The New Era of Corporate Financial Risk Management and Control Strategy Research

Jing Liu\textsuperscript{1,a}, Lijia Huang\textsuperscript{2,b}

\textsuperscript{1}Jiangxi Normal University Business College, China
\textsuperscript{2}Jiangxi Normal University Business College, China

Jing Liu, Vice Professor, jxsdjh@vip.sina.com

Keywords: Corporate financial risk; Impact factor; Management and control strategy.

Abstract. With rapid development of China's market economy, business activities face many risks. The core of the overall management and control of risk is the company's financial risk management. In order to prevent financial risks caused by business management crisis and promote corporate healthy steady sustainable development, the focus on financial risk management and control is a possible series of financial problems and risk to predict and control in the future. In this paper, based on the financial risk characteristics of Chinese enterprises and the management and control situation, in the new period, we strengthen risk awareness, improved scientific financial decisions and build financial risk management and control system by analysing impact factors of financial risk in China to put forward the corresponding management and control strategies.

1 Introduction

With continues development of economy, the situation of competition is more intense among enterprises, to make an invincible position in the market economy in the new era, it is necessary for corporate financial risk faced by reasonable management. Therefore, business operators must continue to strengthen corporate financial activities risk profile, strengthen its risk management and control, in order to avoid unnecessary financial crisis and corporate crisis of survival as much as possible.

2 The basic characteristics of enterprise financial risk of the new era

Uncertainty. First, the financial risk in the process of business and were faced with a certain inevitability, but it anytime and anywhere to show again what forms are not determined; secondly, the frequency of corporate financial risk is difficult to measure accurately through various methods, the likelihood of its occurrence needs to build on a foundation of professional practitioners estimates and judgments on business operators, so there is some variability; once more, corporate financial risk for the production and operating activities degree of influence also is uncertain, can not be measurable predict for its consequences.

Predictability. Corporate financial risk although influenced by internal and external factors of uncertainty, but its occurrence has a certain regularity can be predicted. Related financial officer through all aspects of business in which the external environment and their own internal conditions analyse, use specific techniques and methods for a variety of potential financial risks exist to assess and predict.

Complexity. First, business by the external environment changes, the impact of their own operations and many socio-economic factors, leading enterprises have complex and diverse characteristics of the financial risk of reason; second, complex process of financial risk formation, business owners can not fully grasp the production process of financial risk, so the financial management and control processes of all aspects may produce financial risk; third, differences in financial risk business conditions affect the size and the level of damage, the owner is difficult to control it.

Harmfulness. When companies have financial risk, operational and related financial professionals do not take the appropriate measures to resolve the risk, lead to the financial crisis even the
outbreak of operations crisis, greatly affects company long-term development. If it does not get better treatment, less lead to loss of business, profits fell, more causes enterprise funds strand breaks, business failures. **Decisional.** Production and operations is an ongoing process, both in business before, during or after business operators are likely to occur financial risk. For financial risks may occur before the operation, the enterprise should be based on uncertain environmental factors to estimate in the future, and make decisions is benefit to enterprise development; financial risk which may occur should be through specific financial technology integrated assessment, make informed decisions in the case of trade-offs size.

3 Financial risk management and control situation of Chinese enterprises in the new era

**Financial risk awareness is not strong.** First, the business's decision was unreasonable, and its failure to fully carry out market research and scientific validation, and then can not make accurate predictions for expect corporate earnings, it led to failure of corporate decision-making, financial risk breeding. Second, enterprises in the actual process of business operations, in order to obtain the majority of clients, often use credit approach to business, this way greatly increases the risk of bad debts of accounts receivable. As businesses imbalance, causes cash flow problems, fund strand breaks, form a huge financial risk. **Financial risk control systems are not perfect.** Our company's current financial management system is imperfect, the majority of enterprises has independent financial department and hire relate financial staff to account, but its financial risk assessment and prediction lack of professional to operate. **Corporate financial decisions are unreasonable.** Many Chinese enterprises are belong to the principal-agent type, but business owners on the financial decision of business operators to intervene, in order to meet the requirements of business owners, managers have to change the original sound financial decisions, so to a certain extent increase some parts of the financial risk. There are some large enterprises are joint-stock companies to discuss major financial decisions through the board, so that on some level also affects the timeliness of financial decisions. **False financial information to breed.** It is a new era of rapid development of information technology, the competition is very fierce in all walks of life, all kinds of risks everywhere. In order to gain a foothold in the market, many companies quietly the disclosure of false financial information in market. So many false financial information that investors have lost confidence in the enterprise, and not dare to invest in their businesses, enterprise financing channels are limited, funds raised greatly reduced.

