

On the Influence and Development of Financial Management in Company Operation

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Abstract

With the in-depth development of economic globalization and marketization, financial management has received more and more attention in enterprises. A good financial management system can provide accurate financial information for enterprises, help enterprises formulate reasonable business plans, and optimize corporate strategies and decisions. Financial management is very important in any organization. It involves monitoring and controlling all aspects of an organization's financial activities, including budgeting, investments, financing, cash flow, and financial reporting. In today's competitive market environment, proper financial management is essential for the survival and growth of organizations, and this article will explore the basic concepts of financial management, financial analysis tools and their applications, risk management, and future trends.

Keywords

Financial Management, Financial Analysis Tools and Their Applications, Risk Management, Future Trends, Corporate Management.

1. Introduction

With the in-depth development of economic globalization and marketization, financial management is getting more and more attention in enterprises. A good financial management system can provide enterprises with accurate financial information, help them formulate reasonable business plans, and optimize corporate strategies and decisions. This article will discuss the basic concepts of financial management, financial analysis tools and their applications, risk management, and future trends.

2. Basic concepts of financial management

2.1. Definition of financial management

Financial management refers to the process of planning, organizing, controlling and monitoring financial activities such as capital, investment, cost, income and liabilities during the operation of an enterprise. Its purpose is to ensure the financial health of the enterprise, achieve comprehensive financial goals, and provide support for the sustainable development of the enterprise.

2.2. Functions of financial management

(1) Fund management: By controlling the flow and use of funds, the operation efficiency is improved and the normal production and operation activities of the enterprise are guaranteed.

(2) Investment management: According to the strategic objectives of the enterprise, formulate investment plans and rationally allocate investment funds to obtain the maximum investment income, thereby creating greater value for the enterprise.

(3) Financing management: In the process of financial management, enterprises need to consider certain sources of funds. By formulating a financing plan, obtain appropriate financial support to meet the development needs of the enterprise.

(4) Cost management: Enterprises need to manage various costs in the production process to ensure the rationality of product prices, reduce costs at the same time, and achieve the profit target of the enterprise.

(5) Financial Analysis: By collecting, analyzing and interpreting financial information, it helps companies formulate future business plans, budgets, and decision-making.

3. Financial analysis tools and their applications

Financial analysis is an important aspect of financial management. The tools of financial analysis mainly include comparative analysis, trend analysis, ratio analysis, cash flow analysis, etc. These methods can help companies better understand financial information and make reasonable business decisions.

3.1. Comparative analysis

Comparative analysis is the comparison of two or more financial data to determine the differences or similarities between them, so as to evaluate the financial status of a business. Common comparative analysis methods include horizontal comparison and vertical comparison. Horizontal comparison is to compare the financial data of different time points, while vertical comparison is to compare the financial data of different enterprises.

3.2. Trend analysis

Trend analysis is to determine whether the financial status of an enterprise presents a changing trend by comparing financial data in adjacent time periods. Through trend analysis, it is possible to predict the future operation of the enterprise and provide assistance for the enterprise to formulate a reasonable operation plan.

3.3. Ratio analysis

Ratio analysis is to evaluate the financial status of a company by calculating a series of financial indicators, such as debt ratio, profit rate and other values. Ratio analysis provides a more complete picture of the financial health of a business and compares it with other similar businesses.

3.4. Cash flow analysis

Cash flow analysis is a method of assessing the cash receipts and cash disbursements of a business. By analyzing the income, expenditure and investment activities in the cash flow statement, the company's cash surplus and cash gap can be determined, and corresponding business strategies can be formulated.

4. Risk management

Financial risk refers to the risks caused by various uncertain factors faced by enterprises in the course of operation. These risks may include market risk, credit risk, interest rate risk, etc. Market risk refers to adverse effects such as decline in corporate earnings and asset depreciation due to market changes. Enterprises can reduce market risks by establishing stable marketing channels, optimizing product structure, and conducting research on market trends. Credit risk refers to the risk of capital loss and economic loss faced by an enterprise when it

conducts transactions with other enterprises or individuals. Credit risk can be reduced by strengthening the assessment of financial status and establishing a credit rating system. Interest rate risk refers to the risk of changes in costs and benefits caused by interest rate fluctuations in the activities of enterprises in lending and investment. Enterprises can reduce interest rate risk through diversified investment portfolios and interest rate sensitivity tests.

Risk management can help enterprises identify and analyze risk factors, formulate corresponding preventive measures, and reduce the risks faced by enterprises. Risk management in financial management refers to the identification, evaluation, control and avoidance of various financial risks to ensure the stable, reliable and continuous financial status of the enterprise. Here are some related to risk management:

4.1. Budget and risk management

Budget is the basis of financial management, and it is the key to enterprise planning and controlling financial resources. Budgets not only allow for better allocation of funds, but also help businesses identify and avoid potential financial risks. When preparing a budget, enterprises should consider possible risk factors and formulate corresponding countermeasures to minimize risks.

4.2. Financial reporting and risk management

Financial reporting is the primary way a business discloses its financial position to internal and external stakeholders. Through financial reports, people can understand the financial situation of the enterprise and evaluate the risks and advantages of the enterprise. Therefore, in the process of preparing financial reports, companies need to conduct in-depth analysis and assessment of potential financial risks and provide appropriate solutions.

4.3. Financial analysis and risk management

Financial analysis is one of the key tools for companies to identify and manage risks. By analyzing financial data within a specific period of time, companies can understand their operating conditions, financial status and possible risks. Based on the analysis results, companies can take corresponding protective measures to reduce potential risk factors and improve financial stability.

