Research on Supply Chain Finance Based on Financial Statement Analysis

Wu Chunping, Wu Li

Hunan Modern Logistics College, Hunan, China, 410131

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Abstract: As a new financing method, supply chain finance can effectively solve the financing difficulties of small and medium-sized enterprises (SMEs). The financing difficulties of small and medium-sized enterprises are manifested in their poor financial statements and fewer types of collateral. By analyzing the relationship between the asset structure of financial statements and supply chain finance, it is found that the effective secured assets of enterprises can help enterprises to finance by means of supply chain finance mode. It is easy for financial institutions to track the ratings, control the credit risk and achieve win-win situation for enterprises and financial institutions by tracking the changes in the subjects of enterprise financial statements.

1. Introduction

Supply chain finance is a new financing mode developed by commercial banks. It originates from the continuous exploration and development of trade financing. With the development of enterprise supply chain management, supply chain management, as a management mode of enterprise's optimal operation, gradually focuses on the interaction between upstream and downstream purchasing and sales of enterprises and the outside from the aspects of enterprise's internal integration, cost control and competitive advantage improvement. Optimizing the structure of enterprise financial statements, enterprise operation is accompanied by the flow of goods and funds. There will inevitably be assets and liabilities between supply chain enterprises, resulting in cash inflows and outflows. In many cases, corporate assets do not exist in the form of monetary funds. By analyzing the specific supply chain, the supply chain financial institutions or logistics financial enterprises provide systematic financial and financial services to the related node enterprises in the chain. Commercial banks pay more attention to the trade behavior of supply chain when granting loans. They not only consider the credit level and financial status of enterprises, but also carry out comprehensive credit from the perspective of the whole industry chain, and integrate the whole supply chain risk in risk management for unified credit management. In the operation of supply chain finance credit, it is an important method to analyze credit and warn risks based on financial statements of financing enterprises, and to grasp the operation of trade assets, financial status and secured assets of enterprises.

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2. Financial statements supporting supply chain financial analysis

As a comprehensive reflection of the business and financial situation of an enterprise in a certain period, the balance sheet includes two parts: assets and liabilities and owner's equity. Through classification and accounting, the income statement and cash flow statement of an enterprise are compiled to reflect the business performance and capital status of the enterprise in real time. Having stable capital flow is the basis of sustainable and healthy operation of enterprises. One of the fundamental reasons for enterprise financing is to solve the problem of enterprise capital liquidity. Financial statements are the basic tools for credit analysis of commercial banks. Supply chain finance is aimed at specific asset-backed financing of enterprises, and is more closely related to the balance sheet. Therefore, it is an important basis for the development of supply chain finance to grasp the characteristics of the transformation and existence stages of each asset category in the financial statements of enterprises.

2.1. Linkages between financial statements and supply chain finance

At present, the domestic commercial banks generally implement the mortgage and guarantee system. The credit of commercial banks is mainly guaranteed and mortgaged. The key for enterprises to get credit financing depends on whether they can provide effective collateral for goods. This makes financial institutions begin to pay attention to internal asset support and specific financial statements. As one of the main auditing materials of supply chain finance, enterprise financial statements generally include three statements: balance sheet, profit and loss statement and cash flow statement. As shown in Figure 1 below.

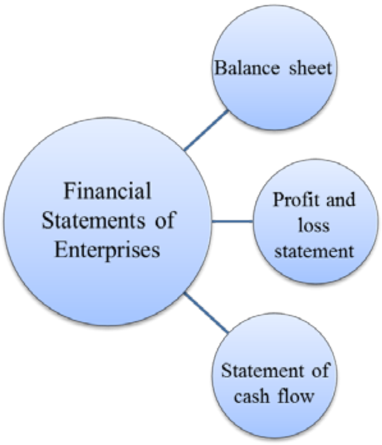

Figure1. Contents of enterprises financial statements

Among them, the balance sheet reflects the assets, liabilities and owner's equity of the enterprise; the income statement reflects the operating results of the enterprise; and the cash flow statement reflects the inflow and outflow of cash and cash equivalent logistics of the enterprise. The creditor will judge the overall financial quality of the enterprise according to the balance sheet, and analyze the operating performance and capital status of the enterprise through the income statement and cash flow statement. Supply chain finance is different from traditional financing. As long as supply chain enterprises have certain assets that can generate future cash flow, and assets have supply chain trade background, and improve the quality of assets and the realizability of cash flow, it is possible to complete supply chain finance, so as to realize that tangible assets in the balance sheet of enterprises can be converted into available funds in cash flow statement in advance.

