



On the Control and Prevention of Enterprise Financial Risk

ziyu Hou^{1,a*}, Ronaldo Juanatas^{1,b}, Jasmin Niguidula^{1,c}

¹College of Industrial Education, Technological University of the Philippines, Manila, 0900, Philippines

*^aemail: 306681992@qq.com, ^bemail: ronaldo_juanatas@tup.edu.ph, ^cemail: Jasmin_niguidula@tup.edu.ph

Abstract

As the most important application of human resource management, performance management plays an important role in ensuring the realization of organizational objectives. By analyzing the current situation of performance management commonly existing in research enterprises, this paper aims to explore and build an effective management model suitable for research enterprises through the analysis of its current situation and problems of performance management, so as to maintain the development vitality of the unit and enhance work performance.

Keywords: Financial risks; Internet service enterprises; Risk prevention and control

1. Introduction

With the development of economy and society, the Internet has become a part of public life. In terms of life, Alipay health code and access facilitate the government, the state and the public to control the spread, understanding and information of the epidemic, all of which are inseparable from the Internet. The role of Internet service industry has involved the whole industry and penetrated into the life of every resident. Today, with the rapid development of the Internet industry, the development of the industry is inseparable from financial support. Due to the short development time and fast development speed of the Internet service industry, enterprises in the Internet service industry face certain financial risks due to the influx of a large amount of funds; In particular, the Internet service industry is a conceptual industry, which requires high professional technology, takes a long time to develop products, the effect of finished products is unstable, and the investment may not reap the corresponding return.[1] This series of problems may lead to the lack of risk control ability of enterprises. In this context, effectively preventing and controlling financial risks can not only provide good cash flow for enterprises, but also prevent enterprises from going bankrupt due to financial risks. Therefore, it is necessary for enterprises to actively prevent and control financial risks.[2]

Financial risk is the general name of the behavior that reflects the differences in profits and losses caused by uncontrollable factors in the operation and operation of

enterprises through financial indicators, so as to affect the financial situation of enterprises.[3] In a narrow sense, financial risk refers to the behavior that the expected goal of the enterprise cannot be achieved due to the problem of only supply. Financial risk not only depends on the change of profitability, but also related to enterprise strategy, talent training plan and enterprise management and control. The business activities of enterprises are affected by both internal and external environment. [4]When the environment changes, the financial risk of enterprises can be divided into financial income and property loss. Therefore, in a broad sense, financial risk can be understood as the increase of uncontrollable factors due to changes in the internal and external environment of the enterprise, and the deviation between the financial situation and expectations due to the failure of the enterprise to prevent and control such uncontrollable factors in time.

2. Analysis on the current situation of enterprise financial risk

In order to better analyze, this paper selects enterprise A as the research sample. Enterprise A is a medium-sized Internet service enterprise. Its main projects are software technology and information technology support services. Its products are mainly provided in public management system, government, schools, quality inspection, environmental protection and so on. During the outbreak of novel coronavirus, the infected person real-time tracking applet developed by enterprise A received extensive attention and download from the society, and

cooperated with the navigation system to enable pedestrians and drivers to know the surrounding information in real time, avoid high virus incidence areas and reduce the risk of infection.

Enterprise A has 1206 employees, including 236 administrative personnel, 184 logistics operation support department, 468 marketing business department and 318 technology R & D department. The personnel in the technology R & D department are relatively young, with an average age of 30 years, and all have bachelor's degree or above. There are many knowledge workers in enterprise A, most of whom have received higher education. Managers have experienced outdated long-term changes. Generally speaking, the employees of enterprise A have a certain sense of risk prevention.

2.1 Enterprise financial risk analysis

2.1.1 Risk analysis in financing activities

Enterprise a is defined as a start-up enterprise mainly because the overall management system of enterprise a is not perfect, so enterprise a must raise funds from the outside to make up for the capital gap of its own development and product R & D.

