CORPORATE FINANCIAL FLOW MANAGEMENT

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In today's rapidly changing operating conditions, large Ukrainian companies build their business according to international business standards, in particular, joint stock companies form a single business structure on the terms of horizontal or vertical integration.

The positive aspect of this structuring is the possibility of obtaining a synergistic effect from the merger, in a sense, the negative requires the owners to increase funding for the combined structure.

The study of problems and characteristics of financial flow management of corporations becomes particularly relevant.

The results of theoretical research allowed to form the main characteristics of corporations, namely: the vast majority of industrial corporations have a vertical nature of integration, i. e. at the heart of their business is a single closed supply chain, which allows holdings to obtain a synergistic effect from the operation; subsidiaries of the holding have a close economic relationship, therefore, the business units of the holding structure operate according to uniform corporate standards of financial accounting, analysis, budgeting, controlling, etc.; the general management of the holding is carried out by a management company that owns controlling stakes in all subsidiaries.

This company is given all the powers of the executive bodies of subsidiaries: a single financial, production, commercial and economic management. Sometimes there are several other branch management companies between the parent management company and its subsidiaries, whose tasks include the operational management of only one business area of the holding. [1]

The financial resources which a corporation may dispose of are generally directed to the construction or acquisition of equipment, buildings, and structures, financial investments, the purchase of raw materials for the production of goods, the payment of wages, the introduction of staff training programs and the hiring of new employees purchasing or renting land, acquiring other capital assets, etc. [2]

Corporate finance is the basis for the development of a market economy, which produces a wide range of goods and services, as well as the micro level of the financial system of the state.

They cover monetary relations with the founders of corporations, the workforce, suppliers, customers, the budget, banks, extra-budgetary, insurance and other organizations.

The objects of corporate financial management are cash flows and financial resources [3].

Experts distinguish the following functions of corporate finance: formation of capital, cash income and funds of financial resources; distribution and use of capital, cash income and funds of financial resources; control over the formation, distribution and use of capital (regulation of cash flows).

The formation of financial flows of corporations' resources are influenced by certain factors (Fig. 1).

Classification of financial flows for investors of the corporation is carried out using the following tools: financial, credit and stock; redistributed, borrowed and attracted; regional.

The study of the practice of formation and redistribution of financial flows between enterprises, integrated into a single holding structure, allows to form and generalize three mechanisms to ensure the management of financial, material and information flows within the holding corporation.

The first mechanism – «cross-financingс, its essence is as follows: financing in the holding is carried out by repurchasing the management company of corporate shares and bonds of subsidiaries.

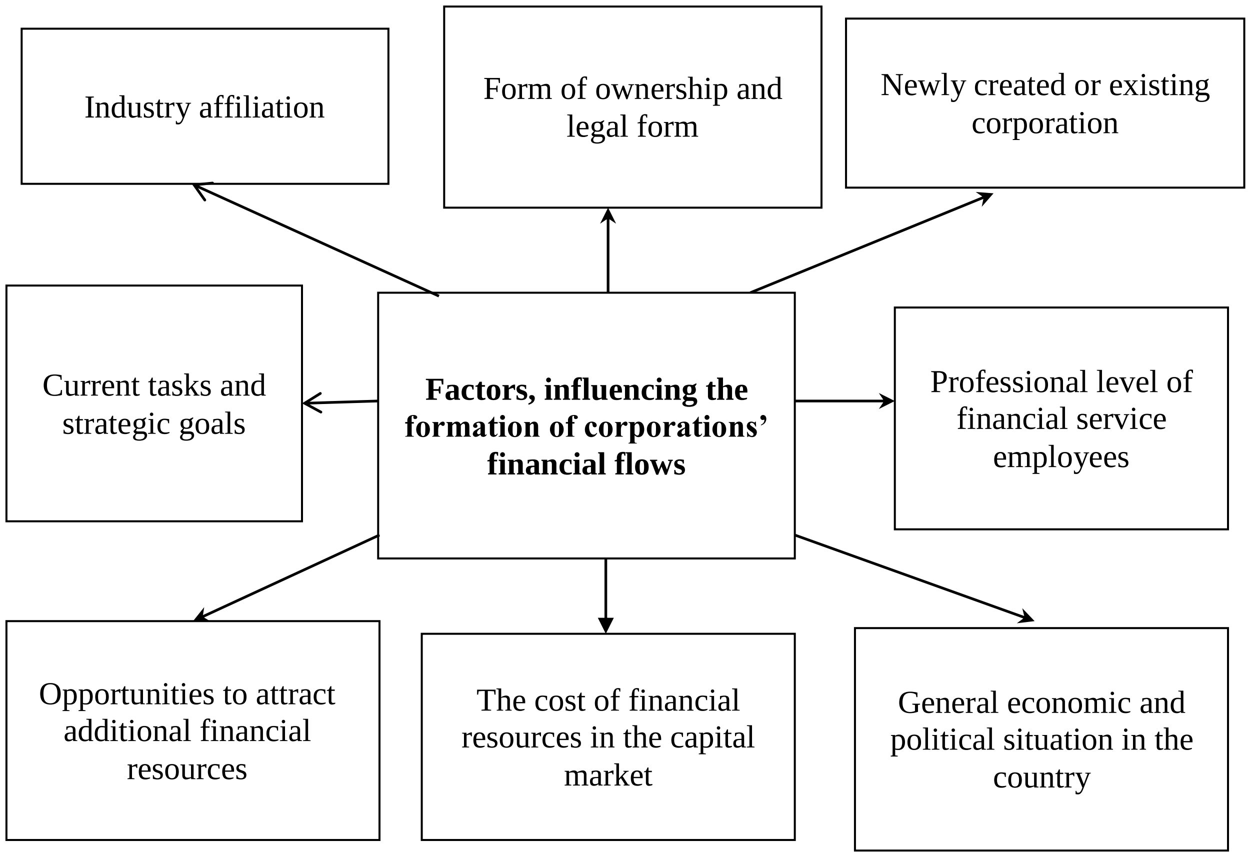

Fig. 1 – Factors, influencing the formation of financial flows of the corporation [4]

A further increase in the authorized capital of the business units of the holding structure is due to the repurchase by one subsidiary and/or the management company of corporate securities of other subsidiaries.

Approximate cross-financing scheme: subsidiaries - producers of products issue corporate bonds and place them among other members of the holding. Processing companies or trade and logistics network can be both issuers of securities and investors of other subsidiaries and / or management company.

The second mechanism of redistribution of internal financial flows of the holding is «contract financing».

Subject to the application of this mechanism, various types of internal business contracts are used – contracts for the provision of certain types of production or commercial services. In this case, contracts are concluded not for the supply of goods but for services, and ownership of material resources is not transferred.

Material supply contracts are replaced by services in the area of operations with them (production, storage, processing, etc.).

The mechanism of internal business contracting provides the corporation with the ability to effectively regulate transfer prices, redistribute costs, optimize taxation, manage the budgets of subsidiaries.

Contracting of production and commercial services is used in order to build an optimization model of interaction of production, processing, logistics, service and sales business units of the holding.

The third mechanism of redistribution of internal financial flows of holding structures is «centralized financing», which allows to build a transparent, investor-friendly model of corporate governance, as well as to respond adequately and quickly to changes in the external market environment.

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