhaus
Richard E. Wagner



VAT application for electronic services provided by non-resident economic agents to resident natural persons

The Ministry of Finance announces the approval in the first reading of the Parliament's sitting from 05.12.2019 of the provisions regarding the VAT...

Call for Proposals within the USAID "High Value Agriculture Activity in Moldova (HVAAP) Project

The USAID High Value Agriculture Activity in Moldova (HVAAP) Project has launched a new call for grant funding to implement activities that will...

The instruction to Beneficiaries of the second call of proposals, in the framework of the Joint Operational Programme Black Sea Basin 2014-2020, has been published

Ministry of Regional Development and Public Administration acting as Managing Authority for Joint Operational Programme Black Sea Basin 2014-2020...

[Mai multe anunturi](#)

Budget Preparation and approval	Treasury Budget execution and reporting	Public Debt How the Budget Deficit is Financed
Accounting and Audit in the private sector	Public Finance Management How public finance is managed	Taxation Domestic revenue policies

Public events

La moment nu există nici un eveniment planificat.

Press releases

CEB and Republic of Moldova sign a €70 million loan agreement to support emergency response to COVID-19

Important issues

- > IBAN codes - revenues
- > Recovery of assets from

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- * 2. The Functions of Finance

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- * 3. The administrative methods of financial management.
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- * 5. The financial structure of the enterprise
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Topic 1: Concept and Functions of Finance

- * 1. The Essence and Structure of Finance
- * 2. The Functions of Finance

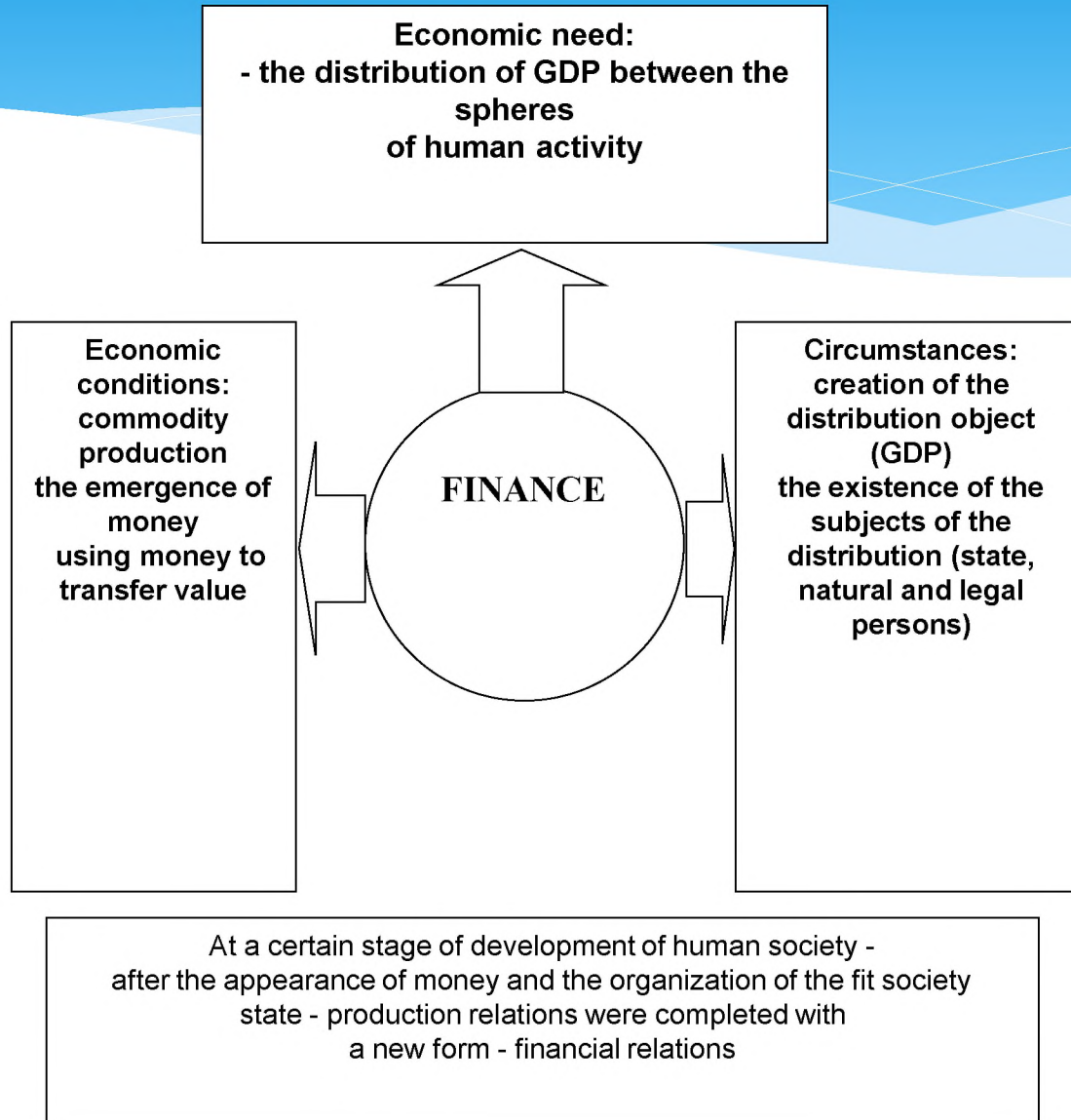
Didactic purposes:

- * • Definition of the **essence of finance**.
 - * • Understanding of the object of studying **public finance**.
 - * • Analysis of the **modern concept of public finance**.
 - * • Comparison of the **public and private finance**.
 - * • Description of the **main functions of public finance**.
 - * • Comparison of functions of **enterprise finance**.
 - * • Identification of the authorities that carry out **the state financial control**.
- * **Keywords:** finance, public finance, private finance, enterprise finance, transfer, credit, financial control, profitability, functions of finance.

1. The concept of finance: essence and structure


- * The word "**finance**" appeared from Latin («finan») and meant a **monetary payment**. In the 15th century it meant a payment or the state payment.
- * **Finance** is the sum of money or monetary accounts which are managed by state, individuals or legal entities, or a form of processing of accumulation or distribution of monetary resources in the conditions of financial and economic activity (taxes, subsidies, payments).

Scheme 1. The necessity, conditions and circumstances of the appearance of finance.



The Concept of Finance can be considered in two aspects:

- * 1) Finance reflects operations, processes and the economic relations which are carried out in a monetary form, for distribution of the national income.
- * 2) The concept of finance includes the monetary operations connected not only with redistribution of the national income, but also with formation, consumption and Gross Domestic Product distribution.

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- * All economic relations between individuals and legal entities which are expressed in a monetary form represent finance.
 - * **Finance** is a kind of economic processes and social relations, specific technics of receiving and using the monetary resources for activity of individuals, including the state.

The general category of Finance consists of 2 components:

- * 1) **Private finance** - is characterized by the participants of financial processes, that is the individuals and legal entities whose activity is based on the private property.
- * 2) **Public finance** - is characterized by direct participation of the state in the general financial processes during the receiving and distribution of money.

Public Finance includes the following financial categories:


- * 2.1 State budget (the main law);
- * 2.2 Social insurance;
- * 2.3 State credit.


Public Finance includes the following objects:

- * 1. State expenses on delivery of the goods, services and realization of social transfers.
- * 2. The state income, the main source of which is the taxation.
- * 3. State loans and public debt.

In the economic theory the economic context of Public Finance is presented in various aspects:


- * 1. The classical theory (the founder - Adam Smith).
The main ideas – the freedom of the market, the minimum intervention of the state in the economy, the market self-regulation on the basis of free prices.
- * He was the founder of the labour theory of cost, he showed the value of the labour division as a condition of its productivity increase.


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- * 2. Keynesian - a depression time theory (in the need of regulation). The leading role belonged to the state which had to assume stimulation of private investments and increase in production, which means the increase of the National Income (NI), the unemployment elimination and the growth of the consumer demand.

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- * 3. Marxist theory: Karl Marx - the founder of the theory of scientific communism. The attempt to construct the society without private property by means of production, based on the state economy regulated from the centre.

The modern concept of Public Finance includes:

- * 1. The relations which express a transfer of money on an irrevocable basis and without the return moving of the goods or services.
- * 2. The relations which express receiving the credit for a certain period of time with the corresponding interest rate.
- * 3. The relations which express a transfer of monetary resources instead of delivery of the goods or services.

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- * **Public Finance** is the term, which has traditionally been used or applied to the packages of those policy problems, which involve the use of tax and expenditure measures. As a subject, public finance is a study of public sector economics. It is about the revenue, expenditure and debt operations of the government and the impact of these measures to the society.

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- * **Public Finance** is, therefore, about fiscal institutions, that is the tax systems, expenditure programs, and budget procedures, stabilization instruments, debt issues, level of government etc.

- * The basis of a financial system of the state is **enterprise finance**. Its priority in the general system of finance is connected with the large volume of its own financial resources, the most part of which is redistributed, and the main part of which covers the public expenditures.
- * Finance of the enterprise represents the area of the financial science which analyzes the methods and norms of receiving and management of financial resources, sources of these resources, their appointment and receiving the corresponding profit.

