Financial Risk Analysis of Agricultural Enterprises

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Abstract: The financial risk control of agricultural companies plays an important role in the development of agricultural industry. As a high-risk industry, agriculture itself has the characteristics of weakness, and the financial risk control is weak compared with other industries because of its unique mode of production and operation, the particularity of biological assets and other reasons. Therefore, once the financial loopholes or other unexpected conditions of agricultural enterprises are found, it will not only cause losses to the shareholders and creditors of the company, not conducive to the long-term development of enterprises and establish a good image[1], but also disrupt the normal capital market and market economic order, and even lead to a series of major economic problems in the entire agricultural industry. It can be seen that the financial risk of agricultural industry can not be ignored. Therefore, managers of agricultural enterprises need to pay attention to financial risk control in the future development of enterprises.

1. Introduction

Financial risk refers to the possibility that an enterprise may suffer economic losses due to the deviation between the realized final income and expected income due to the limitation of some internal and external environment or objective factors during its financial activities. If the company's managers want the company to survive in the fierce market competition, they must be prepared to deal with all aspects of the company's business risks. Therefore, this paper believes that the broad concept of financial risk can more truly reflect the financial risks faced by the enterprise, Reflect the nature of financial risk but also more conducive to the development of the enterprise, timely evaluation and prevention and control of various financial risks.

2. Financial Risk Characteristics

Financial risk runs through every operation link of an enterprise. In order to identify financial risk more accurately, we should first understand the characteristics of financial risk.

2.1 Objectivity

The instantaneous changes of the market environment lead to the financial risks of enterprises are objective and difficult to avoid. The leaders and managers of enterprises should not escape or take chances, and should deal with the financial risks directly. This requires enterprises to control the possibility of the occurrence of financial risks in the process of operation, that is, to actively identify risks and timely control risks, in order to reduce the adverse impact on the interests of enterprises.

2.2 Uncertainty

Because it is difficult for enterprises to accurately grasp the possibility of national policies, external market factors, and even changes in the global economic environment from a macro perspective, they are uncertain about the specific kind of financial risk that will occur, when it will occur, and how big the impact will be. Once the assessment is wrong, financial risk is likely to occur in the business activities and financial activities of the enterprise, so the financial risk is characterized by uncertainty[2].

2.3 Comprehensiveness

Every link in the production and operation activities of an enterprise includes the flow of funds, including raising funds, using funds, accumulating profits, distributing benefits and other behaviors. The financial risks generated by the flow of funds also run through it and affect the operating results of an enterprise from many aspects[3]. Therefore, enterprise managers need to comprehensively improve the risk awareness of all departments and employees, and establish a complete risk assessment and control system for the causes of financial risks.

2.4 Correlation

In terms of horizontal comparison, Different enterprises have different types of financial risks. which are related to their respective scale, operating characteristics[4], profit model, industry and field types. From the perspective of vertical comparison From the perspective of enterprise lifecycle theory, there are not only different kinds of financial risks for different development stages, but also different degrees of influence caused by different types of financial risks.

3. Type of Financial Risk

Combine the characteristics of all kinds of financial risks it is necessary to judge and distinguish different types of financial risks in the process of capital flow, so as to clarify effective measures to reduce the impact of risks.

3.1 Financing Risk

Financing risk generally refers to the consequences of poor financial condition, declining business condition, inability to repay debt and debt interest caused by enterprises' financing activities under the circumstances of macroeconomic environment changes and market fluctuations of both sides[5]. Any enterprise wants to normal operation of production and management, expand business areas, strive for market share, optimize product quality, etc., It needs sufficient financial support. In the case of lack of own funds, it is necessary to raise funds through external, so it is decided that raising funds is the first link of the normal operation of enterprises.

3.2 Investment Risk

Investment risk mainly refers to the risk caused by raising a certain amount of funds and using the raised funds to carry out internal or external investment activities. However, due to certain certainty and uncertainty conditions, the actual income from investment in the business activities of the enterprise is different from the previously stipulated expected income, which affects the company's profit and the ability to repay debts.

3.3 Operating Risk

Operation risk usually refers to the supply, manufacturing, marketing and other links in the production and marketing process of the enterprise. Due to the lack of sufficient funds to maintain the normal operation of the enterprise, The company's capital operations have stagnated, the expected business objectives of the enterprise cannot be achieved, resulting in the economic damage of the enterprise and the poor financial situation.

3.4 Liquidity Risk

Liquidity risk refers to the possibility that the assets of an enterprise cannot transfer cash in a normal and certain way or the liabilities and liabilities of the enterprise cannot be performed normally. In this sense, the liquidity risk of enterprises can be analyzed and evaluated from the two aspects of liquidity and solvency. Due to the enterprise's ability to pay and repay the ability of the problem, called cash shortage and cash insolvency risk. The problem arising from the uncertain transfer of enterprise assets to cash is called liquidity risk.

4. Financial Risk Management

4.1 To Ease the Excessive Asset-Liability Ratio

To help alleviate high debt to asset ratios, corporate debt should be cleared and funds properly managed. The asset-liability ratio reflects the situation of an enterprise's debt operation, and can be used to measure the ability of an enterprise to use the funds provided by creditors to carry out business activities, Reflecting the company's financial risk profile, and provide creditors with a signal of the degree of safety of granting loans to an enterprise. To reduce the excessively high asset-liability ratio You can follow these suggestions.

