Research on Financial Risk Control of Electric Power Enterprises

Bo Liu [1, a, *], Zhuojun Duan[2, b], Nan Zhang[3, c]

[1]School of Accounting, Shanxi University of Finance and Economics, Taiyuan, 030000, China

[2]School of Finance, Shanxi University of Finance and Economics, Taiyuan, 030000, China

[3]School of Statistics, Shanxi University of Finance and Economics, Taiyuan, 030000, China

[a]xyzcpa@126.com, [b]duanzj1128@163.com, [c]15735643569@163.com

*Corresponding author

Keywords: Power companies, financial risks, prevention, control

Abstract : With the rapid development of China's economy this year, coupled with the power industry is the rapid development of China's economic foundation pillar industries, so that the industry continued to increase demand for electricity, resulting in the construction of infrastructure, electricity is constantly Speed up. Competition among enterprises in the power industry is becoming increasingly fierce. At the same time, some problems have emerged in the process of rapid growth of electricity: the price of fossil fuels has risen, the development funds are insufficient, and the demand for electricity in various provinces and industries Waiting for a while, these large or small problems will also lead to the potential increase in the financial threat of power companies, so preventing and controlling the financial risks of power companies has become the current work of power companies. Of the highest priority. This article focuses on the analysis of some problems in the finance of my country's power companies, and puts forward some preventive measures from the specificity of the power industry.

1. Introduction

1.1 Background

With the rapid development of economy and society, power companies, as the basic industry of the country, are also the pillar industries of the country, which are extremely important for the stability of the country's development. Since the international financial crisis in China, China's economic situation has continued to develop, and the demand for electricity has also continued to grow. At the same time, the electricity consumption has always been extremely high. The economic development of today's country is inseparable from the protection of electricity. In order to complete the task of building a well-off society in an all-round way in China by 2020, it is necessary to complete the growth of China's GDP by more than 7%. However, how to achieve this goal requires us to vigorously implement the universal service of electricity, which will greatly increase the demand for electricity, and there will inevitably be a certain growth model. In the national government's report, China's overall electricity consumption is expected to reach more than 8 trillion kilowatts in 2020, so the corresponding need to generate more than 1.8 billion KW of power has doubled from the current level. It can be seen from this that under the condition of ensuring the stability of residents' electricity consumption, in order to promote the continuous development of my country's economy, we must require electricity to be at the forefront of social and economic development.

1.2 Significance

(1) It is helpful to understand the causes of the potential risks of the power company's finance. If the power company's financial risk is too high, there are hidden financial risks. If the power company's financial risk is too low, it will affect the company's financing difficulties and restrict the power company. Development, so maintaining proper financial risks in the development planning of

power companies will benefit the development of power companies.

(2) Help power problems existing in the financial activities of enterprises understand that such financing with little risk to the lack of risk awareness leader, the budget of the lack of systematic control concept, improper management of funds, assets Poor management, etc. Then take measures to improve the financial management and risk awareness of the power company so as to control financial risks within an acceptable range, and provide stable and good development space for enterprise development.

(3) Make the government realize its role in the development of power enterprises, promote the reform and improvement of the government's power enterprise system, change the government's management of power enterprises, and make the government more clearly understand the specifics of this industry financial status.

2. Relevant theories of financial risk of power companies

2.1 The basic theory of financial risk

2.1.1 Basic theory and objectives of financial risk control

Basic theory: In the process of financial management, using financial and accounting-related information and modern advanced management methods, macro control and planning of the company's financial activities and fund mobilization to achieve pre-established financial goals, The purpose of minimizing financial risks to the development of enterprises.

Goals: Avoid risks, minimize losses, achieve expected goals, and increase profits.

2.1.2 Principles of financial risk control

(1) Independence principle: There must be relatively independent privileged departments and professional financial workers within the enterprise, who can objectively explore, measure and treat some potential hazards in the financial and development process of the enterprise control. This principle is the fundamental guarantee that financial risks can be managed and controlled, and is the key to minimizing the harm of financial risks.

(2) Robustness principle: Robustness is the basic principle for ensuring accurate accounting. This principle is governed by the inherent variability of the comprehensive environment in which financial management is located and the objective and scientific nature of financial decision-making.

(3)The principle of equilibrium: The principle of equilibrium means that when the management of an enterprise faces whether to invest in a project with certain risks, it is necessary to measure between the size of the risk and the amount of return, and then consider whether it is worth the injection of funds. When the probability of risk continues to rise, the return on the investment must be large enough to anticipate that the calculated value is equal to the return in the case of the originally acceptable risk. This principle is the basic principle for investors to balance risks and benefits and decide whether to invest capital.

