Efficiency evaluation in the financial administration of public companies seen from the point of view of the Fleuriet Model: an initial proposition

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1- Introduction

The aim of this paper is to present a proposal for the use of the Fleuriet Model as a financial management instrument for the Public Sector, characterised by the reform of the Brazilian State system. According to Brasil (1995), the general goals of this reform are as follows: a) to increase the state’s administrative capacity of governing effectively and efficiently, by gearing its actions to the demands of the citizens; b) to restrict the action of the state on the functions that are assigned to it; c) to transfer actions of a local nature from the Union to the states and localities; d) to transfer, partially, actions of a regional nature from the Union to the States.

The reform seeks to improve both the organisation and the personnel of the state as well as its finances and the legal-institutional system, as a means to promote a more productive relationship with the civil society.

According to Brasil (1995), it would be “within the scope of management that a palpable reform of the State system would occur”. At this stage, a reform would be accomplished through managerial and cultural changes and the introduction of performance, training and motivation pointers. The Administration of the public sector would become more efficient and effective.

As for managerial paradigm, the proposal to be adopted would be that of the Managerial Public Administration. In a situation where on one side we have the technological advances and economic globalisation, and, on the other, the growing criticism to the social and economic workings of the State, the red-taped Public Administration model no longer meets the needs of the citizen. The idea of a Managerial Public Administration is seen as a suitable answer to the problems posed by bureaucracy. The main values of the administration managerial model are efficiency and quality, (Brasil, 1995).

Comparing the two models more superficially, it is possible to say that the principles of the bureaucratic model are functional hierarchy, impersonality, formality, professional formation and the idea of a career. The administrative control is a priori focused on the process. It departs from the principle that the civil servant and the citizen are suspect.

However, one of the problems stemming from the bureaucratic model is that, in general, principles such as hierarchy, formality and control may eventually become the main goals of the organisation. The outset is that the machine will turn towards itself to the detriment of the results and the citizen.

It is important to point out that the bureaucratic model has as many negative points - such as inefficiency, self-reference and the difficulty in taking responsibility over rendering services to the citizen – as it has positive points, such as, for example, this concern for professional competence and effectiveness in the control of abuses, which the managerial
public administration seeks to absorb. In this sense, it adopts the idea of merit-based admission, remuneration through a well-structured and universal system, careers, performance evaluation on an ongoing basis and training, (Brasil, 1995).

As for the differences between the bureaucratic and the managerial models, it has been noted that the latter is concerned about: a) a clear definition of the objectives that the administrator has to meet in its unit; b) the autonomy of the administrator to manage the human, material and financial resources at his disposal as a means to meet the objectives set; c) follow-up of the results.

In terms of management and structure, managerial public administration advocates the following proposals, according to Ruas (s.d.):

a) flexibility- here the aim is to soften the efficiency principle’s rigidity, which presupposes a context of normality rather than one of crisis, as is the case with the public sector. The idea of flexibility seeks solutions that will win over bureaucratic rigidity and acknowledge the relationship with the external environment in such a way as to allow for the re-orientation of governmental actions (see also Brasil,1995).

b) creativity, multi-speciality and the valorisation of the servant – the idea of flexibility is associated with creativity, that is, with “the capacity to react to challenges, to think in a non-routine way”. The incentive to creativity demands an effort to valorise the servant, no matter if these efforts are geared to salary, formation or future prospects. Concerning future prospects, the idea is the adoption of prospects characterised by multi-speciality, where the servant is able to perform different functions and occupy different positions.

c) quality, participation of the social agents and control of results – the concept of quality is associated with guarantee of effectiveness, that is, satisfaction with the results obtained. The idea is that it is the client that should have a say on how satisfactory the results are. Evaluation on an ongoing basis and performance pointers are tools capable of capturing the attention of the public and using it to improve the services of the organisation. With the participation of the citizen in the control of the results, some thought should be given to participative management and partnerships by means of contracts.

d) decentralisation – here, decentralisation means delegation of authority and management autonomy. In this view, the personnel working closer to the citizen should be the ones who are more capable of integrating with them and discovering what their needs are, besides being more acquainted with the ropes of their own activities. The implication is that these personnel would also assume more responsibilities and account for the decisions they make and actions they take, besides bridging the gap between the decentralised units.

