

Study on the Current Capital Management of China Modern Enterprises

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Abstract

The current capital management of the enterprise mainly includes cash management, accounts receivable management and inventory management. The following methods should be selected to strengthen the current capital management of modern enterprises, which includes reasonably allocating capitals, really enhancing the cash using efficiency, strengthening the accounts receivable management, revitalizing the capital turnover, emphasizing the inventory management and striving for the unification of the inventory cost and the inventory benefit.

Keywords: Current capital management, Environment analysis, Mode

The capital is the life line of enterprise economic activity. With the development of market economy and the establishment of modern enterprise system, the enterprise capital management has become the core of enterprise management. If there is no current capital, there is no capital recirculation, which can not bring benefit for the enterprise, so the enterprise can not survive even develop. Therefore, the management of the current capital is very important for the enterprise. And the current capital management coming down to purchase, distribution and payment is the most important thing in the whole process of capital management. Generally speaking, the proportion of current capital in the enterprise management capital can achieve 60-70%, even 80%, which realizes the transfer and increment of values through circulation. If problems occur in certain stage of the circulation process, enterprise product may get into half-paralysis or production stopped status, even it will induce the bankruptcy of the enterprise. Therefore, the current capital management of the enterprise is the “bull nose” of the enterprise capital management.

1. Environment analysis of current capital management

The environment analysis of current capital management mainly includes the environment analysis of cash management, the environment analysis of accounts receivable management and the environment analysis of inventory management.

1.1 Environment analysis of cash management

The key of cash management work rests with the establishment of the cash income and expenses plan. As a sort of important management method, the cash income and expenses plan is disregarded by many enterprises, so a sort of scientific and applied management method is on the shelf in reality. As viewed from interior environment of the enterprise, two aspects restrict the application of the cash income and expenses plan in the enterprise. One aspect is that managers of the enterprise don't know this sort of management method or ignore this management work. The other aspect is that relative personnel of the enterprise lack the knowledge and skills in this domain. As viewed from exterior environment of the enterprise, at present, the actuality that many enterprises ignore this scientific management method reminds the society, government and social relative departments should strengthen this sort of management consciousness when they organize relative occupation qualification exams. In addition, in relative continual educations about schooling and occupation, they should actively advocate this management method to direct enterprises exert this scientific management measure in practical management activities.

1.2 Environment analysis of accounts receivable management

In reality, many enterprises still have blind area in the accounts receivable management. They always only emphasize the claim of bad debts afterwards, but ignore the evaluation of customers' credit degree in advance. When they negotiate with customers about the credit items, they always lack scientific and reasonable gist. So following results can be conceivable, the enterprises pay meaningless losses, or they give away the time value of the capital, or they can not take back the accounts receivable investment and influence the normal capital turnover, or they lose the market though they win the lawsuit and draw back the capital, or the accounts receivable becomes into the dead debt and all their previous efforts wasted.

As viewed from interior environment of the enterprises, three aspects restrict that the accounts receivable investment can not be favorably implemented. (1) In the interior of the enterprise, the accounts receivable investment lacks organizational guarantee, even in large-sized enterprises, there are not professional personnel engage this management work. (2) The credit condition has not been regarded as an important management strategy, and enterprises lack scientific plan to it beforehand. (3) The managers of the enterprise lack cognition to the credit policies or ignore these policies.

As viewed from the exterior environment of the enterprise, at present, even if enterprises emphasize the establishment and exertion of the credit policies, when they evaluate customers' credit degrees, enterprises must pay higher costs because corresponding social institutions or departments can not offer corresponding services for them, so enterprises have to give up this important management part. In addition, the government should exert its macro-control function to the market, establish necessary navigation mark for the enterprises running in the commercial sea, publish the asset-liability ratio that the market can endure, and create necessary conditions for safe management of enterprises. At the same time, in the whole social ideology domain, the government should fully advocate the construction of honesty and morality and make them become into extensive civilizations in society.

1.3 Environment analysis of inventory management

The key of the inventory management work rests with the exertion of the inventory economy batch model. At present, the main applied factor of this model is the exterior market environment that enterprises are in, especial the development of the logistic market. Developed exterior market environment is the necessary that the model can be applied in the interior of enterprise. In China, the logistic market has not been mature, and the serious unordered status still exists. The logistic market is divided into many parts and various charge departments lack necessary cooperation. The market is short of logistical enterprise standard and classification standard, and many unworthy logistical enterprises compete out of order in the storage and transportation stage of the logistical domain. At the same time, many logistical enterprises have few science and technology contents, and low productivity level. The development of the third party's logistic market should be another profit headspring and save logistical costs for the enterprise, but the unordered status of the logistical market cannot make the enterprise realize this object, but bring the threat leaking business secret for the enterprise. Under the condition that the market is not developed in China, generally speaking, the inventory in the current capital of the enterprise almost achieves 50%. Thus, the turnover of inventory capital will directly influence the use effect of the current capital. With the development and improvement of the market economy in China, the time of "zero-inventory" must come, and at that time, the occupancy of the current capital will fully reduce and the use effect of the current capital will be fully enhanced.

2. The mode to strengthen current capital management of modern China enterprises

The current capital management directly relates to the production and management, even the life and death of the enterprise. Bad current capital management may directly induce the deficiency of enough capital to pay various necessary account payables, and get in the corner without technical repayment ability, even cannot but suspend payment because of difficult payment. Under the condition of market economy, how to strengthen the current capital management for modern China enterprises? Three aspects can be applied.

