

The Research on the Fund Management of A Pharmaceutical manufacturing enterprise——based on the internal control perspective

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Abstract: Capital is an important material basis for enterprises to carry out business and production activities smoothly, and fund management plays an important role in enterprise management. Internal control is an effective channel for enterprises to improve operational efficiency and reduce operational risk. The research of capital management based on the perspective of internal control gradually becomes an important part of the research on the company's capital management. How to improve the capital management of enterprises has become the problem that pharmaceutical enterprises need to think in face of fierce market competition environment. We analyze the problems of fund management based on internal control. Finally, we put forward relevant suggestions.

1. Introduction

For a long time, there have been many cases of crisis or even bankruptcy in pharmaceutical enterprises due to inadequate fund management. This makes people pay more and more attention to the current situation of fund management in pharmaceutical enterprises, and hope that enterprises can take effective measures to deal with the problems existing in enterprise fund management. With the introduction of the national tax and medical reform policy, there is a great pressure on drug price reduction. Due to the large investment in new drug research and development, the cost of enterprises continues to increase, and the growth of profits slows down. Pharmaceutical manufacturing enterprises will face more severe challenges, some small-scale, low quality pharmaceutical enterprises may be gradually eliminated. Therefore, if the pharmaceutical manufacturing companies don't want to be eliminated quickly, they must strive to upgrade to a large-scale enterprise with good benefits. They should always think about how to effectively manage their funds and use limited funds to create the maximum benefits.

At present, many pharmaceutical manufacturing enterprises are faced with such problems as unreasonable internal control system of funds and unscientific internal control environment of funds. If not standardized as soon as possible, it will have an important impact on the benefits of enterprises, and even threaten the survival and development of enterprises. A pharmaceutical manufacturing enterprise, as a leading pharmaceutical manufacturing enterprise in the industry, although its current development trend is good, but its fund management has some problems in internal control. Therefore, this paper takes A pharmaceutical manufacturing enterprise as the research object, analyzes the shortcomings of its fund management from the perspective of internal control, and provides feasible solutions to related problems.

2. Literature Review

COSO defines internal control as the three goals and five main elements: control environment, risk assessment, control activities, information and communication, and monitoring. Herremans (1997) argues that according to COSO's internal control system, managers are primarily responsible for internal control. At the same time, internal control is not just an accounting or auditing issue, but a cross-cutting issue [1]. Dragomir et al. (2015) believed that when dealing with complex market

demand, the company faces a lot of internal and external influences, some of which may cause significant harm. If the management does not establish a good control environment, the enterprise may have financial fraud or other adverse effects in economic business and financial reporting [2]. Martin et al. (2015) showed that adopting the economic capital model, professional risk control personnel and timely informing the superior of the risk control situation can make the enterprise value get the biggest increase, and it is beneficial for the enterprise to better carry on the fund management [3]. Asare (2012) has found that companies with sound internal control systems for capital management and strict enforcement of control activities have access to more investment opportunities [4]. Demski (1969) studied the feedforward and feedback mechanism of internal control information under the background of management's decision-making, and concluded that invalid internal control promoted the reduction of company's operating efficiency and efficiency, which may lead to the reduction of shareholders' expected earnings and company's market value, which is not conducive to the enterprise's capital management [5]. Studies by Wu and Tuttle (2014) showed that the supervision of the company's internal control is affected by the managers' internal control ability, investors' confidence and market price [6].

3. Analysis on the Problems of Fund Management from the Perspective of Internal Control

3.1 Unscientific Internal Control Environment of Fund Management

The committee set up under the board of directors of enterprise A is not perfect. No scientific internal control system is set up, no responsibilities within the control scope are implemented, and no performance and evaluation committee and internal audit committee exist. In addition, the lack of internal audit committee makes the internal supervision relatively weak, which is not conducive to the scientific decision-making of the board of directors. Moreover, the board of supervisors is responsible for the supervision of the establishment of the board of directors and the implementation process of internal control, but there is no detail below, which will make the work of the board of supervisors unable to be carried out efficiently, and will slack off the internal audit and supervision committee of fund management, which isn't conducive to creating a high-quality internal control environment.

Although enterprise A's training plan is vigorously carried out, there is less training around the explanation of internal control procedures in the process of capital management, which is not conducive to the enterprise employees to fully understand the significance of implementing internal control in the process of fund management. Moreover, in the process of accounts receivable management, enterprise A doesn't take whether to collect the arrears as the assessment standard of the sales staff, which causes that the business staff doesn't care about the completion quality of the sales, they only care about the results of the sales, resulting in a significant increase in accounts receivable. This will increase the probability of bad debts and hinder the development of enterprises. Therefore, enterprise A need to establish a perfect performance appraisal mechanism.