e) horizontalisation of the structures and network organisation – the horizontalisation seeks to bring down managerial levels as a means to making the decision-making process more agile. Apart from this, it will simplify the procedures, which, rather than being turned to the administrative process, would focus on the results. Horizontalization would also affect collaborative management, by involving the members of the agencies, units and sectors, besides placing the decision-making process in their hands. The integration of the different horizontalised units will occur through the network structures.

f) controlled competition- if the managerial administration model intends to obtain satisfactory results for the citizen, by following the criteria of quality and effectiveness, controlled competition gains weight in the public management. This kind of competition would not be of the market type. It will occur in two levels: The first level would be among the members of the same organisation, by means of teamwork, seeking to integrate
individual efforts with collective results. Here, two tools are very important in the establishment of controlled competition. The first tool is performance evaluation and the second is the differentiated recognition of merit, contribution, commitment and involvement by the members. The second level would take place among public sector organisations in order to guarantee the citizen’s right of choice, and to encourage public organisations to compete against each other for the offer of the best services. Performance evaluation would be geared to the results achieved by the organisations and the differentiated recognition would occur through the advantages in the allotment of resources, prize giving, new autonomy levels. At the same time, there could co-operation spaces that would emerge a means to sharing resources and advantages and obtaining better results from the rendering of services.

What can be understood from this presentation of the main aspects of the proposals for managerial public administration is that concern with the results is now an issue of prime importance. Not considering only quality and effectiveness, as Ruas (s.d.) pointed out, but also and particularly taking efficiency into account. The context of meagre resources, flexibilisation, controlled competition, co-operation and performance evaluation will require accountancy management mechanisms that are capable of allowing the citizen to have quick and easy access to the workings of the public sector. In this sense, the study of the Fleuriet Model becomes relevant.

Before presenting the Fleuriet Model, it is worth mentioning that in this process the reform of the Brazilian government, by means of the Brazilian Programme of Quality and Productivity (MEFP e IPEA, s.d.), defines efficiency as “the relationship between the result and the cost of obtaining it”. Yet another important concept for the reform is the notion of quality defined in the same document as “the totality of the properties and characteristics of a product and/or service with the ability to satisfy explicit and implicit needs.”

Nevertheless, as Ruas (s.d) points out, it is import to remember that some concepts used in the managerial administration model come from the private sector, which means that they will have to be adapted to the reality of the public sector, as it occurs with the concept of efficiency. In this specific case, the concept of efficiency as used in the private sector, that is, the notion of operational efficiency, is based on technical planning. This instrument, rooted on technical rationality, seeks to meet certain objectives by establishing strategies based on costs, time, resources and risks, and under a certain control system (Ruas, s.d. e Tavares,1996). In the private sector, the entrepreneur will have more control over the process and more freedom to act, without being affected by the political aspect, which occurs in the public sector.

In the public management, according to Ruas (s.d.), the more adequate notion would be that of adaptative efficiency based on strategic planning. In this case, it is recognised that there is a need to promote changes on the course of the process, as a result of environmental and organisational changes. So, alternative tools for scenery and flexibility criteria would be used. This notion of efficiency should be associated with the idea of quality so that it would guarantee the effectiveness of public services. It is within this perspective that the Fleuriet Model will be approached as a financial management tool for the public sector.
2- The Fleuriet Model

Starting from the French experience in companies’ approach to financial management, Michael Fleuriet, with Ricardo Kehdy and Georges Blanc, developed and adapted to the Brazilian reality the dynamic model of financial management of companies, also known as Fleuriet Model. This study resulted in the work A Dinâmica Financeira das Empresas Brasileiras - um novo método de análise, orçamento e planejamento financeiro, (The Financial Dynamics of Brazilian Companies – a new method for analysis, budget and financial planning) published in 1978.

Besides the Financial management model, Brasil and Brasil (1993:4) point out the model in question has other relevant investments such as: “analysis of suppliers’ mailing lists; sector analysis per economic activity; economic-financial consulting; credit diagnosis; auditing”. As for its application in sectoral analyses, the mentioned authors point out that “these analyses will allow the design of the economic and financial profile of the companies working in the same field of activity, taking into account certain conjunctures”.

