The Role of Treasury Management

Lecture 1
Chapter 1

Trends in Treasury Management

- Total Working Capital Management
- Emphasis on managing all CA & CL accounts
- Management of the Entire Balance Sheet
- Expanding Role and Responsibilities of Treasury
- Collaboration with Other Departments
- Greater Technological Expertise
Trends in Treasury Management

- Legal and Regulatory Developments
- Corporate Governance and Ethics
- International Treasury Management
- Outsourcing

Primary Corporate Objective

- What is the Goal of the Firm?
  - Maximize Shareholder Wealth

- Treasury Management creates value because cash flows are unsynchronized, uneven, and uncertain.
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Treasury Management Objectives and the Cash Flow Timeline

1. Acquire Materials or Resources
2. Convert Materials to Goods or Services
3. Sell Goods or Services
4. Collect Payment for Goods or Services

Treasury Management Objectives and the Cash Flow Timeline

- Treasury Management Objectives
  - Maintaining Liquidity
  - Optimizing Cash Resources
  - Establishing and Maintaining Access to Short-Term Financing
  - Maintaining Access to Medium- and Long-Term Financing
Treasury Management Objectives and the Cash Flow Timeline

- Treasury Management Objectives
  - Maintaining Shareholder Relations
  - Managing Risk
  - Coordinating Financial Functions and Sharing Financial Information

The Operating Cycle and the Cash Flow Timeline

- The Operating Cycle and the Cash Flow Time Line

Purchase of Resources → Payment for Resources → Sale of Goods or Services → Collection of Sales Receipts
Treasury Management Objectives and the Cash Flow Timeline

- Cash Flows
  - Cash Inflows
    - Collections from customers
    - Borrowings
    - Sale of Assets
  - Cash Concentration
  - Cash Outflows
Treasury Management Objectives and the Cash Flow Timeline

- Cash Flow Timeline and Float
- Collection Float vs Disbursement Float
  - Mail Float
  - Processing Float
  - Availability Float/Clearing Float
- Objectives are to shorten collection float and increase disbursement float

The Future of Treasury Management

- Continues to evolve:
  - Technology
  - Banking Industry
  - Payments System
Questions?