Table 1 a cash flow statement of enterprise financing activities (unit: 10000 yuan)

Name	2018	2019	2020	2021
Cash inflow from financing	800,000	13,750	30,200	32,150
Cash outflow from financing	1,555	9,204	24,907	25,456
Net cash flow from financing	6,444	4,546	5,292	6,702

Data source: annual report of enterprise a from 2018 to 2021

As can be seen from table 1, enterprise a has a stable cash flow inflow every year from 2018 to 2021, which shows that enterprise a has a wide range of financing activities, can obtain funds through various channels, and the large amount of funds raised by the enterprise can maintain the current development needs of enterprise A. However, as the Internet service industry is an industry at the forefront of science and technology, it needs very large learning costs and R & D costs, Therefore, from the perspective of long-term development, the funds raised by the annual fund-raising activities of enterprise a still can not meet the development needs of the enterprise. The fund-raising capacity of enterprise a needs to be further strengthened to meet the capital and operation needs of the enterprise in the follow-up R & D.

Table 2 A cash flow composition of enterprise financing activities (unit: 10000 yuan)

Name	2018	2019	2020	2021
Investment funds	0	1,450	0	0
loan	8,000	7,300	27,400	28,520
Issuance of bonds	0	5,000	0	0
Other financing related activities	0	0	2,800	2,932

Data source: annual report of enterprise a from 2018 to 2021

It can be clearly seen in Table 2 that the financing activities of enterprise a mainly obtain funds through borrowing, while there is almost no capital inflow in other financing methods, which shows that in the daily business activities of enterprise a, there is no publicity for the enterprise itself, resulting in investors from all walks of life do not understand or even know about enterprise a, which makes enterprise a face certain difficulties through financing methods other than borrowing. In addition, in the financing activities in 2018, enterprise a only borrowed or 80 million funds. When an enterprise has too much debt, it needs to maintain a certain liquidity to ensure its solvency, and the funds raised by borrowing need to pay certain interest to creditors. If the enterprise uses too much profit for interest repayment, it will reduce the working capital of the enterprise, which is not conducive to the future development of the enterprise. Once the enterprise has capital problems and cannot repay the interest, it will fall into financial crisis and further aggravate the probability of financial risks.

2.1.2 Risk analysis of investment activities

Enterprise a is a developing enterprise focusing on product R & D and production. R & D investment is essential. We should be cautious when investing. From the financing activities, we can see that the main source of capital of enterprise a is through borrowing. If enterprise a's investment activities are not handled properly, it will lead to poor capital turnover and increase financial risks.

Table 3 cash flow statement of enterprise a's investment activities (unit: 10000 yuan)

Name	2018	2019	2020	2021
Investment cash inflow	380,089	261,869	182,790	174,450
Investment cash outflow	386,230	264,123	180,921	172,563
Net cash flow from investment	-6,141	-1,162	1,869	1,886

Data source: annual report of enterprise a from 2018 to 2021

Comparing the cash flow in Table 3 with the cash flow in financing activities in Table 1, enterprise a did not invest much in investment activities, and suffered losses in the operation of investment activities in 2018 and 2019. It can be seen that the return on investment in R & D products carried out by enterprise a in 2018 and 2019 was not high in the market, and the return on investment was weak. This situation did not improve until 2020, but it can still be seen that although the investment activities were profitable, However, it is still not high and can not support the investment cost of enterprise a in the next operation cycle. The low rate of return on investment makes it impossible for enterprise a to return its investment funds, reduces the liquidity of enterprise a's assets, increases financial risks and is not conducive to the long-term operation of the enterprise.

2.1.3 Risk analysis of business activities

The source of income from normal business activities of an enterprise is product sales. Enterprise a is in the Internet service industry and largely depends on the virtual sales of the Internet. The Internet industry has certain particularity. Today's social traffic is in the forefront. However, for Internet service enterprises, how to realize the traffic is a problem that needs to be considered and transformed. Therefore, the fund withdrawal of enterprise a is affected by the market. The market is changeable and there are many unstable factors, which makes the fund amount of enterprise a unstable. Once an unavoidable catastrophic event occurs, such as the outbreak of novel coronavirus in early 2020, enterprise a's fund will be in trouble and cause financial risks.