In terms of implementation, the model in question presupposes the measurement of variables characteristic of the companies’ financial management. So, there was a need to “re-classify” the financial statements produced and published by private companies (in compliance with the Law 6.404/76) and state companies (in compliance with the Law 4.320/64), to attain a functional model, whose main issue is to classify the different accounts both by their temporal dimension and by their relationship with the development of the operational activities.

So, departing from the re-classification of the legal cash flow, Neves (1989:53) explains that “the functional cash flow seeks to “photograph”, on a certain date, the investments and resources related with the company’s financial cycle, whatever its legal situation”. In view of this, it is possible to say that the analysis of the financial cycle plays a fundamental role in the implementation of the model in question. Financial cycle is understood here as the period of time between the moment disbursement occurs, for the payment of inputs and other items needed in the productive activity, up to the receipt of the sales on credit by the company. Therefore, it represents the share of investments on the movement of operations, which is not spontaneously financed by resources coming from the development of the operational cycle. So, it is possible to say that a positive financial cycle points to the need for the availability of additional funds to be invested in other assets and/or liabilities items, depending on the policies adopted by the Administration of the company.

Within this perspective, it is still possible to say that the need for financing working capital lies basically with the lack of uniformity between a company’s production and sales (operational cycle), which, as a consequence, causes a de-synchronisation between resource inflows and outflows. As a result of this, a company will always need to maintain a minimum level of stocks, trade receivables, and cash, irrespective of the seasonal fluctuations of the activities. So, what is usually observed is that short-term resources from third parties are not enough to finance all the needs for investment in current assets.

Being it so, Smith (1980) emphasises that the company’s operational cycle, defined as the period of time comprehending the occasion the inputs needed for the operational activity are bought to the effective receipt of the sales on credit, is the main set of relationships at the
core of the working capital administration. FIG. 1 shows the inter-relationship between the operational and financial cycles for the standards of an industrial company:

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<table>
<thead>
<tr>
<th>Purchase</th>
<th>Payment to Suppliers</th>
<th>Sale</th>
<th>Receipt from Clients</th>
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**Operational Cycle**

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| Financial Cycle |
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**FIGURE 1 – Positive Operational Cycle and Financial Cycle**

FIG. 1 clearly shows that, under these conditions, the company presents a **need for resources** to fund its operational activities, once spontaneous credits are just enough to fund part of its operational cycle.

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<table>
<thead>
<tr>
<th>Purchase</th>
<th>Sale</th>
<th>Receipt from Clients</th>
<th>Payment to Suppliers</th>
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**Operational Cycle**

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| Financial Cycle |
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**FIGURE 2 – Negative Operational Cycle and Financial Cycle**

FIG. 2 highlights a situation of negative financial cycle, where the company has a **source of resources** for other investments, according to the policies of its Administration. In other words, spontaneous or automatic resources are enough to face the investments on the current operational cycle, as well as the beginning of the following cycle, according to the concept of continuity. This is a rare situation, as it has been basically observed in supermarkets, public transport companies, etc.

Therefore, it is worth mentioning that the optimisation of the financial cycle can many times be an alternative to the funding of the set of entrepreneurial activities, by means of **resources clearance**. For it to happen, it is necessary to take a number of decisions in order to shorten storage and collection periods, and spread the terms of payment, which are the basic strategies to manage cash.

Within this perspective, Neves (1989:53) points out that the financial cycle results from “the financial measures taken by the company at its different levels – strategic, operational and financial”, which can be classified as:

a) **Investment cycle**: refers to the set of decisions made on the definition and/or adequacy of the company’s productive capacity, by means of the establishment of a suitable structure of investment in permanent assets, subject to the level of activity
to be undertaken.

b) *Exploration Cycle:* is translated by the set of decisions made on obtaining and allocating the resources needed for the development of operational activities, whose impacts will affect the statement of results, in terms of costs and expenses. In other words, it refers to the needs for resources in the face of the level of activities undertaken.

c) *Financial operations cycles:* it refers to the set of decisions made on the structure needed for the funding of capital investments and the exploration cycle. In other words, it corresponds to the definition of the company’s financial structure, comprising capital operations (long term) and bursary operations (short term).