(4) The principle of timeliness: it means that the management of the company should have a forward-looking perspective in the process of controlling the financial risk of the company, that is to say, the decision-makers of the company must consider various factors when making decisions on the development of the company. Based on changes in various internal and external environments of the enterprise, it can be adjusted in time and continuously improved.

2.2 Control theory of financial risk

(1)Financial risk management theory::Enterprise managers dig, judge, and control various potential risks that exist in the financial process of their operations. And timely take effective solutions to prevent and eliminate, through simple and feasible and reasonable measures to solve the problem, to ensure that the company's normal financial operations are carried out smoothly and normally, so that the company's economic operation and profit model are protected from loss management Process .

(2)Management Control Theory: Management control is a mechanism used to ensure that the members of the financial department continue to advance to the goals set by the department. This theory is a core component of financial internal control theory, and gradually takes the lead in the overall structure of internal control. The development and evolution of this theory can be divided into four stages: closed-rational stage, closed-nature stage, open-rational stage, open-nature stage.

(3)Crisis management theory: Crisis management is a process of detection, discovery, judgment, evaluation and resolution. It is a dynamic process of overall monitoring, prevention and treatment of crisis events. The purpose is to minimize the damage of the crisis to the development prospects of the enterprise to Minimizing and maximizing the development opportunities of enterprises is a theoretical system with close research and practice.

(4)Internal control theory: This theory is a method and some specific simple and feasible measures taken by departmental institutions and enterprises to coordinate and help each other. It is used to strengthen the financial security of the enterprise and detect the accuracy of the internal financial accounting information of the enterprise to improve the enterprise. A method to guide the internal operation efficiency, promote the continuous persistence of the enterprise and continue to execute according to the established development plan.

3. Current status and problems of financial risks of power companies

3.1 Basic status of financial risks of power companies

The unreasonable structure of funds and the distribution of liquidity have increased the risk of internal fund security and the ability to repay loans has continued to decrease, resulting in continuous alarming of financial risks; lack of scientific investment: leading companies The investigators have insufficient understanding of the potential huge risks of today's investment, and blindly follow the investment, resulting in the inability to withdraw the funds invested in the project in a timely manner, continuous losses, leading to the breakage of the capital chain, which continues to increase financial risks; improper fund recovery strategies: The huge amount of funds borrowed by the enterprise cannot be recovered in time, and the funds have been occupied by borrowers and over-produced goods for a long time, which results in a serious shortage of operating liquidity for the enterprise, hinders the development of the enterprise, and seriously affects the safety of the assets of the enterprise.

3.2 Analysis of problems existing in financial risks of power enterprises

(1)Poor asset management of power companies. Some power companies' internal departments have unclear responsibilities and confusing functions. As a result, companies have no clear direction in the use of funds, which results in inefficient use of funds and the serious waste and loss of funds.

(2)Improper fund management of power companies. Due to the guidance of experience and subjective thinking in some important financial decisions, the management has led to some mistakes in decision-making, which has caused the deviation of the company's development from the expected goals, and also caused the loss of funds.

(3)Lack of awareness of asset budget management. Due to the low level of understanding of the financial risks of financial personnel within some power companies, and insufficient understanding of some current power equipment, market environment, and market operations, resulting in too large deviations in asset budgeting, resulting in poor resources The necessary waste and lack.

(4)Insufficient risk awareness of power company management. Risks exist objectively and cannot be changed. Some managements today lack a certain sense of risk. They simply believe that as long as they manage the internal affairs of the enterprise, make good use of government financial allocations and subsidies, plus the power enterprise belongs to the state’s assets, As long as you follow the policy, it will continue to develop, resulting in an extremely lack of management's risk awareness.

(5)The macro environment of power companies is complex and changeable. The financial risks of power companies are in various environments such as the current market economy, more complete laws, social culture and resources, and these environments are constantly developing and changing every day. These changes are indispensable to the financial risks of enterprises. The estimated impact of these complex changes in the macro environment is objective and unchangeable.

4 Analysis of the causes of financial risks of power companies

4.1 External factors arising from power company financial risks

(1) The potential harm caused by the constantly floating interest rates in the market. The risks posed by changes in the market's constantly floating interest rates are objective and cannot be changed. The irregular fluctuation of market interest rates will bring uncertainty to power companies in the macro market environment for most of the time, and for power companies with large assets, a little fluctuation of interest rates will bring the "butterfly effect" effect to the economic development of enterprises. And now that it has entered a new era, the market economy will continue to grow and develop at a rapid pace, which will also lead to the factors that cause the interest rate fluctuations to continue to increase, and not only the fluctuations in market changes will cause interest rate fluctuations, the government Policies issued from time to time will also directly affect changes in market interest rates, so any small fluctuations in the market environment will directly affect the finance of power companies.

