Review of Financial Management Based on Microeconomic Perspective

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Keywords: Financial Management, Micro Economy, Financial Statement, Strategy.

Abstract. In accordance with state regulations, it’s crucial to standardize the financial system in enterprises, and improve the level of financial management and accounting systems. While, it is furtherly significant to establish a financial statement system, and meliorate the transparency and credibility of financial statements. This study reviews and analyzes the microeconomic instruments, market regulation, financial statement and the source of the funds. It concludes that, with a good business environment, there must be a reliable business strategy. The business strategy mainly includes development investment strategy, stable investment strategy, tight investment strategy and combined investment strategy. The goal of the enterprise investment strategy is to maximize the value of the enterprise.

1. Microeconomic Financial Perspective

As the core of a company, we must first clearly understand the property rights of the enterprise and establish a shareholding system, actively and steadily revolute the enterprise property rights system. Only when the property rights of the enterprise are clarity, the operators are responsible for the actions and the future development situation in the enterprises. Thus, the credit of the enterprise is likely to be established. It’s crucial to standardize the financial system of enterprises, improve the level of financial management and establish a financial statement system, especially improve the transparency and credibility of financial statements. Furthermore, we should actively clear the bank's debts and payables, establish a corporate credit system, and improve the level of trust of enterprises, strengthen enterprise management and improve credit rating. Under normal circumstances, financial institutions with a credit rating of A - Level or above can be able to get the project about financing applications. Therefore, enterprises must establish a good creditworthiness, eliminate bad credit records. It is also vital to establish a credit rating system and indicators, and actively cooperate with relevant government departments to comprehensively establish a credit system.\textsuperscript{[1]}

2. Microeconomic instruments, Market Regulation

Financial instruments can be securities, including stocks, bonds, and so on. Microeconomic market regulation refers to the use of market mechanisms to coordinate the proportional relationship, between the supply and demand of specific products or varieties. According to the market mechanism, there is a situation that supply structure and structure of various specific products or varieties may not be consistent, but the total supply and total demand of the society have been
consistent. Accordingly, under the influence of interests, the information obtained from the varies in market prices, producers change the production structure. So that the proportional relationship between the supply and demand of various products or product varieties within each department is coordinated. Under the condition of capitalism, the micro imbalance is solved spontaneously through the market mechanism.\textsuperscript{[2,3]}

3. Financial Statement

With the continuous advancement of society and the development of economic globalization, financial statement is a systematic and comprehensive record of the trajectory in the enterprise's economic business. So, the relevant stakeholders are increasingly analyzing it. Financial statements are a dynamic system engineering. If we want to totally analysis results and make scientific decisions, the data based on the analysis must be true and reliable. The most important thing is that the financial statement analysts should rely on the financial indicators. Non-financial indicators, using a certain analytical skills and analytical methods to analyze the company's financial status, operating results and cash flow. At the current stage, although the limitations of the financial statements have certain influence on the statements analysis, some measures can be taken to improve them. The three financial statements are connected for completing analysis, including the analysis of changes in the financial indicator system, the analysis of changes in the financial projects, and structural level analysis. Obviously, the development of financial statement analysis needs to be studied at a further level, such as empirical analysis, which is especially worthy of the authenticity. Thus, based on empirical research in the report, the prevention of financial fraud are listed in financial statements. The application and research, in the analysis, are due to the fact that the relative research cost of empirical accounting, and much higher than that of normative research. The rational researchers have made the development of empirical analysis hindered by the cost-benefit analysis. It is vital to break through the resistance to carry out more in-depth theoretical research and practical discussion, and continuously develop financial statement analysis. Therefore, report users can comprehensively analyze and make scientific decisions through the system to promote the continuous development of the economy.\textsuperscript{[4]}

4. The Source of Funds is Related to the Capital Budget

When we talk about the source of funds, we will inevitably know where the funds come from and how to obtain them. The sources of funds are divided into self-owned funds, debt funds, and funds obtained from stock issuance. The self-owned capital refers to the capital formed by the shareholders, the capital surplus and the accumulated retained earnings. They are collectively referred to as the owner's equity and are essentially attributed to the investor's shareholders. The self-owned capital has the following characteristics:

(1) The ownership of the self-owned capital, and the owner can participate in the business management decision-making, obtain the income, and bear limited liability for the operation of the enterprise.

(2) The self-owned capital belongs to the “permanent capital” occupied by the enterprise for a long time, and the legal person's property right is formed. During the business operation period, the investor shall not withdraw the capital in any way except for the transfer according to law, and the enterprise has the right to control the property according to law.
(3) The self-owned capital has no pressure to repay the principal and interest, and its financing risk is low.

(4) Self-owned capital is mainly raised through the methods of absorbing direct investment, issuing stocks, and retaining profits through channels, such as state financial funds, corporate funds, resident personal funds, and foreign capital. The creditor's capital is the one that the enterprise obtains according to law and uses it according to the contract.

It has the following attributes:

(1) Creditor's capital reflects the relationship between the debt and creditor's rights of the enterprise and the creditor.

(2) The creditor of the enterprise has the right to claim the principal and interest of the creditor on time.

(3) The enterprise has the right to operate the debt capital held within the agreed time limit and assumes the obligation to repay the principal and interest on schedule.

According to the selection method, the various investment plans are compared and selected. With these sources of funds, if a company wants to obtain greater profits, it is necessary to make capital budgets in the operating enterprises, and plan the capital expenditures for fixed assets. It is also directly related to the success or failure of the project. It affects the survival of the enterprise, estimates the cash flow, estimates the risk level of the expected cash flow, and accordingly adjusts the risk of cash flow. [5]

5. Conclusion

Commercial project financing refers to a non-recourse or limited recourse financing or loan obtained from the project's assets, expected income or equity collateral. With a good business environment, there must be a reliable business strategy. The business strategy mainly includes development investment strategy, stable investment strategy, tight investment strategy and combined investment strategy. The goal of the enterprise investment strategy is to maximize the value of the enterprise. The investment strategy should determine the industrial, product, technical and market objectives of the enterprises’ target. By analyzing various investment environments, a reasonable investment strategy is formulated. The implementation of the investment strategy is the process of putting the investment strategy into action. The first step is to implement the strategic plan divided into actionable concrete solutions. Secondly, it is significant to establish an organizational structure for implementing the strategies. The program is implemented through the organization, and the appropriate organizational structure will provide guarantee for the strategic decision-making plan. At the same time, according to changes in the external environment, the company's strategy should be revised to ensure the correctness of the strategy.

Acknowledgements

The study is supported by the Ph.D Starting Research Fund from the Panzhihua University. [035200153]
References


