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FINANCIAL ADMINISTRATION: IMPORTANCE AND EVOLUTION.

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SUMMARY

Several changes in world scenarios since antiquityprovoked and continue to provoke profound changes in the processes of financial restructuring in practically all sectors of human activity. Therefore, this work aimed to study the importance of financial management, its origin, itsits functions and its evolution in order to better understand its precious attributions to the world economy. O The present study used a descriptive qualitative approach, of bibliographic investigative nature, where important concepts from the admin area were sought.financial management, and which were of paramount importance for understanding this tool that in the face of the modern and stable economic policy that was consolidated in the midst of turbulent economic crises, years on end of rampant inflation make a wheel noteexplaining rampant inflation, civil and military wars, where the social structure was shaken, and knowing how it works in the face of political and economic conditions, and aiming to facilitate the learning of students and professionals in the area of administration.financial traction. It was concluded that one of the great challenges of this professional is to apply all the theory and concepts of effective management to the reality of the business, being a respected and admired leader not for the position, but for the work developed and respect for the team.uipe and its partners, conducting business in a transparent manner, with technical and practical knowledge, in order to maximize the company's profits, reducing the degree of risk and respecting the ethical, moral and social values where it is inserted.

CHA WORDSVE: Financial management. Leader.Profits. Social responsability.

1. INTRODUCTION

This study aims to study we will identify another word to eliminate duplicity the importance of financial management, its origin,its functions, and also its evolution. We know that before the barter era, man already felt the need to organize himself as a society, in its religious, military, sports and financial practices. Financial exchanges began to facilitatepeople's lives, from the simple fact of exchanging a commodity produced by the artisan for a currency. Financial management requires much more than that, it is the way in which we manage financial processes, making balance sheets, making cash flows and thus maintaining control of the financial situation, preventing it from running away from its main objective: that

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of managing financial processes more efficiently, with the aim of maximizing profit, without shying away from ethical, moral and social responsibility. And because we are inserted in a market in constant movement, financial management requires on the part of its administrator constant involvement in the financial market, since it changes day after day, such as, for example, inflation rates, which, if not followed as determined by the economy, generate distortions in it.

This article is divided into five parts. In addition to the introduction, it presents which methodological procedures were adopted for the study.Then it presents the evolution of Financial Administration, its importance and functions, with a literature review and important concepts related to research, providing a basis and support for the work. Nthe last part, presents the final suggestions and considerations.

2- METHODOLOGY

Regarding the methodology, the I study used a descriptive qualitative approach, of bibliographic investigative nature, because its objective was to know the importance, and the evolution of the administration Financial, its precepts and its concepts, in order to better visualize its function, let it be said beforehand, is of paramount importance for the organization of civil society, not only for the maximization of profits, but also for ethical and business responsibility at the time of establishing mathematical-financial objectives for professional achievement of a general scope.

3-FINANCIAL ADMINISTRATION, ITS IMPORTANCE AND ITS FUNCTIONS.

In order to understand well what financial management is about, its importance and itsfunctions, we need to highlight what finance is. According to Gitman (2010, page 3) Finance can be defined as:

> *The art and science of managing money. Virtually all natural or legal persons earn or raise, spend orinvest money. Sureties concerns the process, institutions, markets and instruments involved in the transfer of money between individuals, companies and government agencies.*

In other words, finance is the way in which the Financial management appropriates a certain situation involving financial capital, and allocates tools to better and more effectively work with it, in order to reduce the risk and guarantee the survival of the members involved in it.

For Gitman (2010), the areas of finance can be divided into two broad parts according to career opportunities: **Financial Services and Financial Administration.** Financial Services is the area of finance focused on the design and provision of advice, as far as the delivery of financial products to individuals, companies and the government.

"Financial Management concerns the duties of financial managers in companies. " (GITMAN, 2010, page 4).

That is, financial management isa set of actions and procedures that cover the analysis and planning of the company's financial activities by the financial administrator. In this way, the real situation of the company is obtained, as it is also possible to plan in the short, medium andmedium and long term.

> *Financial managers are responsible for the management of the financial affairs of organizations of all types, financial or not, open or closed, large or small, with or without profit. They carry out various activitiesfinancial ages such as planning, granting credit to customers, evaluating proposals involving large disbursements and raising funds to facilitate the company's operations.* (GITMAN 2010, page 4)

In this way, the administ professionalfinancial transaction ends up being an extremely important member in the company. Can act on different areas within the same focus, and in addition to keeping the organization up and running, it is like the heart of company, by dealing with fin capitalanceiro. In the field of economics, all processes revolve around money, and without efficient management, it ends up losing its value over time.