2.1 Reasonably allocating capitals and really enhancing the cash using efficiency

Cash is the most important assets for the enterprise, which is the exchange media that can put in circulation immediately, such as purchasing commodity, goods and services or repaying debts, and it is also the asset which has the strongest fluidity in the enterprise. With the competition of the market, as one of most important assets that enterprise survives its production and management, the fluidity of the cash has been an important index to judge the management effect, variable ability and agility of the enterprise. The main reason that the enterprise stores cash is to fulfill the trading demand, prevention demand and gamble demand. The trading demand means to fulfill the demand of cash payment in daily business. The prevention demand means to store cash to prevent the payment of the backfire. The gamble demand means to store cash for unusual purchase opportunity, such as cheap raw materials. If the enterprise lacks necessary cash, it will not attach itself to the operation expenditure, and many uncommon opportunities may be missed because of deficient cash, and small amount of mature debt also may induce the bankruptcy of the enterprise because of ineffective cash turnover. By contraries, if the enterprise stores excessive cash, it will not obtain profit because the cash can not be put in the turnover, which also may develop corruptions induced by some holds of cash management. Therefore, for the cash management, enterprise should grasp a balance point, i.e. work out choice between the fluidity of the assets and the profit ability to obtain maximum profits.

For a long term, because of the influence of economic system, some problems which can not be ignored occur in the cash management, for example, loose management, lacking necessary cash budget management, taking IOU note, taking return goods payment use for the expenditure of the enterprise and employees' welfares, and even some

enterprises adopt the method that open accounts in several banks to obtain cashes. Just the uncontrol of cash management make large of capital flow outside, which seriously interferes national economy and financial order and works tremendous losses for the country and enterprises. Therefore, to strengthen the cash management, the enterprise must strictly implement financial laws and regulations, supervise layer upon layer and stoutly stop unreasonable expenditures and prevent potential industrial unhealthy tendency. In addition, for the capital using of production and management, enterprise must invest fixed assets when it fulfills the demand of production and management turnover capital, and strictly arrange enough production and management capital according to the national regulation. For the transfer of capital, enterprise must imperfect the interior control system to ensure the safety of the capital transfer, and enterprise can reflect the payment and cash abilities through the establishment of the cash flow table. The enterprise also should find concealed crisis and reflect the cash situation on the deep layer in time.

To enhance the using rate of the capital, the securities is a sort of transfer form for the cash of the enterprise, which has strong cash exchange ability and can be changed into cash at any moment, and when the cash is excessive, the enterprise can change it into securities. Under this situation, the securities becomes into the substitution of the cash.

2.2 Strengthening the accounts receivable management and revitalizing the capital turnover

The accounts receivable what we say means the fund drew from purchasing enterprises or those enterprises which accept labor or service and other enterprises because of the distributions of product, material and labor or other reasons. It is a sort of capital investing of the enterprise and it is the result of commercial competition. In the day that the market competition is more and more intense, as a sort of marketing measure, an account sale has been gradually regarded by people. The proportion of an account sale amount continually increases, and the receival of the accounts receivable directly influences the capital turnover. For example, the “chain debts” makes enterprise busily deal with loan and payment, and the so-called “bad debts” will make the enterprise lose part current capitals. Therefore, the strengthening of accounts receivable management is imperative under the situation. The corresponding credit system should be established, the effect of an account sale depends on the credit policy of the enterprise, which includes credit term, credit standard and cash discount policy, and the extension of the credit term may increase the sale, which may product good influences or bad influences. When accounts receivable happens, the enterprise should adopt sorts of measures to strive for take back the debt on schedule, prevent the bad debts that may occur, or else, the enterprise will incur loss. That requires enterprise establish corresponding credit system, for example, fully understanding the reputation of the customer, implementing the distribution principle of close quarters and short term, developing contract system to responsible person, returning in term, examining periodically, clearing rewards and punishment, supervising fund return, strictly auditing relative contracts, adopting flexible account policies including for the customer with short overdue term, the enterprise should avoid frequent press to prevent lose this market, and for the customer with long overdue term, the enterprise should continually politely inquire through telephone or letter, and for the customer who may induce bad debts, the enterprise should use specific and strict dictions, and charge to the court necessarily.

2.3 Emphasizing the inventory management and striving for the unification of the inventory cost and the inventory benefit

The inventory means the materials stored by the enterprise for the distribution or consumption in the process of production and management, which includes materials and finished products. The effective inventory management can uniform the inventory cost and the inventory benefit.

(1) Establishing and perfecting the system of commodity dispatcher and keeping. The enterprise can classify storage products, check and maintain these products periodically to avoid the quality drop of the commodity because of improper storage, and periodically analyze inventory and clean up improper storages. Under the premise of ensuring supply, the enterprise should reduce the inventory amount, reduce inventory capital and enhance the using rate of the capital farthest.

(2) Confirming reasonable safe inventory to prevent the loss induced by out of stock and the stop of the supply. The enterprise should store more inventories to deal with urgent demands, which is called safe inventory. These inventories don't be used usually, and only when the inventory is excessively used or goods are late delivered. The reasonable inventory can reduce losses induced by above reasons to the least degree.

(3) Reducing the inventory of the finished products and quickening up the capital turnover. The measures that the enterprise can adopt include ameliorating technology, enhancing productivity, shortening the production period of the finished product, reducing the inventory time, deepening the market investigation, understanding the market, adjusting the production according to the feedback information, abroad attracting and employing talents and pooling the wisdom and efforts of everyone for the products to go to the market and develop wider market.

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