Table 4 cash flow statement of operating activities of enterprise a (unit: 10000 yuan)

Name	2018	2019	2020	2021
Operating cash inflow	70,356	80,671	82,425	84,456
Operating cash outflow	74,671	78,871	76,707	74,895
Net operating cash flow	-4,315	1,800	5,717	9,560

Data source: annual report of enterprise a from 2018 to 2021

It can be seen in Table 4 that the inflow and outflow of business activities of enterprise a are large. Compared with the data in Table 1, enterprise a will use a large proportion of the funds raised for the daily business activities of the enterprise. However, it can be seen that the operation of enterprise a in 2018 is not ideal, showing a loss situation, and it will improve year by year from 2019 to 2021. This is due to the particularity of the software service industry in which "the enterprise A" is located, and the high cost of credit purchase and flow conversion, resulting in the weak profitability of

enterprise a. With the development of China's Internet industry and the proposal of the the Belt and Road policy, the rapid rise of E-commerce makes the products issued by enterprise A to have a certain profitability.

3. Reasons for financial risks

3.1 intensified market competition

The Internet alone can not make people all over the world communicate, but Internet services can. More and more apps have been developed, forming a more diversified culture. Live broadcast, short video and other forms have entered the public's vision, and there are more and more ways to realize through Internet traffic. Since the reform of software development and public service system, the competitiveness of these institutions has been strengthened, and the risk of using one software development and public service system has been weakened. Since the reform of software development and public service system, the school has been engaged in more than one software development system, which has further weakened its competitiveness.

3.2 imperfect enterprise financial risk management system

In this study, the current managers of enterprise A are mostly related to the Internet industry. Their professional quality and professional ability may be at the top level of the industry, but they may have shortcomings in management ability.

3.3 weak profitability

It can be seen from the cash flow of enterprise a that most of the inflow funds of enterprise a are used in investment activities and operating activities. Enterprise a is an Internet service company. One of the most basic requirements of Internet companies is to be at the forefront of technology. Whether Java in the past or Python in the present, Internet service enterprises must follow the technology and carry out technological innovation or creative innovation. As a result, enterprise a has to invest a lot of money in product research and development to ensure its sufficient competitiveness in the market.

4. Enterprise financial risk prevention and control measures

4.1 the financial risk awareness of the management needs to be strengthened

The managers of enterprise a are mostly technical personnel, who have very professional knowledge in the field of Internet and computer, but may not be particularly proficient in financial management. In view of this

situation, in order to effectively avoid financial risks, the leadership of enterprise a should learn from mature entities, learn the financial risk prevention and control mechanism and ideas of successful large entity enterprises, and establish the awareness of financial risk prevention and control. We can also introduce senior financial personnel and invite professionals to popularize the knowledge and hazards related to financial risk in the form of lectures, so as to improve the awareness of financial risk prevention and control of managers ideologically, so as to facilitate the more effective implementation of financial risk prevention and control.

4.2 Broaden financing channels

It can be seen from the data of enterprise a that the financing mode of enterprise a is mainly focused on borrowing, and the financing means are too single, which is easy to cause financial risks. From the outside of the enterprise, the future work focus of enterprise a should fully understand the industry characteristics and market change trend, fully contact with investors or fund holding departments and institutions, establish brand reputation, enhance investor confidence, make more contact with resource holding departments with a better attitude and the attitude of excellent enterprises in the industry, broaden its own financing channels and diversify the sources of funds.[5]

4.3 Optimizing investment strategy

The development of enterprises is inseparable from the formulation of objectives. While formulating strategic objectives, enterprises use multiple tactical objectives to realize the modularization and concretization of strategic objectives. In case of deviation, the management can make timely adjustment according to the actual situation. The utilization and conversion rate of enterprise a in raising funds is not high, resulting in investors' lack of confidence in enterprise a. When formulating the investment strategy, enterprise a should fully consider the interests of all groups, ensure the interests of investors while ensuring that its own R & D funds are sufficient and its own development needs are met, enhance investor confidence through dividends, cash distribution and other means, and ensure that the investors' funds can be invested continuously, rather than withdraw quickly after a short time, resulting in the poor capital of enterprise A. Ultimately damage the interests of both investors and funders.

5. Conclusion

For the Internet service enterprises, the products they produce are composed of data, no physical products, and high-tech products. Therefore, the financial risk of Internet service industry is higher than that of physical manufacturing industry. From the current operating

situation of Internet service enterprises, we can improve their financial risks by enhancing the financial risk awareness of the management, broadening investment channels and optimizing investment strategies. We also hope that these enterprises can find new solutions in the future.

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