3.2 Unprofessional Financial Risk Assessment

Enterprise A's capital risk assessment mostly adopts qualitative analysis, lacks the quantitative analysis method, and its response strategy to fund management risk is very limited. Looking up the 2019 annual report of enterprise A, it can be found that the possible risks of enterprise a summarized in the annual report are the adverse effects of medical reform policies, the development of innovative technologies and the risks of drug quality management, etc., but there is no separate and detailed explanation and explanation of capital risks, and there is no systematic summary of the judgment of capital risks. In addition, enterprise A doesn't have a mature capital risk early warning mechanism, resulting in a lack of reference information, which may lead to errors in the judgment of the results of capital risk identification and evaluation. This is mainly because A company doesn't pay enough attention to the possible risks in the capital management, managers are more willing to pay attention to the cost and quality of products, and lack of risk related training, which leads to the weak awareness of capital risk of employees.

3.3 Unreasonable Fund Control Activities

At present, the authorization and approval system of enterprise A is not scientific and perfect. For example, regardless of the amount of the fund payment business, it requires the approval of the financial director. In the absence of supervision, it often leads to the greater power of the management. In addition, due to the workload, it has not been fully implemented in practice. For some small capital transaction projects, because the approval procedures are not divided according to the importance of the nature of capital transaction, the approver does not have the time and energy to distinguish whether they are true and reasonable one by one, but it is not known whether the expenditure of capital is approved according to the data and invoice, whether the amount is beyond the normal range, and whether the check is true and effective. The approval of credit sales business is usually a mere formality, and enterprise A stipulates that when conducting credit sales business, the credit management personnel need to examine the customer, and then the general office will sign the materials to approve the credit application. However, many salespeople usually only ask verbally, and the lack of approval procedures makes it difficult to find the responsible person when bad debts occur.

In order to avoid the trouble of training during personnel rotation, enterprise A has not formulated the regulations of key post rotation. Therefore, the positions of fund management related personnel in enterprise a are relatively fixed. Unless they resign or for other reasons, they will generally stay in the same position for a long time.

3.4 Untimely Fund Information Communication

At present, there is a lack of effective communication between the financial department and the business department of enterprise A, which makes some data unable to be communicated and shared in time, and will lead to the poor quality of relevant basic information, the lagging or inaccurate data statistics. Moreover, enterprise A is vigorously promoting the "internationalization" development strategy, expanding overseas business, and the setting of departments and institutions is more complex. The more information is transferred across departments and institutions, the more likely it is to have an impact on the timeliness and accuracy of information, thus affecting the company's decision-making.

In addition, enterprise A has not yet established an information exchange platform for customer credit management applicable to the whole company. At present, it mainly reports customer credit by email, which leads to no guarantee of timeliness of reporting. When a branch company wants to add new customers, it is difficult to obtain the "credit blacklist" of some customers of the parent company in time, which is easy to generate transaction risk.

3.5 Lax Internal Supervision of Funds

Although enterprise A has a relatively complete internal supervision process, at the same time, we can also find that enterprise A has not set up an independent and professional internal audit organization, and the financial department has not set up an independent internal supervision team. The internal supervision work is mostly carried out by the temporary working group of the management, which makes the power of the management more centralized and lacks the mechanism of mutual restriction and supervision, which will lead to insufficient supervision. In addition, the enterprise has not yet developed a set of perfect internal audit system, and the internal supervision of fund activities is mostly limited to the supervision of major issues such as accounting and statements, which leads to the lack of corresponding internal audit regulations to solve some problems in fund management.

Enterprise A's internal supervision and inspection in the actual operation is relatively loose, leading to some non-compliance behavior. For example, in the course of investigation, it was found that many invoices attached to the vouchers were written off by the financial personnel during account making, which did not have authenticity and effectiveness, but the leaders in charge did not raise any objection to these situations. It can be seen from the above that the executives of the enterprise have not formed a deep understanding of the internal supervision of capital, and the

internal supervision of capital management is still limited to the large amount of capital in and out. They have not paid close attention to the rationality of the internal control design of capital management and the effectiveness of the implementation. Only when there is a problem can they pay attention to it. This is why the internal supervision of fund management is not effective enough.

