

# The Impact of Price Changes on Accounting and Financial Management

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**Abstract :** By analyzing the impact of price changes on accounting and financial management, this paper discusses the optimization measures of accounting and financial management under price changes, so as to strengthen the research on accounting and financial management, change the traditional accounting method and financial management mode, and make it adapt to the environment of price changes, in order to improve the level of accounting and financial management, ensure the accuracy of accounting results, truly reflect the financial situation of the enterprise, as well as promote the sustainable development of the enterprise.

**Keywords :** Price Change; Accounting; Financial; Management; Effective Measures

In recent years, with the rapid development of China's social economy, prices have also changed. The change of prices has brought certain impact and challenges to enterprise accounting and financial management. This is because the change of prices is not only related to the production cost of enterprises, but also closely related to the economic benefits of enterprises. Based on this, in order to improve the production profit, reduce the operating cost and enhance the market competitiveness of enterprises, we should fully understand the impact of price changes on accounting and financial management, improve the traditional accounting and financial management mode, and optimize accounting and financial management, so as to make it adapt to the current price changes. It truly reflects the financial situation of the enterprise and provides a reliable reference basis for the business decision-making of the enterprise, in order to ensure the long-term development of the enterprise and focus on the long-term interests of the enterprise.

## 1. The impact of price changes on accounting and financial management

### 1.1 The impact of price changes on accounting

The impact of price changes on accounting is mainly reflected in the following two aspects: On the one hand, it has a certain impact on accounting theory, and the monetary measurement value has changed to a certain extent. Price changes have affected the development of various economic activities to a certain extent. In order to ensure the normal implementation of various economic activities and maintain the stability of monetary measurement, we should pay attention to metal money and take it as an important carrier in circulation activities, so as to achieve the final monetary measurement goal. At the moment when metal money is replaced by paper money, circulation activities are obviously affected by monetary policy and also subject to certain intervention. In this process, the actual value of money has changed, and the original accounting model has also changed. At the same time, price changes will also have a certain impact on accounting principles, mainly reflected in the historical cost side. The smooth development of accounting activities needs the support of calculation principles, so it needs to be paid special attention. There is a close relationship between prices and historical costs. The fluctuation of market prices will lead to the lack of authenticity of historical costs and the inability to truly feedback the current actual financial situation of the enterprise, resulting in the inconsistency between the existing assets and the existing cost data of the enterprise, which is difficult to ensure the reliability of the enterprise's financial statements and is easy to lead to the false increase of enterprise profits.

On the other hand, price changes have an impact on accounting practice. In the process of operation, enterprises can directly use financial statements to control their own operating conditions and understand the economic and financial conditions of

enterprises. However, under the background of price changes, the purchasing power of enterprises has been affected to a certain extent. The retention of funds by enterprises promotes the decline of the basic value of materials and reduces the purchasing power of money. Based on this, enterprises are easy to be in the low stage of assets, and there is a situation of false income. If they want to retain the original value, they need to effectively adjust the price and current price. In addition, the impact of price changes on accounting practice is also reflected in the inability to preserve the amount of investment capital. For enterprises, the purpose of carrying out economic activities is to obtain more economic benefits, improve the economic interests of enterprises, and ensure the capital of enterprises is an important prerequisite for profits. Based on the historical cost, it can be found that after the price changes, the book value of funds will also change, which will directly affect the capital value of enterprises and damage the fundamental interests of enterprise operation.

## **1. 2 The impact of price changes on financial management**

Price changes also have a certain impact on financial management, which is mainly reflected in the following aspects: First, the total demand for operating funds of enterprises increases. In the process of trade development in the market economy, it is necessary to control prices reasonably, otherwise, once there is a big change in prices, prices will continue to rise and cause inflation. After inflation, whether the operation of the business or the people's daily lives will be affected by some, which is not conducive to maintaining social stability. This is because if the problem of inflation has been unable to solve, so enterprise in the business can increase greatly the purchasing cost in the process of production, consume large amounts of money, and enterprises to cope with inflation. They usually hoard raw materials, which requires enterprises to increase financial support in production input. As a result, enterprises' demand for funds keeps increasing, which is not conducive to sustainable development of enterprises and is easy to cause serious business crisis.