(2) Unpredictable risks brought by the issuance of relevant policies and regulations of the state, market and enterprises. Such as environmental pollution and protection issues involved in the process of power production, changes in the price of power transmission and distribution, etc. Therefore, changes in environmental protection policies and changes in the magnitude of power price adjustments will affect the development of power companies. Indirectly affects the financial risks of power companies.

4.2 Internal factors arising from financial risks of power companies

(1) The management risk of electric power companies on fixed assets. As an asset-intensive secondary industry, fixed assets are a core component of the total assets of power companies. However, most of the power companies in our country still have many loopholes in the process of managing and controlling fixed assets, such as the lack of fixed asset accounting methods, inadequate asset management systems, and asset information technology. The construction system is not perfect, and these various problems will also affect the accuracy of the power company financial department's asset verification, which will have a direct impact on the company's development prospects and profitability.

(2) Risks brought by enterprise investment. Nowadays, many companies use temporarily idle funds for investment to obtain greater returns, which leads to investment risks. Investment risk is caused by improper investment or blindly following the investment caused by the lack of prior investigation with the enterprise, resulting in loss and no return, resulting in the loss of funds and the waste of resources to the financial enterprise's financial deficit. Risk. In recent years, due to the continuous innovation and reorganization of the power enterprise system, the growth of power companies has been promoted. The corresponding power companies have also begun to engage in various industries and entered multiple industries, resulting in the continuous increase of investment in power companies. lead to power business-to-capital investment demand is also increasing, coupled with the continuous improvement of advanced systems, making investment links funding has also been simplified, standardized, a number of large enterprises in order to return funds, market research Insufficient and blindly investing in the trend has led to many investment projects without profit, and a large amount of capital has been lost, resulting in a vicious circle of power enterprise development.

5 Countermeasures for financial risk control of power companies

Through a number of effective measures to prevent the risk of making financial power companies continue to reduce, not only to reduce the waste of electricity companies money and resources, but also can be integrated within the enterprise funds and resources, making more efficient use of funds , The development of enterprises can also be accelerated.

5.1 Avoidance strategies for external risks

The potential external threats of power companies have certain objectivity and unchangeable behavior. Therefore, for changes in the financial environment caused by changes in the overall market environment, changes in policies, and other factors, the corresponding management should deepen Real-time policy research and learning, constantly adjust the direction of the development of their own enterprises, but also to fully understand the changes in the market and conduct continuous research based on various changes in the market and market data, so as to be objective and scientific Forecast the next direction of the market to achieve the purpose of making relevant precautions and countermeasures in advance, so as to achieve synchronous docking with market demand. On the premise of the increasing demand for electricity from the public, we must actively strive for the support of the country's preferential policies on electricity prices, and actively participate in the formulation of electricity price schemes for bidding on the grid in the regional electricity market, and propose specific measures to prevent electricity market risks.

5.2 Avoidance strategies for internal risks

The avoidance of internal risks should begin with the standardization, standardization and specialization of all aspects within the enterprise.

(1) Improve management's understanding of financial risk management. First of all, it is necessary to mention the leaders' awareness of the potential dangers of finance, and to improve the ability of leaders to control and manage finance. The control and management of financial risks of general power companies are often limited to the financial department and the direct leadership of the financial department. There is a lot of arbitrariness, which causes the financial part to become an independent department in the enterprise. Of management and members of other departments are unable to recognize the terrible potential dangers of finance. With the continuous reform and deepening of the national power system, the development of power companies is becoming more and more modern, informatized, and sophisticated. Therefore, senior managers and financial workers of power companies should continue to learn, learn and make full use of modernization Management methods and methods, use modern and advanced management concepts to manage power enterprises, and the financial department should establish a complete power enterprise financial risk management and control system. Through a perfect financial risk management control system, the previously passive and uncontrollable Potential risk management becomes proactive, predictable and minimizes risk, from objective static risk management to dynamic controllable range risk management, from risk result management to risk process control management To achieve all-round and comprehensive risk control before, during and after the event, to achieve the unity of risk process control and risk result control, and minimize the risk as much as possible .

(2) Improve the quality of accounting information and strengthen the scientific decision-making of decision makers. The accuracy of financial accounting information is the main source that affects whether the relevant decision-makers of the enterprise are objective and accurate. The quality of the relevant information directly affects the quality of the decision-makers' guidance to the economy. If false accounting information is used by decision makers as a reference to make decisions, the inaccurate information will make the decision makers make wrong decisions, which will directly bring potential financial risks to the enterprise that cannot be ignored. Development of. Therefore, improving the accuracy of accounting-related information has an important role for companies to control financial risks. Therefore, to improve the accuracy of accounting information, it is necessary to continuously promote the professional quality and professional level of accounting personnel, improve the professional accounting ability of accounting personnel, and enable accounting to achieve real-time real-time financial and cashier business. Macro-accuracy, but also to establish a financial feedback mechanism, is the financial processing situation, managers can also make

adjustments as soon as possible to minimize risks.

