# Research on the Financial Risk Control of Enterprises Based on the Integration of Business andfinance

**Fei Wang**
**Business School, Xi'an International Studies University, Xi'an 710128, China.**

***Abstract:*** With the rapid development of social economy, the traditional way of financial management has been unable to adapt to the development needs of the new era, and the way of "independent and non-crossing" between finance department and business department seriously restricts the effectiveness of the work of each department, which is not conducive to the transformation and upgrading of enterprises and long-term development. Therefore, it is of great significance to study how to control financial risks according to business development. This paper mainly adopts the research method of literature analysis, analyzes the causes of the main financial risks, and proposes that enterprises can control their financial risks by strengthening the information communication among financial personnel, promoting the transformation of financial personnel, promoting the integration and sharing of information of financial departments, strengthening the cooperation among departments, and combining unified management and centralized management with the help of data marketplace.
***Keywords:*** Financial Risk; Business Finance Integration; Control

## 1. Introduction

Financial risk is one of the most common and important risks that companies need to face in the course of their operations. In a narrow sense, financial risk is the risk of indebtedness arising from the raising of funds in the course of business, i.e. the risk of failure to repay debts as scheduled; in a broader sense, financial risk is the risk that the business results achieved in a certain scope and period of time may differ to a greater or lesser extent from the original target due to many unpredictable and uncontrollable factors in the daily business activities of the enterprise. In a broader sense, financial risk is the possibility that an enterprise will suffer from financial losses due to a number of unpredictable and uncontrollable factors that cause its operating results to differ to a certain extent and over a certain period of time from its original objectives.

## 2. The current financial risks of the enterprise

### 2.1 Funding Risk

#### 2.1.1 Fundraising size risk

The scale of financing is the total amount of financing for an enterprise over a period of time, and a reasonable scale of financing is very important for an enterprise. If the scale of financing exceeds the funds needed for production and operation, it will cause idle funds and increase the cost burden of enterprises; on the contrary, if the scale of financing is not sufficient to meet the needs of enterprises, it will further restrict the normal production and operation of enterprises and will have a negative impact on the development of enterprises. Therefore, enterprises should set "fundraising" based on "demand" and try to achieve "demand-funding balance".

#### 2.1.2 Funding timing risk

Funding timing refers to a point in time or a period of time when the funding environment is conducive for a company to raise more funds at a lower cost of capital. If an enterprise seizes the favorable funding timing, the cost of capital will be low, the enterprise's profit will increase and profitability will improve; on the contrary, the enterprise's funding cost will increase significantly, and the higher cost of capital will require the enterprise to make up for it with higher revenue, once the enterprise's revenue does not reach the expected target, then it is likely that the enterprise will fall into the dilemma of capital turnover and even be unable to repay the principal and interest of the debt leading to the financial risk of the enterprise.

### 2.1.3 Funding structure risk

The funding structure is the proportion of different types of funds allocated to the total amount of financing of an enterprise. If the financing structure of an enterprise is reasonable, it will make the enterprise work well and reduce the financial risk of the enterprise to a certain extent, while if the financing structure of an enterprise is not reasonable, it is more likely to lead to the inability of the enterprise to repay the loan and thus a financial crisis.

## 2.2 Accounts Receivable Management Risk

### 2.2.1 Managing risk ex ante

The first is to assess the risk of customer creditworthiness. Before making credit sales, companies need to decide whether to provide business credit to customers and to which customers they should provide it, and this is where they must investigate the credit rating of the other party in advance to prevent increasing the risk of future bad debts. The second is the risk of developing a credit policy. It is the credit financing system that a company requires its customers to fulfill or allows them to utilize, including credit criteria, credit period and cash discounts.

### 2.2.2 In- and post-event management risks

The first is to monitor and analyze the risk of accounts receivable. Usually the longer the accounts receivable are in arrears, the lower the possibility of recovery and the higher the possibility of forming bad debts. Therefore, if a company does not closely monitor, keep control of and update information on the status of accounts receivable recovery, it may increase the risk of accounts receivable management. The second is the risk of establishing a collection policy. When establishing a collection policy, companies should weigh the increased costs and expenses against the reduced opportunity cost of receivables and bad debt losses, thus minimizing the risk of establishing a collection policy.

## 2.3 Inventory management risk

### 2.3.1 Out-of-stock risk

In the daily production and operation, enterprises must reserve a certain amount of inventory to meet the needs of production and sales, if the inventory is not enough, it will cause the risk of stockout and cause negative impact on the enterprise. The risk of stock-out is manifested in two aspects: the risk of stopping work and waiting for materials and the risk of not being able to meet sales.

### 2.3.2 Excess risk

If the enterprise stores excess inventory, it is bound to take up a lot of monetary funds, and inventory is a less liquid asset, so the enterprise loses the opportunity cost of these funds occupied by inventory; there may also be a situation that: due to the renewal of the market, the enterprise stores a large amount of inventory has become obsolete, put on the market has lost its competitiveness, so the enterprise has to sell at a reduced price or even below cost price, at this time, the enterprise is faced with the risk brought by excess inventory.

# 3. Analysis of the causes of corporate financial risks

There are many reasons for financial risks in enterprises, which can be generally divided into external and internal reasons. External causes are difficult to predict and control, while internal causes mostly depend on the enterprise's own business model and decision-making methods, among which the degree of integration and collaboration between the financial and business personnel is very important[1].

