

# Enterprise Financial Risk Control

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**Abstract:** In recent years, my country's enterprises have developed rapidly and have become an important force in my country's national economic and social development. However, many star companies have only been in decline for 10 years. Among the reasons for the decline of these companies, the poor control of corporate financial risks is one of the most important factors. Since the financial risks faced by the enterprise are closely related to the sustainable survival and healthy development of the enterprise, it is necessary to carefully study the subjective and objective causes of financial risks, and explore a set of effective risk management strategies, which are of great significance to the sustainable survival and healthy development of the enterprise. special meaning.

**Keywords:** Enterprise; Financial risk; Direct Financing; Indirect Financing; Corporate Governance

## Preface

Foreign scholars have also achieved rich results in the research on this topic. The research field involves the judgment of whether the enterprise is in financial distress, the cost measurement and calculation of financial distress, the financial early warning management system, and the research on the behavior interaction between distressed enterprises and the market. And based on the research results of financial distress, the future research direction is to establish a financial early warning management system.

## 1. Introduction

Historical review of the research field. With the continuous development of my country's capital market, Chinese scholars have made a lot of theoretical discussions and empirical studies on the financial risks that Chinese enterprises may face, and have achieved rich research results. It mainly includes the judgment of whether the enterprise is in financial distress, the external and internal reasons of the enterprise facing financial risks, the financial early warning management system, corporate governance, risk control, etc. And the research results are summarized and commented, and the future development direction of this research field is proposed, that is, how to strengthen risk management, enhance the competitiveness of enterprises, and achieve sustainable development of enterprises<sup>[1]</sup>.

## 2. The current situation of Chinese enterprises

In the past 30 years, Chinese enterprises have sprung up and developed rapidly. Information on registered capital, sales amount, corporate taxation, employment and other aspects shows that enterprises have become an important force in national economic and social development. However, many companies often begin to decline sharply after a period of rapid development. Even some star-level<sup>[2]</sup> companies cannot maintain sustained and stable development after the prosperous period. The background reasons for these embarrassing facts may be manifold. However, they jointly explained to people the truth that in a competitive environment, there is a lack of risk awareness and weak risk management. This leads to the lack of financial flexibility and the lack of adaptability of the enterprise, which will endanger the survival of the enterprise at any time, and the development of the enterprise built without financial security will be "embarrassed" at any time. Therefore, for enterprises, it is of special significance for the continuous survival and healthy development of enterprises to have a clear understanding of the financial environment of enterprises, fully understand the subjective and objective reasons that lead to financial risks, and implement effective risk management.

## 3. Causes of corporate financial risk

### 3.1 External factors

The complex and changeable external environment is an important external cause of corporate financial risks. Chinese enterprises are still subject to many restrictions in terms of industry access. They still encounter unequal treatment in terms of land acquisition, talent introduction, and information acquisition, and are not optimistic in terms of technical environment and social service environment. For a long time, few enterprises have their own research and development institutions, the information services provided for enterprises are not smooth, the reference role for enterprises to make decisions is not obvious, the development of education and training services is not balanced, and the reemployment of employees is not clear, the development of enterprises' technological competitiveness and the adjustment of industrial structure have not had a profound impact,<sup>[3]</sup> and the relevant legislation is not sufficient, and it is difficult for enterprises to use legal weapons to win a good, fair and healthy development environment for themselves.

### 3.2 Internal factors

Most enterprises adopt individualized management and family-style management, and the management level is not high. Most

of the enterprises in our country adopt personal management and family management, and the accounting institutions are not perfect. The family-style management method will inevitably lead to many problems such as backward enterprise management, ambiguous internal division of labor, and unclear functions. There are two situations in the setup of accounting institutions: one is to set up an accounting institution, but the division of labor is not clear, and there are many part-time jobs; the other is that some small enterprises do not set up accounting positions at all, only when they have to submit reports and pay taxes, they will make sudden reports to deal<sup>[4]</sup> with them. Especially private enterprises, their particularity determines that the accounting organization is relatively simple, but economic activities of various natures will occur, which determines that the accounting personnel of enterprises must have comprehensive business skills and strong comprehensive ability. However, at present, the investors and operators of many enterprises lack basic accounting knowledge, few enterprises design their own rules and regulations, and accountants rely more on experience and intuition. The function of financial management cannot be played, which directly affects the quality of accounting information.

#### **4. The control of enterprise financial risk**

Risk control in specific financial management practices. Study how to establish an accounting normative system to ensure the accuracy of financial original data and the improvement of accounting work efficiency. Secondly, establish and improve the financial management system of the enterprise. In terms of finance, the first is to set up a special financial management agency to be in charge of the enterprise's capital financing, cash register, accounting management, payroll accounting,<sup>[5]</sup> fixed assets, budget preparation, and final accounts implementation; the second is to formulate corresponding financial management systems, Such as cash, procurement, reimbursement, audit and other systems, implement the standardization and institutionalization of financial management; the third is to improve the financial processing process, standardize accounting behavior. Any major financial and business decision-making of an enterprise should have scientific financial processing procedures; account, payment, and material should be assigned special personnel in charge; financial personnel should participate in the formulation of the enterprise's production and operation plan, and properly check the payment of funds. The fourth is to establish an internal control system and strengthen the financial supervision of enterprises. Implement the financial<sup>[6]</sup> management model of "pre-planning, in-process control, and post-event analysis" in the enterprise, and establish a sound internal audit system. The internal audit should develop from the subsequent financial revenue and expenditure audit to the economic benefit audit, management audit, internal control system evaluation, special audit and other fields, so as to improve the financial management level of the entire enterprise.<sup>[7]</sup>

#### **5. Conclusion**

The core of enterprise management is financial management, so the control and prevention of financial risks must be carried out in specific financial management practices in the final analysis. First of all, it is necessary to update the management concept, establish the strategic core position of financial management, and promote the transformation of financial management from passive bookkeeping to active management. It is necessary to fully recognize the strategic core position of financial management in enterprise management, so that the financial management of enterprises is no longer passively obeying the reproduction process, but actively dominates and manages the reproduction process to meet the needs of capital appreciation. Active financial management should not only do a good job in the recording and processing of financial data, but also seriously

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