4. Measures and Suggestions for Fund Management of Enterprise A

4.1 Optimizing the Internal Control Environment of Funds

On the basis of the original framework, the organizational framework of a pharmaceutical enterprise is improved to build a more scientific and effective organizational framework. Under the board of directors, investment and financing management committee, audit and risk control committee, remuneration and performance evaluation committee can be set up, and under the board of supervisors, internal audit department can also be set up. In addition, the newly established internal audit institutions need to check and evaluate the legitimacy and compliance of the fund revenue and expenditure business of the enterprise, assist the enterprise to find and evaluate the fund risk, find the weak link of internal control, and form a scientific and efficient fund internal control environment.

Enterprise A should regularly carry out internal control training for the company's fund management related employees, hold internal control knowledge competition activities, create a good internal control environment, and help employees develop a strong sense of internal control. Enterprise A should also strengthen the assessment of accounts receivable. It can take the days of debt collection and the way of debt collection as the salary of the salesman, implement the accountability system for the salesman, and punish the employees who fail to collect the debt.

4.2 Improving fund risk assessment system

First of all, it should set up a professional fund management risk assessment organization, so as to carry out the fund risk assessment on a regular and irregular basis. Before carrying out the fund risk assessment, the company should make clear the target and basic process of the fund management related business, so as to identify the risk ahead of time, and pay close attention to the collection and arrangement of all kinds of fund risk information to understand its general content and reasons.

It needs focus on the application of quantitative analysis in the process of risk assessment of fund management. It should pay attention to the systematic summary of the risks in the fund management link in time, establish a perfect fund risk database, and help the enterprise to deeply understand the risks in the process of enterprise fund management.

4.3 Perfecting fund control activities

In the actual implementation process, according to the nature of the amount involved in the business, size, use and so on to judge the specific procedures for approval, it can draw the fund management related business authorization approval flow chart, the flow chart can be changed according to the change of business, to ensure the integrity of the authorization approval process. To the credit management approval execution is poor, designs the credit sale business approval flow chart, carries out the credit sale business approval work according to the flow chart, see our example below.

It can carry out job rotation system, which implements regular and irregular rotation of some fund management positions, such as fund management personnel in accordance with the key job rotation system every three years.

4.4 Enhancing communication of financial information

In order to strengthen the communication and exchange between departments, enterprise A needs to establish an efficient information management system. This requires enterprise A to develop information system that can timely and accurately transfer financial information in line with its own requirements by adopting technical means on the basis of full investigation of the capital demand of the enterprise, to monitor the capital situation of the enterprise in real time, to reduce human

operation or intervention as much as possible, to ensure the accuracy of financial data, and to optimize the capital management.

In addition, it can also establish an information exchange platform that can promote the exchange of information among employees throughout the company, encourage employees to actively exchange and learn on the information management platform, and help them better complete their work. Its branches can hold regular fund management related work analysis meeting, which requires relevant employees to participate in through on-site or telephone, video conference, and timely communicate problems encountered in related work or exchange and share work experience. Efficient information exchange helps enterprises to make decisions scientifically.

4.5 Regulating internal monitoring of funds

Enterprise A should establish a set of scientific and effective internal supervision procedures. First of all, the board of supervisors, as the supervisory senior management organization, should limit the tenure and authority of the chairman of the board of supervisors. Some important internal supervision organizations should increase the number of personnel and improve the quality of personnel, and reasonably allocate the important tasks of internal supervision.

In addition, enterprise A should establish an internal audit system for fund activities based on the actual operation of the company, so as to make the internal supervision of fund activities have relevant regulations. The enterprise should also establish an independent internal audit institution, and set up a special internal audit department or group responsible for the audit fund management, record the relevant internal audit system into the internal audit personnel manual, so that each internal audit personnel can clear their own responsibilities.

Moreover, it should strengthen the daily supervision, regularly check the work of the staff in the important positions of capital management, and take various ways to check, so as to prevent the inspected department from knowing the inspection form in advance and getting ready, but not getting the real inspection results. It should strengthen supervision before major events, find out and solve problems in fund management in time, so as to avoid delaying normal work.

5. Conclusion

Fund management is very important for the normal development of an enterprise. Internal control is an effective management method. Establishing and improving the internal control system of fund management can ensure the normal operation of the company's Fund activities and improve the company's ability to deal with fund risks. Efficient fund management can improve the fund utilization rate and make the company obtain the maximum profit.

Through the investigation and understanding of A pharmaceutical manufacturing enterprise, from the five elements of internal control innovatively, we analyze the fund management problems based on internal control environment, risk assessment, control activities, information communication and internal supervision, and put forward several feasible suggestions for the existing problems.

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