Many areas of knowledge are necessary for the financial administrator, as decision-making is made every day and at all times, and requires knowledge of the accounting areas, needing ideas that are convenient to the subject, as he will work with financial statements, putting his opinion on the results.ulted and the current state of company's financial health. In the administrative field, he needs to have knowledge about the techniques of Administration, Human Resources, as well as knowledge in the area of Economics, seeking a vision of the economic market.

Raza (2005, page 1) conceptualizes Administration as “managing the action through people with a well-defined objective. Administration is the process of planning, organizing, directing and controlling the use of resources in order to achieve objectives. ”

Faced with this, it is clear that the professional, in addition to managing in the broad field of administration, must also look beyond that. He meets his subordinates, consumers, customers and competitors, its partners, and other people involved in the sector in which it operates, and will motivate them to always seek the best for both parties involved, and consequently will bring positive financial returns to the company, making thus, a common good for both parties involved in the business, and therefore, the company will always grow more and more.

3.1-THE ROLE OF BUSINESS ETHICS

A very relevant aspect to be addressed is the role of social ethics. We know that when companies are driven to always produce more, they run the risk of solving their moral precepts ofpre-established good conduct. According to Gropelli and Nikbakht (1998), financial management is a challenging and rewarding area, being stimulatingdue to the fact that financial managers are given the responsibility for planning the growth of a company, which can affect the society in which it is inserted. Therefore, obligations to society can interfere with corporate profits. Considerations about social, moral, environmental and ethical aspects are part of the investment decision process and cannot be ignored by financial planners. Administrators they must have a clear sense of ethics, standards of conduct or moral judgment, and they must avoid compensations or other forms of personal gain.

They must not practice means that could compromise the image of the company, but they must participate in social activities to demonstrate that they are aware of the importance of the community and those who purchase their products or services. Financial managers must also ensure that all legal standards are respected, so that the health and safety of the community and workers are achieved. Such practices may not even produce rapid effects, but they are quite visible over time, where, in other circumstances, it can significantly improve the company's image in the face of a crisis period for example.

Worrying about minority interests, instituting training and lectures, providing occupational health programs, worrying about the safety and well-being of workers, the company can produce long-term benefits in the form of increased productivity and more harmonious relationships between work and management.

4-THE EVOLUTION OF FINANCIAL ADMINISTRATION

We know that modern managementso much of financial management did not start in this way that it is today. There were many studies done by scholars in this area on this topic, which provided the leverage in the world economy. That is, thanks to the pre-established theoriesAs a result, we live today in a stable economy, without escaping much of the focus that consolidated it, which was to seek to maximize profits, with social, ethical and professional responsibility.

The need that people had to organize themselves as a society in itself, made this happen in a concrete way, because for a craftsman to be able to sell his product in exchange for currency, it was very significant, even for survival reasons. This made him stimulate himself to always produce more, and in return addition, be able to meet their basic needs and honor their commitments.

Next we'll cover each part of history and how that evolution happened.

4.1- THE ANCIENT AGE

According to Matias and Freitas (2012) "concern about finances in the peoples arose in the midst of philosophical reflections, which dealt with moral and religious precepts and daily tasks ", and according to them, what drove this study was

> *Wealth, income distribution, possession of slaves and goods, resources financial resources of families and governments, commercial activity, loans, taxation, interest charging, valuation of goods for exchange in barter systems and in the adoption of currencies, the fundamentals of prices, government interference marketing and other issues.* (MATIAS and FREITAS, 2012, page 2).

That is, the philosophical thinkers of the Middle Ages felt such a need in view of the facts and events of local society, that of organizing themselves as a society in a general context,that for them it was even a matter of survival such events. From then on, they started using tools that could promote social welfare.

4.2- THE MIDDLE AGES

"In the Middle Ages, Christianity influenced human behaviorand established procedures in relation to Finance. " (MATIAS and FREITAS, 2012, page 4).

Matias and Freitas (2012) still highlight that the Catholic Church at that time was the one that most influenced financial decisions, but with the growth of cities andof the population, they ended up creating their own autonomy, making this occasion an opportunity for the creation of regulatory laws for financial transactions. Such laws dealt with contracts, instruments, operations and financial securities, as well as, credit and auction institutions that provided an evolution in financial transactions.

That said, it is clear that people in the Middle Ages perceived the real situation in which the economy was, and to facilitate financial procedures, they created the laws that defined their duties.