4 Factors of enterprise financial risk in the new era

**Complex macroeconomic environment.** Enterprise production and business activities present in the complex macroeconomic environment, which is generated external causes of financial risk. Macro environment of financial management mainly cover external environment about economic, legal, market, social, cultural and other resources. Because the external environment of enterprise financial management extremely complex and variability, not only brings opportunities for the survival and development of enterprises, enterprises also formed a certain challenge. **Unreasonable capital structure.** There is a phenomenon that capital structure is not reasonable, the proportion of debt is too large in most enterprises. Capital structure is mainly accounted for the relationship between equity capital and debt capital exists in all sources of funds. Capital structure is irrational and excessive debt also leads to decreased mobility of capital, liquidity is low. The size of capital liquidity is strength of financial liquidity, its close relationship with the financial risk. **Diversification of business activities.** Financial risk throughout the entire process, it is an important monitored objects in business management activities. Diversification of business activities, product structure is irrational, the lack of well-known and best-selling products, will lead to poor business sales, product backlog, take up a lot of liquidity, thereby greatly reducing the
turnover rate of enterprise funds. In addition, different business activities take the form of different payment way, the payment way of credit sale is occupy a dominant position.

Confusion internal financial relations. Unreasonable corporate control and confusion internal financial relationships are to generate corporate financial risk is a major factor. The use of funds for each sector and internal financial sector funds management responsibilities and interests is more chaotic, form a situation about "everybody is not cares thing that need to manage, too many people to interference the personal management". There are some phenomenon that most financial managers do not perform their duties and management override.

5 Chinese enterprises to strengthen financial risk management and control strategy in the new era

Strengthen financial risk awareness. Market economy environment is complex under the new era, business owner available information is extremely limited, and so business decisions made will face enormous risks. As a business decision-makers, should continue to strengthen the financial risk awareness, for the actual situation of enterprises and the external environment have a full understanding before decision-making, combine various factors to develop a variety of alternatives plan.

Improve the scientific nature of financial decision-making. Any company operating funds are limited, business decision makers will consider their own financial situation when making decisions, and so the scientific enterprise financial decisions will have a significant impact on the survival and development of enterprises. Companies to hedge financial risks, we must fully consider the various types of factors that influence decision-making, the use of reasonable calculation method to analyze the feasibility of making a variety of programs, all aspects of such programs operability and possible outcomes evaluate and select the best option.

Establish financial risk management and control system. The majority of corporate financial risk has not a clear understanding and lack of a complete system of internal financial risk management and control system. Taking into account the probability that the size of the enterprise financial risk, companies should also take financial risk assess and financial risk early warning into corporate financial risk management and control system, prompt the enterprise to prepare before the financial risk and to take effective measures to deal with it.

Improve the internal management system. Some managers of Chinese enterprises are not clear their own responsibility, always unauthorised management, as well as part of the corporate finance department no system workflow, result in internal management chaos. Enterprises should combine actual situation and emulate the success of the enterprise, constantly improve the internal management system, establish a good organizational structure, rational division of functions, the rights, responsibilities and interests to the implementation of the major departments of enterprises.

Use reasonable technology to avoid financial risks. First, companies can strengthen its cooperation with other enterprises, resource sharing, management and investment diversification to dispersed corporate financial risk. Secondly, the process of making business decisions, as far as possible to select a small risk and less loss of feasible options to avoid financial risks that can be avoided. Finally, enterprises can legally and reasonable way to the enterprise financial insurance, effectively transferring the financial risk arising from the loss of business to the insurance company. Therefore, use reasonable technology to better management and control financial risk.

6 Conclusions

Economic system and the macro-environment under the new era like a double-edged sword, not only to China's enterprises with the development opportunities, but also to the enterprise is faced with a huge risk. Enterprise financial risk is the greatest incentive for companies at risk, if want to be developed in our market, it is necessary for effective financial risk management and control.
References