## 3.1 Poor information communication between industry and finance personnel

Under the traditional working model, finance personnel only communicate and exchange information with the internal staff of the finance department when they encounter problems, and the same goes for business personnel. But nowadays, communication across departments and levels is essential, and if there is poor information communication between finance personnel and business personnel, sometimes the economic interests of the enterprise will suffer unnecessary losses[2], because good and efficient information communication is the basic prerequisite for the excellent completion of financial and business work.

## 3.2 Disparity between corporate financial and business data

Finance personnel and business personnel have different analysis angles, utilization values and processing requirements even for the same data because of their work needs, so they cannot finally come up with data information that is completely unified in form and type, which makes it difficult for finance personnel to organically combine the data provided by business departments with their own department's data[3]; conversely, it is also more difficult for business personnel to use data from finance departments.

## 3.3 Corporate finance staff have not yet completed the transition

Most of them still hold the attitude of "waiting for the rabbit" until they start accounting, assessment and supervision after waiting for the data, and they do not take the initiative to "future-oriented" management accounting talents[4], that is, they analyze the business from the macroscopic viewpoint first, and use modern developed science and technology to "take the initiative" to dig useful business data.

## 3.4 Low awareness of interdepartmental collaboration in enterprises

Under the traditional enterprise management model, the finance department and the business department are two completely independent departments, and there is less intersection in the work, and even the personnel of the two departments in some enterprises even meet only a few times, so the finance personnel always dryly study the business data occurred by the business personnel, but it is more difficult to analyze the business essence behind these data, which will lead to the finance department is difficult to provide accurate and effective financial analysis information, and then difficult to help the senior management to make effective decisions [5], and may even lead to wrong decisions, bringing risks to the enterprise.

# 4. Measures to control financial risks of enterprises based on the integration of business and finance

From the above, it is clear that the organic integration of finance and business departments is an important determinant of the probability of financial risks in enterprises. Therefore, the following countermeasures are proposed for the proposed financial risks and combined with the analysis of the causes.

## 4.1 Control of financing risks

### 4.1.1 Strengthen the information communication between finance and business personnel

Finance personnel should arrange the scale of fund raising in a timely and reasonable manner according to the specific arrangement of business and time schedule and other different fund needs, communicate in a timely manner to grasp the timing of fund raising, so as to not only reduce the cost of funds as much as possible, but also meet the specific needs of fund usage, and finally reasonably arrange the ratio of long and short term funds, the ratio of equity and debt funds, optimize the fund structure and achieve the purpose of reducing the risk of fund raising structure.

### 4.1.2 Facilitating the transformation of finance staff

Enterprises can promote the transformation of traditional accounting personnel in the finance department to business finance, expert finance and integrated finance personnel. Among them, the business finance personnel is the "lubricant" of the finance department and the business department, business finance personnel use their advantages of both business and financial knowledge to combine business and capital, so as to "set the fund with the need", grasp the favorable timing of financing, and Rationalize the financing structure.

## 4.2 Control of accounts receivable management risks

### 4.2.1 Promote the integration and sharing of information in the industry and finance sector

Promote the integration of business and finance can achieve the transfer and sharing of information between the finance department and the business department, "through" the data between the modules, to build an integrated control system, so as to effectively solve the problem of inconsistent financial and business data, so that enterprises can fully promote the integration of ERP systems and order processing, warehouse transfer, parcel processing, logistics and transportation and other business systems.

### 4.2.2 Strengthen interdepartmental cooperation

Through aging classification, enterprises can also follow the practice of five-level loan classification to divide accounts receivable into several categories and coordinate various departments to manage them with different methods according to the characteristics of accounts receivable at different stages, strengthen the close cooperation among departments, promote efficient communication among departments, and minimize the risk of enterprise accounts receivable management as much as possible.

## 4.3 Control of inventory management risks

### 4.3.1 With the help of data marts

The data mart can store various data from different sources according to multiple dimensions to generate data cubes oriented to decision analysis needs to meet the needs of different departments or users of the enterprise. Its significant advantage is that it can meet the special needs of different professional user groups and can present the data stored in to them in terms familiar to each department, avoiding the inconvenience to users due to the inconsistency of enterprise financial and business data.

The data mart will obtain data information from the operations occurring in each department and store it in multiple dimensions, outputting it as financial indicators when the finance department needs to use it and as business indicators when the business department needs to use it. In addition, with the help of the data mart, each department can obtain accurate information about raw materials, semi-finished products, finished products and sales volume at any time, so that business activities such as procurement volume and production volume can be rationalized. Therefore, with the help of data mart, we can not only share corporate information, but also strengthen the connection between each department and reduce the risk of downtime and order default, etc.

### 4.3.2 The combination of unified management and centralized management

The finance department of the enterprise carries out unified management of the funds of inventory, and each business department carries out centralized management of the funds. The finance department strengthens the unified and centralized control of funds, which can promote the coordination and balance of supply, production and sales, so as to "determine production by sales, consumption by production and purchase by consumption", and realize the comprehensive balance of enterprise funds use. The combination of unified management of finance department and centralized management of business department strengthens the connection between business department and finance department, and avoids the risk of inventory management caused by unreasonable use of inventory funds, which makes enterprises store a large amount of inventory and take up more monetary funds.

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