First, clean up enterprise debt matters, focus on clearing up the prepaid accounts in the current account. In the preparation stage of cleaning work, it can carefully check the detailed items in advance receivees according to the sequence of time or amount, inquire the specific reasons for settling accounts, take corresponding measures to reduce the amount of advance receivees, speed up the conversion rate of advance receivees into revenue, Reduce fiscal and tax risks. In the actual liquidation process if the behavior is legal, it should grasp the liquidation intensity, arrange the repayment time point in a planned way, avoid dealing with the debts too early or too late, and at the same time ensure the interests and reputation of the company. After the cleaning work is completed, the financial personnel should timely summarize the loopholes of enterprise management and put forward suggestions for improvement, This will help with future debt management.

Second, we should properly manage funds and make good use of idle funds. In each stage of operation, enterprises need to formulate feasible strategic plans, estimate the amount of funds occupied, constantly adjust the occupation situation, compress the time of funds occupied, Ensure a reasonable structure Accelerate the turnover of funds and improve the level of management. Especially for the order of the deposit, the expiration of the need for timely return, take the initiative to fight for the rights and interests of the enterprise. In addition, Considering inflation, a combination of various forms of financial management can be implemented to deal with the situation of idle funds. Banks have a wide variety of financial products, according to different needs of a variety of financial methods. On the premise of ensuring the necessary cash flow required by the company's operation, part of the capital can be used to buy corporate financial products with low risk and easy access, so as to increase the premium value brought by the capital. The remaining funds can be used to buy financial products with a long financial cycle. At the same time, multiple types of products with different returns can be bought together to diversify financial risks.

4.2 Improve Cost Management

With the expansion of the industrial scale some constraints on the development of agricultural-related enterprises have also begun to stand out. At the same time, we can find that because of the characteristics of low profit and high input of agricultural production enterprises, whether an enterprise can have cost advantage is the key to ensure its market competitiveness. At the same time, due to the lack of leading industry standards, Our agricultural enterprises lack sustainable development. and most of them set up big projects by seizing policy opportunities. In the period of rapid development of domestic demand market, such disadvantages of “big but not strong, many but not excellent” will be covered up by market demand. As the market gradually enters the transition period The development dividend brought by market demand for enterprises will also disappear, while the market environment is in a relatively steady development, having advanced management concepts will become an important condition for the sustainable and stable development of enterprises.

First, during the productive process, pay close attention to the generation of costs and dynamically control costs to avoid large differences between planned costs and actual costs, so as to help enterprises arrange funds in advance and ensure normal production. First, pay attention to cost budgeting. When the budgeter prepares the budget, the project leader can participate in the approval of the budget details based on the actual production experience, Improve the accuracy and comprehensiveness of the budget and ensure that the enterprise gives a reasonable quotation. Secondly, During the material preparation process, procurement personnel should strictly control the purchase price, warehouse management personnel should check the quality of goods when accepting, accounting personnel should regularly check the inventory of materials, Ensure that the accounts are in line with reality. Finally, When the product is finished Priority should be given to the implementation of the budget plan.

Second, for agricultural production enterprises, cost analysis is the analysis and summary of the cost of production products. It mainly uses actual cost records, project budgets and other materials to compare the plan with the actual situation, understand the cost changes, study the changing factors, and analyze the cost composition in depth. First of all, in the actual analysis work, I am familiar with and flexible in the use of cost analysis methods, can use a method according to the characteristics of the project, or a comprehensive use of multiple methods for analysis, to strengthen the effectiveness of the analysis results and reference value. Attention should also be paid to the authenticity and accuracy of the analysis data, to obtain the most complete data through timely analysis after the end of the product, to analyze the situation of cost management from multiple perspectives, to grasp the existing problems in cost management and improve them, So as to facilitate the follow-up project management. Secondly, agricultural enterprises have been operating for a long time, the industry is well-known, and the sales channels are very broad.

4.3 Pay Attention to Internal Control

In order to strengthen internal controlFinancial risk management systems can be developed, improve the risk awareness of staff. Enterprise internal control management refers to the behavior of controlling and managing the important parts of personnel, assets and funds that maintain the operation of the enterprise through effective supervision and management means. Internal control management can effectively improve the level of enterprise asset management, improve enterprise operating efficiency, reduce financial risks.

First, the main content of financial risk management system should include the types of financial risk, Financial risk control principles, Financial risk management system financial risk control methods and financial risk control evaluation. First of all,In view of the financial risks of agricultural enterprisesSpecific control systems are specified, corresponding to the actual work. Follow the basic principles of comprehensiveness and importance of financial risk control, optimize specific control projects, and take effective measures to avoid potential financial risks in a timely manner.[6] Do a good job in the protective control, feedforward control and feedback control of financial risks. The control time points are respectively before, during and after the occurrence of financial activities to eliminate interference factors in advance, compensate for the difference in prediction in real time and adjust the impact of risks afterwards.

Second, in order to cultivate the awareness of all personnel concerned about financial risks, the management should take the lead in recognizing the importance of preventing financial risks, and convey the ideas of financial risk management in meetings and daily work. All kinds of financial risks are interrelated with each department and link of the enterprise. As the main body of the enforcement system employees should understand financial risks and pay attention to financial risk control. Specific methods include arranging internal financial personnel to train employees of other departments on financial risk knowledge, hiring financial risk management experts to give unified lectures and participate in system optimization.

5. Conclusion

Agricultural enterprises need to change their understanding of risk management from the ideological perspective, and use theories and methods flexibly to bring positive effects to enterprises.

In recent years, many small and medium-sized agricultural enterprises have gone bankrupt and some of them have been subjected to more and more strict agricultural control, Higher and higher environmental testing standards and more and more comprehensive protection of workers. As a result, labor and production relations have changed, the original way of labor cost and labor income protection has also changed, and the capital pressure of enterprises has become greater and greater. Facing the coming challenges, agricultural enterprises must improve the ability to cope with and prepare corresponding countermeasures.

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