2.2. Supply chain finance accounts in the balance sheet

As an asset-backed financing method, supply chain finance is a short-term financing behavior. Balance sheet subjects involving supply chain finance are generally in the forefront of the asset class, which ensures the timely recovery of financing funds. The balance sheet in the financial statements is more closely related to it. The income statement and cash flow statement play a supporting role. Supply chain finance is divided into in-statement asset supply chain finance and off-balance-sheet asset supply chain finance according to the ownership of the trade assets involved. As shown in Table 1 below.

Table1. Classification of supply chain finance

Classification	Examples
On-balance-sheet Asset Supply Chain Finance	Accounts receivable, inventory
Off-balance-sheet Assets Supply Chain Finance	Fund Settlement and Credit Reporting Services

Supply chain finance pays attention to the transformation between balance sheet and balance sheet subjects, and grasps the cash flow of future business affairs reflected in the statement. Supply Chain Financial Credit Guarantee (SCFI) chooses specific asset design according to the supply chain location of the enterprise industry.

2.3. Supply chain finance accounts

Currency is used to indicate the value of economic goods, and the form of business assets is a cycle of cash outflow to goods and cash recovery. Cash realizes value cycle through circulation. In every link, there will be cash cost added and value increased. At the same time, financing can bring more production capital to achieve more profits, which is also the demand of supply chain financing. As an important way of enterprise financing, the credit of commercial banks will take into account the financing risks of enterprises. Traditional financing methods require more of the company's own strength, which makes some small and medium-sized enterprises unable to obtain traditional financing methods. However, through the supply chain financial channel, financing with some assets in the balance sheet as security has become a new form of financing for supply chain enterprises.

3. On-balance-sheet asset supply chain finance model

Supply chain finance involves liquid assets in the company's balance sheet and other intangible assets such as patent franchise rights. Through reasonable model design, relying on the specific relationship of supply chain, and combining customer rating and debt rating system to control risk, it has become the main financial business innovation of commercial banks in the fierce competition.

3.1. Inventory financing model

Inventory financing mode provides short-term financing for enterprises by evaluating inventory value and inventory turnover rate, combining the position of enterprises in the supply chain, the degree of trade stability and cooperation intention of relevant enterprises, and using inventory as collateral. Inventory supply chain finance department controls assets for enterprises before accounts receivable is formed, and it is easy to control credit risk through specific design.

3.2. Accounts receivable financing model

Accounts receivable financing pledges or sells the rights of accounts receivable in credit sale to the bank through pledge financing, and the bank provides credit to the seller. Accounts receivable is easy for banks to control, and the requirements for the strength and financial status of financing enterprises are not very high. Assessing the value of accounts receivable determines the credit decision-making and scale of banks. By monitoring and paying attention to the quality changes of borrowers' accounts receivable by third parties, the credit risk can be effectively controlled.

3.3. Advance account financing model

The financial model of prepaid account supply chain includes prepaid account financing and order financing. Commercial banks use prepaid accounts to finance. Banks analyze prepaid accounts and require enterprises to deposit a certain amount of margin, and then implement credit for prepaid.

4. Conclusions

Supply chain finance and traditional credit-granting behavior focus on the overall credit situation of the enterprise, which focuses on one aspect of the evaluation of the enterprise. By tracking the changes of the subjects of financial statements and monitoring the operation status of enterprises' projects, financial institutions can track the ratings, warn the financial indicators and control the credit risk. It is the biggest characteristic of supply chain finance to adapt to the innovation of collateral for small and medium-sized enterprises and achieve win-win situation for enterprises and financial institutions. Through the financial analysis of the whole supply chain enterprises, financial institutions can judge the operation status of the whole supply chain and adjust the credit policy. Therefore, by optimizing the assets structure of enterprise statements, speeding up asset turnover and improving the utilization rate of funds, enterprises can increase more profits.

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