### 2.1- Functional classification of financial statements

Following what was previously described, the implementation of the *Fleuriet Model* presupposes the re-classification of the financial statements produced and published by the companies, in compliance with the Law 6.404/76 or Law 4.320/64, besides other relevant regulations, to establish a functional standard, with the aim to measure the variables characteristic of the model in question. Therefore, the following item will present a number of aspects inherent to the functional classification of the balance sheet, as well as the measurement of these variables.

#### 2.1.1- Balance Sheet

The reclassification of the balance sheet, according to the *Fleuriet Model*, must be carried out in the light of the integration of the different accounts that make it up, according to the time factor (long and short term) and, at the same time, in compliance with the different levels of entrepreneurial decision (strategic and financial).

Concerning the classification of the balance sheet, the assets and the liabilities are divided into two sub-groups: *cyclic and erratic*, which can also be denominated *operational and financial*, respectively. The remaining assets and liabilities are classified as *permanent* or *non cyclic*. This terminology expresses the concern the model has for integrating the elements of the assets and liabilities with the different levels of entrepreneurial decisions, especially regarding those resulting from the exploration cycle.

So, Fleuriet, Kehdy and Blanc (1978) classify as *cyclic accounts* those that have a direct relationship with the exercise of the operational activity of the company, as they go through a periodical renewal process, depending on the pace of their businesses. These are typically operational accounts resulting from the exploration cycle.

The mentioned authors consider *permanent or non-cyclic accounts* those that do not vary as the pace of businesses changes, the long-term factor being the common denominator of all of these accounts. These are accounts of a strategic nature. However, the *erratic* accounts are the short or very short-term ones, which bear no direct relationship with the productive process, but with the typically financial decisions (bursary).

In the face of this reclassification, it is possible to assess the main variables of the balance sheet’s functional and dynamic model, which are the need for working capital (NWC), the working capital (WC) and the bursary’s balance (B), which will constitute the key
variables for the company’s financial management, as pointed out in items to follow.

2.1.1.1- The need for working capital (NWC)

The project developed by Prof. Michael Fleuriet’s team, that resulted, in 1978, in his work *A Dinâmica Financeira das Empresas Brasileiras- um novo método de análise, orçamento e planejamento financeiro*, was a breakthrough in the study of the needs for working capital in Brazil.

Later on, other studies and projects were developed always with the aim to seek a better interpretation for and to adequately the concept of the need for working capital (NWC) as a management variable of the company’s financial management. Among these studies, the following are worthy of mention: a) Matarazzo (1985), whose approach to the issue, regards working capital as a key element in entrepreneurial strategies, encompassing a group of funding items that could come from the company's own capital or third parties'. In other words, NWC is exactly the portion that is not covered by operational funding; b) Olinquevitch and Santi Filho (1987) approach NWC as being the key to define the company's financial situation; c) Silva (1987) regards the operational investment on working capital (WC) as being an extremely useful technology to determine the financial health of the company; and d) Brasil and Brasil (1991) approach working capital as one of the components of the economic assets and which must be administrated within a dynamic context.

Therefore, it is possible to say that the NWC concept is considered by the authors as a key factor in the analysis of the financial situation and management of the company, once it involves practically all the operational structure of the company.

According to Fleuriet, Kehdy and Blanc (1978), the NWC, which corresponds to the difference between the assets cyclic accounts and the liabilities cyclic accounts, measures time and value mismatch among the operations the accounts represent, that is, it is closely related to the financial cycle. Besides, the authors mentioned emphasise the following point to help in the understanding of the concept of the variable presented:

a) This variable differs from the net working capital, in the classical financial sense.
b) Rather than being a legal definition, this concept is one of an economic-financial character.
c) This variable is sensitive to the fluctuations of the economic environment where the company operates, depending basically on the nature and level of the activities being carried out. The nature of the core business of the company will define its financial cycle, while the level of activity is left to sales. Therefore the NWC is a variable that is proportional to the financial cycle and to the volume of sales.
d) The assets and liabilities cyclic accounts that will make up the need for working capital are associated with the company’s exploration cycle.
e) It can be negative, reflecting that in the financial cycle cash exits will occur after cash comes in. This is the case with the negative financial cycle.
f) In the event operations are halted, the need for working capital, which represented a funds allocation, will become a source of funds that may, for example, be used by the company to pay creditors and shareholders.

