

Research on Optimization Countermeasures for Accounts Receivable Management

—Taking China Railway Construction Heavy Industry Corporation Limited as an Example

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Abstract: Combined with theories such as accounts receivable financing, financing risk, case study method, and the current situation of accounts receivable scale in the same industry, the risks and feasibility of CRCHI are discussed, and the possible risks are analyzed from internal and external through the current status of receivables and receivables CRCHI. Finally, in view of the accounts receivable CRCHI, countermeasures and suggestions on the use of accounts receivable securitization, the establishment and improvement of investment and financing evaluation system, and the introduction and training of accounts receivable financing talents are proposed.

Keywords: accounts receivable; asset securitization; Financing; China Railway Construction Heavy Industry Corporation Limited

Introduction

With the rapid development of society and the continuous improvement of the economic system, the competition between enterprises is also intensifying. In order to gain advantages in the fierce market competition, credit sales and installment sales have become a common marketing means used by enterprises, which has formed a large number of receivable items, and the effective management of receivable items has increasingly become an important part of the financial strategy of enterprises. Receivables financing is a more common means for enterprises, receivables financing refers to the pledge or transfer of receivables or receivables to banks and other financial institutions, thereby accelerating the transformation into an asset usable by the enterprise and expanding the capital pool of the enterprise to a certain extent.

1. Current status of accounts receivable in machinery and equipment manufacturing

China Railway Construction Heavy Industry Corporation Limited is a central enterprise, a specialized large-scale enterprise integrating tunnel intelligent equipment construction and high-end rail equipment research, design, manufacturing and service. At present, the revenue growth rate of CRCHI has slowed down, but its accounts receivable are still growing, exceeding 70% of the current revenue, accounting for the leading proportion in the same industry, however, the turnover rate of accounts receivable is declining, and the quality of the company's revenue is debatable, and it is a signal of risk transmission. As a central enterprise, the lack of accounts receivable management will not be conducive to the future high-quality development of CRCHI.

2. Current status of accounts receivable financing of China Railway Construction Heavy Industry Corporation Limited

2.1 Brief introduction to the basic situation of CRCHI

Founded in 2006 and affiliated to China Railway Construction Heavy Industry Co., Ltd., China Railway Construction Heavy Industry Group Co., Ltd.(hereinafter referred to as "CRCHI") is a professional large-scale enterprise integrating the research, design, manufacture and service of underground construction equipment and rail transit equipment. The total registered capital of the company is 5.333 billion yuan, and the income and profit levels are relatively high, which has obvious advantages among similar enterprises.

2.2 Status of accounts receivable

For a large enterprise such as a special equipment manufacturer, it is difficult to collect each order at one time, which causes the company to generate a large number of receivables, which accounts for 51.33% of current assets in 2022, 55.19% of current assets in 2021, and 61.86% in 2020, which fully shows that the proportion of receivables of CRCHI is high and has a great impact on the balance sheet.

2.3 Current status of accounts receivable financing

Judging from the statements of previous years, CRCHI only used notes receivable for financing management. Among them, the total amount of notes receivable at the end of 2022 was 454 million yuan, and the financing of notes receivable reached 438 million yuan, accounting for 96.48% of the total notes receivable, and its transformation effect was more obvious, which promoted the capital flow of enterprises and improved the asset utilization rate of enterprises to a certain extent.

3. Risk analysis of accounts receivable financing of CRCHI

3.1 External risks

3.1.1 The law of accounts receivable financing needs to be improved

China's relevant legal systems, such as the Property Law, stipulate on the double pledge of accounts receivable: "registration first, rights first", however, China's relevant laws have not yet clarified the rules of right order for double transfer of accounts receivable. In the case of assignment or pledge of receivables, the requirement to notify the debtor of the receivables of their satisfaction is simple. As for the part of the pledge of receivables, the provisions of the Property Law on security interests do not mention this situation, and there are no specific provisions on the notice of pledge.

3.1.2 High cost of bank assessment

In view of the current receivables loans to financial banks adopted by many companies, if you want to make receivables loans to banks, because there is no corresponding fixed collateral, when the bank evaluates receivables loans, it is necessary to establish a corresponding and more complete credit review system to review the credit status of the transaction party, so the corresponding costs will inevitably increase, and CRCHI will also need to bear higher financing risks.