4.3- THE MODERN AGE AND RENAISSANCE

Matias and Freitas (2012) highlight that some thinkers have emerged on this occasion who were concerned with financial problems such as the relationship between the private economy and public finances, that is, revenues and fiscal excesses were addressed.

In this case, it was started and perceived by the thinkers the distortions that the economy presented at the time, and having said that, they realized that it should be treated fairly, without escaping the moral and ethical principles that ended up determining modern financial management.

4.4- THE EVOLUTION OF FINANCIAL MANAGEMENT OVER THE CENTURIES

Matias and Freitas (2012, page 5) report that “during the 16th, 17th and 18th centuries, a quite heterogeneous group of thinkers in Europe, presenting changes in individual ideas and trends ”.

> *Technological advances such as the compass, gunpowder, among other instruments, provoked the development of international trade. ThePrecious metals, such as gold and silver, became the wealth of men, so the accumulation of these metals became synonymous with prosperity. With the emergence of great absolutist monarchies, the State assumed the social function of the Church, passingfrom a implement nationalist and interventionist policies with the objective of maintaining a constant surplus in the trade balance and determining domestic interest rates above external rates; also trying to attract short-term capital by provokingchanges in financial activity and problems such as inflation, decreasing the purchasing power of the currency, causing the appearance of currents of scholars, who dedicated themselves to financial issues, known as: Mercantilism; Cameralism and Liberalismo.* (MATIAS and FREITAS, 2012, page 5).

That said, financial management has undergone a strong change in the way of managing the economy of the time, due to the great evolutions and trends that had been leading to other ways of visualizing the economy thereafter, and also improve the way to enhance economic growth, through studies done on this area.

4.4.2- XIX CENTURY .

For Matias and Freitas (2012, page 9), “the study of finance from that century onwards becameconsidered human science, since it articulated and built a rational system of knowledge, relationships and objective research on social phenomena, linked together by unity of nature, cause and end ”, that is, finances are not only directlyrelated to mathematical and financial issues. They get involved in other areas of science as a determining factor so that they can also happen definitively.

4.4.3-XX CENTURY.

According to Matias e Freitas (2012, page 10), from this time on, “constudies were concentrated on operational aspects, that is, on the financial function. Since then, American universities have contributed immensely to the advancement of finance theory. ”

> *In this context, finance theory has devoted itself to fufinancial definition and evolves from the focus that is given to the study. THE “Traditional approach at the beginning of the century was not concerned with the company's routine, it was centered on the issuance and regulation of securities in the stock market. The investment decisioninvestment was influenced by institutional elements and the analysis of the capital structure focused on balance sheet analysis. Liquidity and solvency were subjects of great interest, as well as financing from fundraising through emishares and debentures ”.*(MATIAS and FREITAS 2012, page 10).

In other words, the idea of the economy at that time was to boost companies and expand existing ones, and form new companies. However, with the crises that have happened and shaken such pre-established determinations, not to mention the wars that the world has suffered, made financial managers think in new strategies to leverage the economy and meet the demand of the population.

Matias and Freitas (2012), point out that the theory of finance changed the focus and turned to the day-to-day events of the company, cash flow and internal financial administrative processes, that is, the focus became the company's assessment.

> *"The corporate restructuring broughtx and a downward trend in companies, less diversification, greater efficiency and, in many cases, privatizations. Then, a large number of academic research suggesting financial leverage, increased value added to shareholders, and resumed the diversification process. "*(MATIAS and FREITAS, 2012, page 12)