Once the basic situations related to working capital are assessed, they can be
summarised as follows:

- **Positive NWC**: this situation occurs when cyclic assets (or investment in working capital) surpass cyclic liabilities (or working capital sources). In this case, the company demands resources for the movement of businesses, which can be financed with own resources and/or third parties', long or short term.

- **Negative NWC**: This situation occurs when cyclic assets are lower than cyclic liabilities. In this case, the company does not demand resources for the movement of businesses, much to the contrary, it counts on available sources to fund other investments, in compliance with the policies of its Administration.

- **Nil NWC**: This situation occurs when cyclic assets and cyclic liabilities are levelled off. In this case, the company needs no funding to move its businesses, doing so by means of the cyclic accounts.

### 2.1.1.2- Working Capital

The variable working capital (WC) is obtained from the difference between the liabilities permanent accounts and the assets permanent accounts, that is, non cyclic accounts that, in general, are renewed on their anniversary. The greater part of these permanent funds, in the light of financial balance, will finance permanent investments, while just a small share will be used to finance the needs for working capital.

Fleuriet, Kehdy and Blanc (1978) highlight that some additional information is important to clarify the concept of working capital.

- **a)** The working capital has the same value as the net working capital, classically defined as the difference between current assets and current liabilities, only the calculation is carried out in different ways. According to the classical definition, net working capital is the investment of funds, while in the definition presented it represents a source of funds.

- **b)** The working capital is an economic and financial concept rather than a legal definition, thus representing a permanent source used to finance the company's needs for working capital.

- **c)** The working capital is relatively stable along the time. It goes down when new investments in items of the permanent assets are realised (increase of permanent assets). It will soar by means of self-financing, long term loans and an increase in cash (increase of permanent liabilities). In this case, permanent assets are higher than permanent liabilities, which means that the company finances part of its permanent assets with sort-term funds. Although this situation tends to increase the risk of insolvency, the company will be able to develop, as long as its need for working capital is also negative.

Checking methodology may be summarised as:

\[
WC \ (working \ capital) = \text{Permanent Liabilities} - \text{Permanent Assets}
\]

Concerning its value, it is worth pointing out that the basic situations related to WC occurring in a company, can be summarised. According to Fleuriet, Kehdy and Blanc (1978) as:
a) **Positive WC**: in this case the permanent sources surpass permanent investments, thus indicating the use of stable resources (long term) to finance NWC, that is, WC is a source of permanent funds to finance the operations of the company.

b) **Negative WC**: this occurs when permanent investments surpass permanent sources, thus indicating the use of short-term resources to finance long term assets. In this case, WC will be transformed into fund investment, that is, permanent assets are being funded by short-term resources, which might lead to insolvency.

c) **Nil WC**: This occurs when permanent investments and permanent sources are even, which indicates that short-term resources are financing the fluctuations of NWC.

### 2.1.1.3- Bursary balance

The variable bursary balance is measured by means of the confrontation of the assets and liabilities erratic or financial accounts. This measurement can also be carried out by means of the difference between the WC and NWC. In other words,

\[
\begin{align*}
\text{Current Assets} & = \text{Cyclic Assets} + \text{Erratic Assets} \\
(-) \text{Current Liabilities} & = \text{Cyclic Liabilities} + \text{Erratic Liabilities} \\
\text{= Working Capital} & = \text{NWC} + B
\end{align*}
\]

Therefore, the bursary balance will result in the difference between the assets bursary (erratic assets) and liabilities (erratic liabilities), identified in the functional balance sheet. According to Neves (1989), the assets bursary is the result from the decisions made on the rubrics of the assets, independently from the exploration cycle of the company. The liabilities bursary results from the decisions made on short-term financing, also independently from the exploration cycle. Finally, it is a variable that relies on financial decisions.

