

## STABILITY OF THE FINANCIAL BALANCE OF THE COMPANY BASED ON FINANCIAL ANALYSIS OF THE CASH FLOW

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**Abstract:** *The research made in this article is topical because the cash flow determines the viable activity of the entity. In this article, the authors investigate how to establish a financial balance based on the correlation between real and financial flows as a result of capital movements. The concept of cash flow is investigated, since cash is the most liquid asset of the entity, ensuring its activity continuously. The financial situation of the entity is analyzed on the basis of a system of financial indicators that underpin the financial manager's optimal decisions. The research topic is actual and necessary for any entity, ensuring a viable mechanism for profitable operation.*

**Keywords:** *cash flow, operational activity, financial balance, budget receipts and payments, budget balance.*

**JEL Classification:** *B21, B26, H69.*

**„The cash flow is the blood which irrigates the economic system  
and the measurement of the value”**

**(P.A. Samuelson)**

### 1. Introduction

Money is the greatest discovery of humanity, coming after the discovery of the alphabet. Human ingenuity is the basis for the emergence of money. Money was the most important factor in the development of economic relations between people, states and continents.

Rightly, money is considered to be the blood that irrigates the economy, just as important is the cash flow for the entity's economic activity. Cash emerges as a result of numerous mutations due to endogenous and exogenous factors in the movement of goods and services, and money is instrumental in linking the process of these complicated exchange relationships.

Without the existence of economic relations between entities and even within each one, it is impossible to create cash flow.

In the literature, there are different views on the notion of cash. Thus, it is considered that cash represents, together with capital and specialization, the third major aspect of modern economic life. The cash flow is the blood that irrigates the economic system and the measure of the value (Samuelson, 1953).

The terms of cash flow, net cash flow and treasury flow are associated with the cash flow. The concept of cash flow is the difference between the receipts and withdrawals (payments) made by an entity over a period of time (day, month, quarter, semester, year).

Cash flows can arise from various activities of the entity, namely:

- Operational activities;
- Investment activities;
- Financial activities.

The basic activity of a producing entity is the operational activity. The cash flow from operating activity consists of current sales of products and services to customers, as well as recovering the value of previous sales on commercial credits, as well as flows of