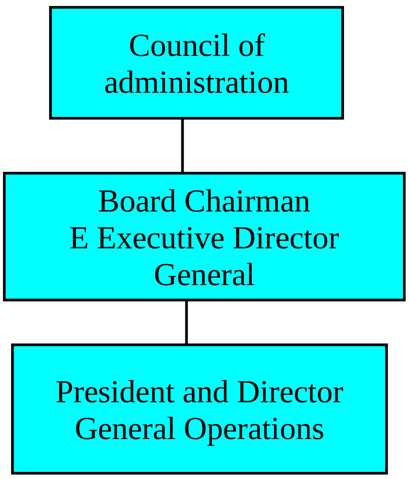
5- A FINANCIAL MANAGEMENT TODAY

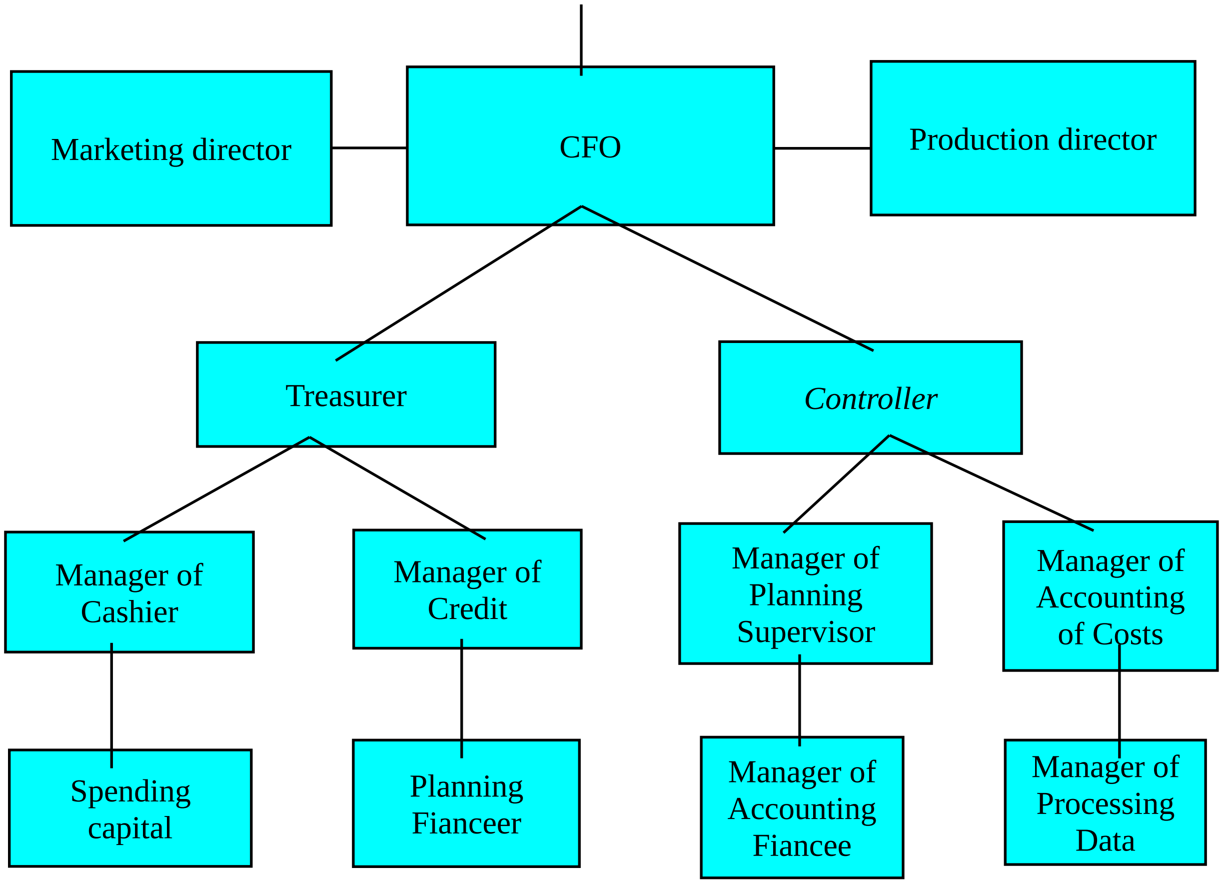
The current economy is always chasing to adapt to the new pre-established norms and laws, adopting strategies based ona global view of the market in several aspects. The financial administrator must earn the trust of the entire population, the government, partners, consumers and competitors, in order to later achieve his objectives and obtain the expected results in value generation.

According to Ross, Westerfield and Jordan, (2010 pag.38) "the role of the financial manager is often associated with a senior executive at the company, usually called the chief financial officer or vice president of finance".

Figure 1.1it is a simplified organization chart that demonstrates the financial activity in a large company. As the figure illustrates

> *The financial director coordinates the controllership and treasury activities. Controllership deals with cost accounting andmanagement, tax payment and management information systems. Treasury is responsible for managing the company's cash and credits, financial planning and capital expenditures.*(ROSS; WESTERFIELD and JORDAN, 2010 pag.38).





Source: ROSS, Stephen A .; WASTERFIELD, Randolph W .; JORDAN, Bradford D. Principles of financial management. São Paulo: Atlas, 2010, page 39.

For Gitman (2010) *the treasurer*is the main financial administrator. Hehe is responsible for activities with capital, such as financial planning and fundraising, capital investment decision making, cash management, management of credit activities, management of pension funds and exchange management. The*controller* is the company's main accountant. It deals with accounting activities, such as business accounting, tax management, cost accounting, and financial accounting.

“The focus of *treasurer* tends to be more external and *controller*, more internal ” (GITMAN 2010, page 9).