2. The Functions of Finance

- * Public Finances carry out 2 main functions - ***distributive*** and ***control***.
- * **1) The Distributive function**, in turn, includes 2 stages:
- * **1.1 The Creation of Monetary funds (Allocation Function)** - is connected with the fact that economic agents pay taxes, fees, medical insurance, penalties, contributions, fines and the income of realization of the fixed assets belonging to the state, the various help, loans etc.
- * Almost all economic agents participate in the formation of the state finance. Both residents and non-residents, the enterprises with the state capital, with the private capital, the mixed enterprises, state authorities and the population.

Allocation Function

- * The provision of social goods or the process by which total resources used is divided between private and social goods and which chooses the mix of social goods. This provision of social goods is what is known as the allocation function. Market failure in the provision of social goods is chosen.
- * This provision of social goods is what is known as the allocation function.
- * Market failure in the provision of social goods arises because of the presence of public goods.

- * These are goods we consume collectively and therefore one person who purchased the good can exclude no one from the benefits arising from consumption of such goods. To put it differently the benefits derived by anyone consuming a social good are 'externalised' in that they become available to all others. In case of private goods the benefits of consumption are 'internalized' with a particular consumer whose consumption excludes military defence, Law and Order (The Police), Judiciary, Air clearing etc.


1.2 Distribution of the monetary funds

- * **1.2 Distribution of the monetary funds** - should be carried out by means of special technics and criteria, depending on the importance of the actions which should be financed (the most important enterprises for the country are financed). Distribution of financial resources is carried out with the purpose of covering the expenses for education, health care, culture, social insurance, national defence, public debt; covering the expenses for salary, purchase of materials, service payment, providing subsidies, capital investments and transfers to individuals (for pensions, grants, payments, compensations etc.).



- * **Distribution Function:**

- * Again, the government has to intervene in order to adjust the distribution of income and wealth to ensure conformance with what society considers a 'fair' or just state of distribution of income and wealth to ensure conformance with what society considers a 'fair' or just state of distribution. This fair or just distribution of income cannot be achieved under the market mechanism.

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- * Under the market mechanism, the distribution of income and wealth depends first of all on the distribution of factor endowment and then determined by the process of factor pricing, which in a competitive market, sets factor returns equal to the value of marginal product.
 - * The distribution of income among individuals thus depends on their factor supplies and the prices which they fetch in the market.

Control function

- * 2) **Control function** - belongs to the way of creation of financial resources in economy and to their distribution between recipients and to the identification of efficiency from which economic agents and state authorities use these resources. The financial control is carried out step by step:

- * **2.1 The distribution stage** - the origin of the state financial resources, their volume and distribution between recipients are supervised.
- * **2.2 The production stage** (the state enterprises) - the efficiency of the use of the production assets is supervised.
- * **2.3 The exchange stage** - the price level on which the goods or services are sold is supervised.
- * **2.4 A consumption stage** – the control in the field of efficiency and profitability (the final consumption of the state authorities, education, public health, culture – to make sure if the expenses are justified by those plans which were provided before consumption).

The state financial control is carried out by the following authorities:


- * 1. Tax inspection;
- * 2. Chamber of Accounts;
- * 3. Anti-corruption centre ;
- * 4. Ministry of Finance;
- * 5. National Bank of Moldova (control of commercial bank, currency exchange, financial organisations);
- * 6. State treasury;
- * 7. Parliament and Government;
- * 8. Financial administration at the local level.

Finance of the Enterprise carries out two main functions:

- * 1) Distributive - consists in the formation of the enterprise capital and the use of financial resources according to the enterprise purposes and tasks. This function reflects all financial streams (positive and negative) which arise in connection with the changes in property of the enterprise and the implementation of financial and economic activity.
- * 2) Control - by means of various economic and financial levers (expenses, prices, profit, taxes).

The control of the Enterprise activity should provide the solution of the following tasks:

- * 1. Observance of financial and accounting discipline;
- * 2. Ensuring the efficiency of the use of financial resources;
- * 3. Identification and mobilisation of internal reserves;
- * 4. Ensuring the efficiency use of production programs and investment plans;
- * 5. Avoidance of losses and possibility of their covering;
- * 6. Calling to account guilty of cheating the financial and economic disciplines.

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- * The enterprise can involve some specialized external authorities that can supervise and control certain activities of the enterprise or all the financial and economic operations (the auditing companies).
 - * The activity of the enterprise can be analyzed by banking institutions regarding liquidity, paying ability and profitability. This analysis is carried out during the credit arrangement, check of payment discipline, control of providing the credit.

General formula of profitability:

$$R = \frac{\textit{Effect}}{\textit{Effort}} \times 100\%$$

- * The activity of the enterprise can be supervised by local and central authorities in the field of observance of the tax legislation. For example, these authorities supervise the ways of charge and payment of taxes, fees, the observance of rules of filling in the balance sheet and financial statements.