Problems and Countermeasures in the Financial Management of Chinese Family Enterprises

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Abstract. The development of Chinese family enterprises is increasingly valued by the Party Central Committee and the State Council in the socialist economic system with Chinese characteristics. Although the state provides a family-owned enterprise a suitable growth policy for the growth of family businesses in macro level, Chinese family enterprises still learn nothing in financial management. Family businesses still have many difficulties in the financial management system and the professional competence of financial staff, and these difficulties have seriously hindered the development and growth of family businesses. Therefore, it is extremely urgent to find a solution to the problems existing in the financial management of family businesses. If we can successfully solve the financial management problems of family businesses, this will continue to be the case for China’s family-owned enterprises with a socialist economic system with Chinese characteristics. And the path of steady growth has irreplaceable practical significance.

Introduction

Since the reform and opening up, many family corporations in China have gradually emerged, and have gradually developed into one of the indispensable economic entities in China's market economy, which have become an important member of China's socialist market economy, meanwhile, there are also many problems in the process of their development.

The Problem in the Financial Management of Chinese Family Enterprises

Frequent Transactions and Frequent Fraud

Many family businesses have set up many subsidiaries for the rapid growth of enterprises. There are many capital transactions within the group. However, due to the shortage of financial personnel, the group finance department is responsible. Due to the frequent internal exchanges between the related companies within the group, the Group's finance department is currently unable to check the current transactions between the target company and its related parties on a regular basis in accordance with the financial accounting system, which is very likely to lead to the company's employees or employees join forces with external customers to encroach on and transfer company property.

Asset Management Issues

At present, most of the small and medium-sized family enterprises in China are not very abundant in funds, and the competition in the market is also abnormally motivated. Therefore, there is no clear distinction between the property of the family business and the property used by the family, so that the seller does not need to issue an invoice. The method of purchasing a part of assets at a low price, outsourcing the engineering of the enterprise to the construction team without engineering construction at a lower price, and purchasing land without land use rights or land use rights at a non-market fair price, thus resulting in assets The property rights of the relevant assets of the family business are not clear.
Problems with Fund Management

At present, most of the Chinese family business funds management is managed by members of the family. One person is responsible for the company's cashier, bank reconciliation, and the company's bank deposits. It does not strictly follow the relevant laws and regulations of the state enterprise accounting to establish relevant systems. It is not strictly enforced that “the cashier shall not concurrently perform auditing, accounting file keeping and registration of the company’s income, expenses, expenses, credit and debt accounts”. In addition, in order to meet the needs of external suppliers or sales, the company opened many bank accounts in the early stage, but the company's financial staff did not reconcile the bank accounts of the company in time. And the company's financial staff did not obtain bank statements or get in touch with the bank in other ways in time, at the end of the year. So there was no reconciliation of the bank account fund situation with the bank account balance. If there was no payment, the bank balance adjustment table was not prepared, resulting in the bank’s failure to reach the account at a long period. That makes it loses the meaning of financial records and management.

Analysis of the Reasons for the Financial Management of Chinese Family Business

The Boss of the Family Business Does Not Pay Enough Attention to Financial Management

As family businesses continue to grow in the market, due to their own management system, the boss of the family business is not sufficiently aware of financial management, the family business has a large gap in its financial management and improvement space. The boss of the family business believes that finance is just a bookkeeping. They think that for the growth of the company, the most important are production and sales departments. Therefore, the financial management of many family businesses is very chaotic, and the processing of accounts cannot be truly and timely responsive business of the company. The boss only knows how to make money from the market, but they do not know how much money has earned from the market and how much is the net worth of their own company. This will make it difficult to borrow from the bank when they listing in the future or lack of funds. Irregular accounting treatment also makes it easy for companies to be subject to administrative penalties.

The Ability of Financial Staff is not Sufficient

At present, the financial management personnel of many family businesses, or the financial related personnel, are basically members of a family. They do not have relevant financial knowledge, but because they grow up with the company during the initial period of the enterprise, plus the enterprise funds are controlled by financial personnel, so many family-owned business owners will not easily take people outside the family members who hold the company's funds.

The Accounting Staff is Highly Mobile

Due to the influence of traditional Confucian culture in our country, the working atmosphere of family business in China is often filled with a kind of emotion that is not the same as our family, and excludes the financial talents of family members. The core department of the family business, or the core position of each department, will be held by members of the family. Of course, this phenomenon is particularly prominent in the financial sector. This may be one of the fundamental reasons for the lack of excellent financial management personnel in some small and medium-sized family enterprises in China. Because the owners of family businesses are crony, they often cannot retain those excellent financial personnel. The financial personnel cannot perform in a family business. There is no place to showcase their talents and abilities. Generally their wages are not too high. In such enterprises, there is neither a development prospect nor a higher salary. The financial accountants of family businesses naturally flow frequently.
Countermeasures for Improving the Financial Management of Family Enterprises

Pay Attention to the Importance of Financial Management in the Development of Enterprises

If you want a family business owner to pay attention to financial management, you need to think about the problem from the perspective of the boss. It needs to bring economic benefits to the whole company, not just as a cost department where is only spending and not creating value. That’s why you need to change the impression of the owner of the family business on the simple accounting of the financial management staff. On the one hand, the financial personnel of the enterprise need to actively pay attention to relevant national laws and regulations, actively seek for these preferential policies for enterprises, create value for enterprises, use such actions to change the stereotype of financial personnel in the boss, and let the boss pay attention to finance management work, let the boss know that this role in the development of the enterprise is irreplaceable. On the other hand, financial management personnel should stand in the blueprint of the company's future and describe a blueprint that financial staff can't replace. Finance personnel do such a series of work. We believe that the owners of family businesses will pay attention to the importance of financial management in enterprise development.

Building a Sound Internal Organization Structure of a Family Business

Enterprises should clarify the content of the work and let the employees know they need to responsible for what. And what they need to do or not need to do in their own positions. The boss of the family business can choose to rationally set up the organizational structure of the company, moderately decentralize, and choose the financial sharing mechanism for the organizational structure of the financial part, appropriately decentralize the authority to the financial department, and establish an independent supervision mechanism. The mechanism must be independent and objective, and members of the family must not be key positions in the supervisory body.

Regulate the Financial Accounting and the Accounting Treatment

If the company has not reconciled the internal payment, if the staff of the Finance Department fails to check the current payment regularly, it may cause the transaction of the current company and its affiliates to be unscheduled and the accounting treatment is disordered. We recommend that the internal and external payments be checked on a case-by-case basis at the end of each month, and the related reconciliations should be managed as an attachment to the company's internal statements, so that the management can clearly understand the capital transactions of the group's affiliates. The main reconciliation includes: whether the amount is correct, whether the account is timely, and whether the content of the transaction is true, etc., to ensure that each business is recorded in a true, accurate and complete manner [14]. By further standardizing the financial accounting among the related companies within the group, especially the correct use of the related subjects, timely discover and correct the errors. At the same time, strengthening the financial supervision and rewards and punishments of the financial department, it will ensure that the family business group will check the internal funds in the future work.

Conclusion

The development of Chinese family corporations has had a different development process since the reform and opening up, which has experienced a tortuous development process and encountered many obstacles, fortunately, it has created a very good opportunity for the development of Chinese family enterprises that the China's economic system changed from planned economy to market economy.
References