5.1- RELATIONSHIP WITH THE ECONOMY

According to Gitman (2010), the field of financial administration is closely related to the economy, that is, the professional in this area needs to understand “everything” about economics, be aware of the processesthe economic ones that vary from day to day, and to the changes in economic policy. They also need to know how to use economic theories as guidelines for efficient company operation. Examples of this are the analysis of supply and demand, strategies for maximizingand profits and price theory.

> *The economic principle used in financial management is that of marginal cost-benefit analysis, whereby financial decisions must be made and acts tend to be practiced only when the additional benefits outweighadditional costs* (GITMAN 2010, page 9)

That said, it is clear that companies work according to this theory, that is, they take the pre-established objectives, which are to generate financial profits, literally. After all, no company wants to stayat the loss, not only for wanting prestige and status, but basically for survival reasons.

5.2- RELATIONSHIP WITH ACCOUNTING

According to Gitman (2010) the activities of finance (treasurer) and accounting (controller) are also related to the financial management, but overlap, that is, one is directly related to decision-making and the other to cash flows.

5.2.1- EMPHASIS ON CASH FLOWS

For Gitman (2010), the accountant's role is to develop data to assessthe company's financial situation, report and pay taxes. In addition, prepare financial statements that recognize revenue at the time of sale and recognize expenses at the same time, that is, whether payment has been received or not. EsThis approach is known as **accrual method.**

On the other hand, Gitman (2012) points out that the financial administrator works with *cash flows*, that is, it controls the entrances and exits in a short period of time, in order to keep the assets up to date the full functioning of the company and also to honor its obligations. This approach is known as**cash regime.**

5.2.2- EMPHASIS ON DECISION MAKING.

Gitman (2010 page 11) explains that the difference between finance and accounting has to do with the decision-making:

> *Accountants devote most of their efforts to collecting and presenting financial data. Financial managers evaluate financial statements, develop more data and make decisions based on analysisresulting marginal. This, of course, does not mean that accountants never make decisions, or that financial managers never collect data. Only that the main focus of their activities is quite different.*

That is, in addition to the constant involvement with data analysis and planning, the financial managers will make financing investment decisions, will decide the assets that the company will buy and also the financing that it will combine and use.

6- TYPES OF BUSINESS ORGANIZATION

Next, we will detail the three different modalities of existing organizations and understand why this happens.

6.1- INDIVIDUAL FIRM

For Ross, Wasterfield and Jordan (2010, page 40), “Firma Individual is a company thatit belongs to a single person ”. This means that it is the simplest way to start a company, and it is also the least regulated of companies. That said, there are more individual firms than the other existing modalities, and many companies that start out asindividual firm later turn into large companies. The owner assumes all the risks and expenses that the company presents, but also obtains all profits for himself.

6.2- **PARTNERSHIPS**

It's knownsome authors as a private limited company.

Gitman (2010) says that partnership is a company with two or more people for profit. It is present in the financial, insurance and real estate sectors. Most Partnerships are recognizedby means of a formal document known as social contract.

6.3- JOINT STOCK COMPANY

For Ross, Wasterfield and Jordan (2010, pg 41), a joint stock company consists of:

> A legal entity, separate and distinct from its owners and has many of thethe rights, obligations and privileges of a real person. Stock companies can borrow money and own property, can sue and be sued, and can enter into contracts. The joint stock

> company may even be a partner withlimited liability in another company, it may own shares in another company by shares.

CONCLUSION

This article aimed to study the importance of financial management, its origin, its functions, and also its evolution. Knowing how it operates in the face of political and economic conditions and facilitates the learning of students and professionals in the area of financial administration.

Financial management currently requires professionals, in addition to technical knowledge and experience in the area, deep knowledge of the organization's products, whatever the branch, education, industry, wholesale, as well as government. Not to mention the good relationshipof the financial administrator with customers, employees, investors, competitors, consumers, suppliers and partners. Also the knowledge of the administrative laws of our country, as well as the knowledge of the practices of ethics, morals and good sense of administration, are factors that make the financial administrator a professional capable of executing his profession with quite prestigious.

The financial manager has, among his responsibilities and challenges, to build a united and winning work team, formed by competent people with good moral, ethical and social training. With the team thus formed, the following challenge is increase the company's profit by reducing where to get, unnecessary expenses and identifying the main risk elements for the operation.

One of the great challenges is how to apply all the theory and concepts of effective management to the reality of the business, being a leader respected and admired not for the position, but for the work developed and respect for the team and partners, doing business in a transparent manner, with technical and practical knowledge.

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