Based on the activities of the enterprise and the market, it can be found that when an enterprise needs to spend a lot of money for hoarding raw materials in the process of operation, once its own reserves cannot meet the needs of sustainable operation, it will find financing channels and borrow funds from the outside world, which reduces the amount of working capital in the market to some extent and is greatly affected by the rise of prices. For the economic market, price changes have a very obvious impact on it, which will not only increase the production cost, but also lead to the rise of product prices and reduce the operating profits of enterprises. As a result, some metal currency speculators began to hoard a large amount of gold, the working capital in the market decreased significantly, the total amount of enterprise funds was lack, and the number of loan enterprises increased. When more and more enterprises seek loans, the loan approval of relevant institutions will become more and stricter, so that many enterprises cannot obtain loans, resulting in an increase in their capital gap and unable to support their operations.

Second, the cost of capital for enterprises has increased. In the process of operation and development, enterprises need to bear certain capital costs, which will generate certain expenses in the process of operation, including but not limited to the cost of raising funds and the payment of interest on borrowed funds. When prices rise, there will be inflation in the market, and inflation will lead to the occurrence of interest, which will further affect the cost of capital of enterprises. The interest rate will increase with inflation. If this situation continues, the capital demand of enterprises will gradually increase. To solve this problem, more capital needs to be invested, which greatly increases the operating cost of enterprises and brings great operating risks to enterprises?

Third, it is not conducive to improving the reproduction capacity of enterprises. Inflation caused by price changes will increase the capital input of enterprises, increase the original cost of enterprises, so that the original accounting model cannot be used. Based on this situation, when enterprises calculate profits, they mostly come from their own property holdings, rather than corporate earnings. If they allocate funds at the time of return, the economic benefits of enterprises will be reduced. When an enterprise is short of funds, it cannot provide more financial support for new business development, and it is difficult to improve the production capacity of the enterprise.

## **2. Price changes under the accounting and financial management optimization measures**

Under the change of prices, the optimization of accounting and financial management should be started from the following aspects: First, the remaining inventory of enterprises should be adjusted. For enterprises, surplus inventory is an important part of their total assets, which needs to be attached great importance and cannot be ignored. Surplus inventories are affected by price changes. If prices rise, then the enterprise's product sales will decline, resulting in inventory accumulation; If prices fall, then the enterprise's product sales will increase and the total inventory will decrease accordingly. Based on this, enterprises can deal with it through the local adjustment method, that is, some of the enterprise assets which are highly affected by price changes should adopt a new valuation model, try to make the price reach the current price level, and solve the problem of inaccurate accounting information

of enterprises. In addition, the comprehensive adjustment method can also be used to deal with the situation that the overall accounting measurement is affected, and the enterprise accounting work can be carried out as far as possible under the appropriate background of cost and price.

Second, improve the level of corporate financial management. It is necessary to establish a sound short-term financial prevention system, scientifically prepare enterprise cash flow budget, and do the corresponding research, so as to comprehensively grasp the real cash flow status of enterprises under price changes. It is necessary to set up a perfect enterprise risk early warning index, in order to understand the operating ability and solvency of the enterprise, scientifically evaluate the comprehensive strength of the enterprise, and do the corresponding financial risk prevention work. At the same time, diversified financial risk control measures should also be taken to disperse the financial risks in the enterprise, optimize the distribution of enterprise income, so as to ensure the stable operation of enterprises.

Third, we should optimize the fixed assets and depreciation of enterprises. Fixed assets and depreciation of enterprises will also be affected by price changes. Based on the existing accounting system, enterprises should reasonably control fixed assets and depreciation. Fixed assets and depreciation can be valued through replacement cost, so as to alleviate the problem of insufficient compensation.

### **3. Conclusion**

In a word, price changes have a great impact on accounting and financial management, and enterprises need to make corresponding adjustments according to the actual situation.

### **References**

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