3.2 Insider risk

3.2.1 Talent is scarce in the finance department

The financial personnel of CRCHI account for 1.6% of the total employees, and in the financing process, the information put forward by the company's financial personnel is very critical to its development, if the risks cannot be discovered in time, it will have an adverse impact on the financing of CRCHI, so it is necessary for CRCHI to strengthen the quality of financial personnel. If CRCHI hopes to make up for the increasing funding gap through accounts receivable financing, it must improve the professionalism of financial personnel, increase the early warning ability of financial personnel, identify the risks that may be brought by accounts receivable financing earlier, faster and more accurately, accurately analyze whether a certain account receivable may default, and screen out the high-quality accounts receivable for financing.

4. Put forward suggestions for avoiding possible risks of accounts receivable financing of CRCHI

4.1 Conduct accounts receivable securitization financing

Nowadays, asset securitization has matured in the Chinese market, and as an emerging financing method in recent years, the most important point compared with traditional financing methods is that the financing cost is much lower than the cost of traditional financing methods. Moreover, there are fewer restrictions related to asset securitization, which lowers the entry threshold for most companies to securitization, so more and more enterprises begin to prefer asset securitization financing to maximize the use of funds, thereby driving the development and innovation of the capital market. Asset securitization can effectively revitalize the existing assets of enterprises, which gives full play to the role

of enterprise assets, better improves its returns, and makes the stock assets available in advance to meet the financing needs of enterprises.

Based on this, accounts receivable securitization is also a truth, the higher quality accounts receivable are selected from it, and their overall packaging and restructuring are transferred to special purpose carriers, and then the issuance and sale of securities are carried out, which brings stable cash inflow to enterprises, can provide protection for enterprises when they urgently need funds for projects, and provide a stable flow of funds for enterprises when they carry out strategic layout or long-term scientific research projects, and help enterprises in scientific and technological research and innovation. In addition, package restructuring can achieve the isolation and real sale of bad debts, and this transaction method of classifying assets into layers can also better disperse the risk of accounts receivable.

By analyzing the accounts receivable management of CRCC, the parent company of CRCHI, CRCHI gave a new enlightenment. CRCC successfully issued accounts receivable securitization products on the Shanghai Stock Exchange in 2016, and by 2019, the scale of asset securitization has reached the cumulative ranking of central enterprises, indicating that CRCC's receivables securitization system is very mature, and CRCC is a wholly-owned subsidiary of CRCC, which can follow CRCC's practice and promote the conversion of receivables into enterprise capital inflows through receivables securitization.

4.2 Improve the investment and financing evaluation system

With the continuous improvement of China's financial market, financial products are also constantly innovating. Therefore, enterprises need to establish a special financing management and evaluation system to understand the latest market technology research and market demand and other unstable factors, so as to effectively reduce the financing cost of enterprises. By analyzing complex factors such as enterprises' current market share, market demand, and politicization of economic and trade issues, the policy trend is evaluated, so as to help enterprises control financing risks in the financing process.

Correspondingly, it is also necessary to analyze different financing methods and choose according to the actual needs and circumstances of enterprises. Finally, the most suitable financing method for the enterprise is selected, and the specific person in charge of the financing department is responsible for the implementation of the plan to effectively find and solve the loopholes that may occur in the financing process. Any financing method will have a certain degree of risk, the risk is objective, and the enterprise needs to minimize the impact of the risk on the enterprise. Therefore, enterprises need to pay attention to risk control and establish corresponding risk control systems to effectively improve their ability to resist risks and promote their development.

4.3 Introduce and cultivate accounts receivable financing talents

China's research time in the field of accounts receivable financing is relatively short, in order to promote the development of enterprises, a series of support policies have been issued successively, which effectively alleviates the problem of enterprise financing difficulties. At this stage, the accounts receivable financing model is not fully mature, and there are still some problems that need to be adjusted at a later stage. CRIC should pay more attention to the construction of financial personnel system, introduce the required talents accordingly, improve the existing financial system, establish a talent pool and special training system, conduct systematic training for relevant personnel, and improve the comprehensive professional ability of financial personnel.

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