Once measured, the following situations can be found, according to Fleuriet, Kehdy and Blanc (1978):

a) **Positive Bursary Balance**: this occurs when the erratic assets surpass the erratic liabilities. In this case, the company has short-term resources investment. This indicates that long-term resources (own or third parties’) will cover the needs for resources for the movement of businesses, besides allowing for investment in the stock market or simply keeping it in cash. This can also point to a comfortable financial situation, as the outcome of the investments in financial assets. However, it is worthy mentioning that a positive and high bursary balance may also indicate that the company may not be making adequate use of the investment opportunities allowed by its financial advantages. In this case, the “bursary balance will get “fatter” for a lack of a dynamic investment strategy, as Fleuriet, Kehdy and Blanc (1978:21) assert.

b) **Negative Bursary Balance**: this situation occurs when erratic assets are lower than erratic liabilities. In this case, the company’s short-term resources are financing its activities, which reveals that their long-term resources (own or third parties’) are insufficient and their short-term loans are covering NWC; this leads to more serious situation dangers of insolvency.
Within this perspective, Fleuriet, Kehdy and Blanc (1978:45) draw our attention to a very important activity that can be performed by a company’s financial management, which is that of “following up bursary balance evolution to prevent it from being constantly negative and growing”. When the need for working capital grows more proportionally than the working capital source, then there appears the “scissors effect” (financial imbalance).

As for the occurrence of the “scissors effect”, the following basic conditions can be identified, according to Brasil and Brasil (1993):

a) exaggerated expansion of the level of activities, culminating in a sales volume above company’s resources capacity available (overtrading);

b) debts of inadequate return;

c) excessive immobility;

d) losses in different periods;

e) excessive distribution of dividends;

f) expansion of the financial cycle above self financing levels;

g) high interest rates practised by the financial market.

2.1.1.4- Considerations on functional balance

Like every reliable model, the Fleuriet Model will pose some difficulties for the reclassification procedures of the legal balance, when it comes to measuring its characteristic variables. Such procedures are foreseen in the financial cycle and at the beginning of the financial balance. About this, Neves (1989:60) makes, with propriety, the following comments:

“- it is extremely difficult to reclassify balance sheet rubrics focusing on its respective cycle;

- the imperative relationship between resources and investments will clash with the principle that ‘money has no eyes’, once the group of resources will fund the group of investments;

- the classification of stable resources is extremely difficult, as some short-term loans will be stable if they are renewed on a regular basis.”

Foreseeing the difficulties in the classification of the accounts, according to the respective cycle, Brasil and Fleuriet (1979:152) state that the “classification of accounts within the integrated model must be done on the basis of their contents and not their names.” So, only the on-site auditor will be able to do a 100% accurate classification, once he has all he necessary information to explain the contents of the accounts.

Thus, it is possible to notice that the quality of the information supplied by the model in question, by means of its different variables, will directly affect the reclassification of the accounts statements, according to procedures established for such ends. This will still depend on the quality of the system used to compile accountancy information, as well as the common sense of the analyst when performing the reclassification activity.

2.2- Statement of Results of the Business Year

The reclassification of the statement of results aims at defining the different levels of profits made by the company, that is, gross operational profits, self funding capacity and self
funding, in order to identify and analyse the potential for own resource generation to finance investments.

The first level of resources concerns the productivity of the company’s core activity. According to Fleuriet, Kehdy and Blanc (1978:29), the fact that gross operational profit is classified before financial expenses “constitutes at the same time an economic and financial factor of prime importance”. Notably, it is this behaviour that:

- "will enable a particularly valid comparison between the business’ industrial and commercial policy and those of similar companies;
- will constitute for the company the fundamental resource obtained from its core activity, with which it will have to struggle to face:
  - the return of own capitals (dividends) and third parties’ (financial expense);
  - the reimbursement of loans contracted;
  - the payment of income tax;
  - the maintenance and growth of its real potential.”

The other two levels, in turn, refer to distribution or allotment of the operational profits among the main partners in the company’s entrepreneurial activity, such as the government, bankers and shareholders. In other words, “thus are defined the different plus value degrees”, according to (Brasil and Brasil, 1993:10).