4.4. Asset management and risk management

Assets are the core resources of an enterprise, but there may also be risks and threats. Therefore, enterprises need to implement effective asset management strategies, including asset evaluation, supervision, maintenance and protection, to avoid potential risks and ensure the safety of enterprise assets.

4.5. Liquidity management and risk management

Liquidity is a necessary condition for business operations, but it may also face some risks and challenges. Therefore, companies need to consider risk factors in liquidity management and take corresponding measures to reduce potential risks, such as establishing sufficient liquidity reserves and optimizing cash management policies.

In conclusion, risk management is an important part of financial management. Enterprises need to conduct in-depth analysis, evaluation and control of potential risk factors to ensure that the financial status of the enterprise is stable, reliable and sustainable. Through budgeting, financial reporting, financial analysis, asset management and liquidity management, companies can reduce risk and improve financial stability.

5. Company influence

When a business practices effective financial management, it will bring many positive effects to the company. The following is a detailed introduction of several aspects:

5.1. Improve the company's financial structure

Through a comprehensive analysis of the company's financial situation, companies can formulate financial plans to make their existing financial structures healthier. By controlling a company's liabilities and costs while increasing asset levels and profitability, businesses can improve their financial structure and increase financial flexibility.

5.2. Improve the company's operating efficiency

Through good financial management, businesses can make the most of available resources and minimize waste. Companies can better plan budgets, manage costs and control the flow of funds to ensure efficient execution of all business activities, improve operational efficiency and maximize production benefits.

5.3. Enhance the company's market competitiveness

Implementing good financial management can enable enterprises to have more funds for investment and expansion of business scope, thereby increasing market share and improving their competitiveness in a highly competitive market. Moreover, well-planned budgets and good profit management enable businesses to offer products and services to competitors at more competitive prices.

5.4. Reduce company risk

Effective financial management in an enterprise can help the company assess and manage various risks. By establishing budgets and conducting risk assessments, companies can identify and resolve potential risks in a timely manner, thereby effectively reducing the risks and economic losses faced by the company.

5.5. Improve your company's ROI

Enterprises implement good financial management to maximize profits while controlling costs. These measures help improve the company's return on investment and provide more attractive returns for owners. In addition, through good financial planning and analysis, enterprises can obtain more investment funds and further increase the company's return on investment.

In short, good financial management can help enterprises achieve financial and business goals, so as to achieve long-term and stable development of enterprises. The impact of financial management on the company is multifaceted, including improving operating efficiency, reducing risks, improving market competitiveness, improving the company's financial structure, and increasing return on investment. Therefore, for enterprises, financial management is an important management tool that requires great attention and continuous improvement.

6. Future trends

In the future, financial management will face more challenges and opportunities. With the rapid development of the economy, financial management will face more complex financial activities and risks. At the same time, the popularization of digital and intelligent technologies will bring more opportunities and challenges to financial management. Financial management plays a vital role in the operation of enterprises, and the trend of financial management in the future will also affect the development of enterprise business.

6.1. Financial digitization

With the rapid development of technology, almost all areas of the world are undergoing digital transformation. Financial management is also one of them. In the future, financial management will rely more on digital technology to process and store data. In this way, the reliability and accuracy of data can be greatly improved, the error rate can be reduced, and it is also safer and more reliable. Financial digitization can also enable financial staff to analyze and report data faster, helping companies make decisions quickly.

6.2. Financial automation

Automation is gradually replacing manual operations and will become even more important in financial management in the future. Through automation, finance staff can reduce unnecessary duplication of work and improve efficiency and accuracy. For example, tools such as machine learning, smart paperwork, and automated account processing can speed up auditing, forecasting, or other tasks that take a lot of time and effort.

6.3. Financial Intelligence

Intelligence is another trend of future financial management. By applying artificial intelligence and big data technologies, financial managers can analyze data, predict trends and find solutions faster. At the same time, artificial intelligence can also automate some operations, predict risks and reduce errors. For example, calculating debt risk using historical models and customer preferences; using machine learning to regularly review financial reports; or leveraging big data to identify and address credit card fraud.

6.4. Financial transparency

In future financial management, financial transparency will also become an important trend. Financial transparency refers to the degree to which a company's financial information is disclosed to internal and external stakeholders and other interested parties. With the rapid development of social media and the acceleration of information exchange in the context of globalization, the transparency of corporate financial information has become one of the important indicators of whether a company is trusted by shareholders and consumers. Therefore, future financial management must focus on transparency and establish a transparent corporate financial information disclosure system to meet the requirements of all parties.

6.5. Financial Sustainability

Financial sustainability is also one of the future trends in financial management. On issues of climate change and environmental protection, corporate financial managers also need to take on more responsibilities. Financial managers should formulate sustainable development plans that include comprehensive environmental, social and governance considerations. This will help enterprises achieve long-term and sustainable benefits while promoting the sustainable development of society.

The future trend of financial management will be towards digitization, automation, intelligence, transparency and sustainability. These trends will play an even more important role in the future as technology continues to advance. For enterprises, grasping and cooperating with these trends will lead to more successful results in business management.

In short, financial management plays an important role in an enterprise. Its role is not only to provide financial information, but also to provide support for enterprise decision-making, reduce risks, and ensure sustainable development of enterprises. Therefore, enterprises need to pay attention to the construction and development of financial management, and adopt scientific methods and means to improve the level and efficiency of financial management of enterprises.

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