(3) Improve the establishment of internal financial control system. The establishment of this important degree of control plays an important role in the system of financial risk control. A complete financial internal control system can enable the financial risk control system to operate effectively and efficiently. At the same time, while creating a financial risk control system, it also puts forward higher and more perfect requirements for the construction of internal control system. The internal control system and the financial risk control system are kept in sync, allowing the system to continuously collect statistics on various risks, monitor the risks in real time, and at the same time continuously improve the financial monitoring system .

(4) Accurately calculate financial risks and establish a financial risk warning system. In the absence of detailed and comprehensive financial report analysis and detailed market research beforehand, the large amount of funds immediately invested by the enterprise is often very impulsive and blind, and has a great impact on the market and the investment objectives. The unknown is one of the important reasons for the investment failure and the loss of a large amount of funds. Before investing, power companies should combine the current development trends of the industry and the leaders of various industries, the business environment of the industry, the operating status of the investment targets, and profitability, etc., by collecting a large amount of information to analyze the advantages of the invested projects and In the future, possible development trends, with the help of various financial indicators and financial reports, use different calculation methods and forecasting statistical methods to conduct a comprehensive and comprehensive financial assessment of the potential threats to the target company's finances and the company's development prospects. By continuously improving the budget management system and establishing an effective financial crisis reminder system, enterprises can not only respond to the development and changes of the external macro market economy of the enterprise, the development and changes within the industry, national policies, real-time fluctuations of market interest rates and enterprises A comprehensive analysis of the changes in planning development prospects and objectives, and based on the continuous changes in the company's internal cashier and capital flow, can promptly discover, feedback problems and issue risk threat alerts, so that simple and effective solutions can be taken in a timely manner. The risk is invisible and minimized.

(5) Strengthen capital control and strive to reduce the debt ratio of enterprises. Introduce modern and advanced models, optimize fund management methods, refine and reasonably allocate specific responsibilities of fund management departments at all levels, continuously strengthen the fund management center's ability to control and coordinate the company's liquidity, and formulate internal control for fund management. Regularly check the implementation of the internal control system and implement the fund risk responsibilities at all levels.

(6) Actively study innovative financing methods to control financing risks. Electric power enterprises are capital-intensive enterprises. The establishment of power plants and the upgrading of advanced power equipment also require massive amounts of capital. The current contradiction between power supply and demand in our country is still quite prominent. The power supply in the western region is still tight. The imbalance between power supply and demand has put forward higher requirements for the financing of power companies. In order to adapt to this new development situation, on the one hand, power companies must constantly improve their investment strategies, open up the external environment for attracting financing, constantly strive for various national policy preferences, and on the other hand, optimize their own internal investment environment. Constantly studying and investigating the projects that you want to invest in, at the same time, to achieve maximum financing, accelerate the development of enterprises, and finally achieve the matching of power supply and demand, which is a part of the power industry for the continuous output of the country's development.

6. Conclusion

The financial risks of electric power companies play a vital role in the healthy development of electric power companies. As the lifeblood of national economic development, electric power companies can only have sustained and stable development. The meaning cannot be ignored. As a capital-intensive industry, power companies are subject to changes in international and national policies, changes in market conditions, and fluctuations in interest rates; various factors such as internal capital investment and management of fixed assets of the enterprise will bring many financial problems Identified risks. Although risks exist and cannot be avoided, the avoidance of these risks can only be started from the roots. Internally, the company strengthens asset management, regulates the company's investment methods, and continuously prevents financial risks at night. Externally, it strengthens the research and learning of national policies and understands them in real time. Market trends, actively strive for national policy and financial support, and continuous development and innovation. Only when both the internal and external environment of the enterprise are taken together and work together can the financial risk be reduced to the greatest extent, thereby promoting the continuous development of the enterprise.

References

[1] Lei Ping. Research on the design of power grid enterprise financial risk prevention system [J]. Science and Technology Information (Academic Research), 2007, (30).

[2] Hu Zhiqiang. Research on Financial Risks and Prevention of Electric Power Enterprises [J]. Modern Business, 2008, (35): 148-145.

[3] Yu Hong. Financial risk management of power grid enterprises [J]. China Electric Power Education, 2008, (2): 28-30.

[4] Gu Wenlin. A summary of early warning research on corporate financial risks [J]. Modern Management Science, 2008, (8): 94-95.

[5] Wang Fengchi. Talking about the prevention of business risks by electric power companies [J]. North China Electric Industry, 1999, (3).

[6] Zheng Yi. The cause of financial risk and its prevention [J]. Journal of Beijing Forestry Management College, 2005, (1).

[7] Ouyang Neng. On the financial risks of enterprise groups and their prevention [J]. Journal of Guangxi Youth Cadre College, 2005, (2).