Once allotment and distribution operations have been concluded (third parties, government, shareholders), the remaining balance, held by the company, will constitute its self-financing source. “Self-financing thus represents the amount of resources generated by the company and that is not reserved for its internal financing” (Fleuriet, Kehdy and Blanc, 1978:31).

For Brasil and Brasil (1993:11), this same “self-financing is WC’s major source of growth, as it is incorporated to the company’s Net Assets”.

2.3- Other statements

Concerning Origin Statements and Resources Allocation (OSRA) and Alterations Statements in the Equity (ASE) and their use as tools for the analysis of the financial management model, it is worth pointing out that, according to Brasil and Brasil (1993), such statements dispense with reclassification, as long as they are directly related to the variations of WC components, apart from the fact that they are specialised statements that deal specifically with strategic accounts (long term).

3- Final Considerations

As it could be realised on the course of this project, the functional classification of the financial statements aims at lending the Accountancy a more functional dimension, which will enable it to supply more accurate information on the performance of the company. Within this perspective, running parallel with the limitations of a traditional financial analysis, the dynamic financial management model of companies – the Fleuriet Model – is being more and more used as a tool to evaluate the financial structure and situation of companies, by means of the
measurement of its characteristic variables: NWC, WC and B.

Therefore, the accounts pertaining the operational cycle (operational or cyclic assets) will give birth to the variable NWC, which, when positive, will reveal a demand of resources for the movement of businesses. When negative, it is a source of resources for investment. As a result, the variable mentioned reflects the performance of the set of decisions on the exercise of the productive activities, which are stock maintenance, financing of clients, etc. This variable is relies on the dimension of the company’s financial cycle, as well as the level of activity performed.

The accounts referring to the exercise of the strategic function (long term) will allow for the measurement of the WC, which is usually a source of resources that will fund the NWC. Its measurement stems from the difference between the permanent liabilities and the permanent assets, which are representative of the set of the company’s strategic decisions.

The bursary variable balance (B) reflects decisions of a strictly financial nature, stemming from the performance of the set of strategic and operational decisions. In other words, when WC is positive, and surpasses the need for NWC, the bursary balance will be positive, indicating the investment of resources on financial assets, which brings liquidity for the company. On the other hand, when WC is positive and lower than NWC, the bursary balance will be negative, due to the collection of short-term resources to finance the portion of NWC not covered by WC.

An extreme situation occurs when WC is negative. In this case, the negative bursary balance indicates the use of short-term resources to cover the investment in permanent assets. It can also be measured by obtaining the difference between financial or erratic assets and liabilities. The variable bursary balance thus reflects how adequate the policy and financial strategy of a company are. That is the reason why Fleuriet regards it as the “financial barometer of a company”.

The use of the variables WC, NWC and B as tools for the analysis of a company’s structure and financial situation is foreseen in the modern or functional financial analysis, which has more and more been replacing and/or complementing the traditional financial model, and is based on the pointers of liquidity and on the concepts of net current capital.

Finally, it is worth emphasising Fleuriet Model’s power of information as a financial management tool, given that it provides specific information on strategic, operational and financial management, by means of the variables WC, NWC and B, respectively. No doubt, the model in question is of invaluable assistance to the finance administrator when performing the analyses of the impact of his decisions on the company’s financial performance, as well as to his efforts to adapt his decisions to a pre-planned situation.

Within this perspective, the present paper sought to demonstrate that the Fleuriet Model can prove very useful to the public sector as regards its aspects related to flexibility, decentralisation and mainly the assessment of the performance of management in the public sector. However, it must suffer some alterations to fit in with specific features of the accountancy information system inherent to public accountancy, regulated by the Federal Law n° 4.320/64. There is a pressing need for a new classification of the public sector’s balance sheets, complying with procedures adopted by the private sector.
As regards performance evaluation, the introduction of this type of model will demand the establishment of pointers to make the calculation of the different accounts easier. As for the decentralisation, flexibility and quality of the public sector, the model in question will enable the implementation and evaluation of these strategies, since it presents itself as the right information mechanism for this context, as was demonstrated on the course of this paper.

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