Research on Risk Aversion Strategy in Financial Management of Wholesale and Retail Type Listed Companies

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Objectives: In recent years, with the establishment of the socialist market economy, China has set up a number of listed companies, the development of the national economy has played an important role in promoting. However, due to the short time of listing of listed companies, it can not form a scientific system management system like western developed countries. Methods: In the process of management, there are still some shortcomings, among which the most important is financial risk management. Financial risk management for listed companies has a very important role, not only to ensure that its financial work reasonable system of operation, but also to promote the expansion of listed companies an important means, therefore, it must be taken seriously. Results: Based on the present situation of financial risk management of listed companies in China, this paper expatiates on financial risk management and analyzes the shortcomings of financial risk management of listed companies in China's wholesale and retail types, analyzes their causes in detail. Conclusion: And finally, the corporate financial risk management defects of the governance strategy put forward the corresponding recommendations.
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By the depth of the financial crisis, competition between enterprises has become increasingly fierce, due to financial crisis caused by listed companies in trouble or even bankruptcy cases abound. Today is still on the market champion brand-name enterprises, perhaps to tomorrow, the company may appear financial risk and then declared bankruptcy, closed down from the market quietly disappeared, came to an end [1].

In China, the listed companies in the financial risk management and control has not been given enough attention, in addition to China's market economy environment is not very sound, the enterprise has not been rich enough experience to accumulate, making our enterprises in the financial risk prevention and control relatively weak, many management tools and analysis methods are not very mature, compared with the developed countries there is still a big gap [2]. In this context, this paper has studied the financial risk early warning of listed companies [3]. However, due to the financial risk early warning system, it is still a relatively young research field [4]. At present, China's listed companies have not yet been affected by the financial risk [5]. The company's regulatory authorities have not listed on how to use the financial risk early warning system to make the relevant provisions, coupled with the existence of some of the unique phenomenon of listed companies in China, making the lack of listed companies to use financial risk early warning system initiative [6]. Mainly for the management of listed companies and decision-making lack of active use of financial risk early warning system awareness, in addition, accounting information distortion will also affect the effectiveness of financial risk early warning system [7]. Because the design and establishment of the financial risk early warning model of listed companies need to use a lot of financial data, the real and reliable financial accounting information is the guarantee of establishing an effective and feasible financial risk early warning system. And the distortion and lag of accounting information greatly affect the effectiveness of the financial early warning system [8].

Wholesale and retail sales channels, product variety, the market changes quickly, more information feedback, making control of business channels, management products, timely feedback information has become extremely difficult, comparing to other industries, wholesale and retail financial crisis early warning research rare. Based on the characteristics of wholesale and retail trade, it is very important to establish financial crisis early warning system, both in theory and from practice, the financial crisis of the wholesale and retail industry and early warning management are very important.

METHODS

The Concept of Financial Crisis

For the concept of financial crisis, foreign countries have not yet formed a unified statement. In 1966, Beaver pointed out in his study that when the enterprise bankruptcy is unable to pay due bonds and preferred dividends, bank deposits have overdraft behavior, the enterprise gets into a financial crisis. In 1968, Altman in the study that the financial crisis is the failure of enterprises, corporate failure is the enterprise will face bankruptcy, was liquidated or reorganized. In 1972, Deakin defined the financial crisis: the financial crisis of the company has been bankrupt, has been unable to repay the debtor's debt and debt settlement. During this period, most scholars defined the financial crisis as corporate bankruptcy, such as Casey, Bartcrzark, Gtry, Aziz, Gilbert, in the study pointed out: the bankruptcy of the financial crisis occurred.

With the complexity of the market environment, people's understanding of the financial crisis has also changed, many researchers have expanded the scope of research samples, but also the meaning of the financial crisis has been expanded and further improved, Carmichael in 1972 In the study, the financial crisis is limited when companies pay their debts, including poor liquidity, equity and lack of funds and default on debt. In 1981, Scott pointed out companies that are in financial crisis usually do not have a good credit and can not return the principal and interest of creditors on time. Michael and Zopounidis give the definition of financial crisis: from the financial point of view, the enterprise's net asset value is negative, the debt can not be repaid, bank deposits are overdrawn, preferred stock dividends can not be paid, the payment can not arrive on time, and the principal can not be repaid, the enterprise into a financial crisis.

The Form of Financial Crisis

When the crisis has not yet occurred, if you can find signs of various unfavorable factors, and take timely and effective measures to kill the crisis in the bud. Domestic and foreign literature for the financial crisis in the form of research has been a lot, of which the most representative are:

"Four-stage symptoms" analysis method, this method will be divided into four stages of financial failure: financial failure of the period, the financial failure of the outbreak period, financial failure reversal period, the financial failure of cash. The performance of the various stages of the symptoms in Table 1, apparently the occurrence of financial failure as an evolutionary process, there is a gradual and accumulation process. Once in the early detection of some unusual signs should be prepared to avoid or reduce the degree of damage to the enterprise.

Table 1
Financial Crisis Four Stages of the Symptoms

Financial failure ambush period	Financial failure outbreak period	Financial failure reversal period	Financial failure to fulfill the period
Blind expansion investment	Lack of funds	Operators inadvertently business,concentrate on financial turnover	Liabilities are more than assets and lose solvency
Wrong marketing	Excessive reliance on foreign capital, heavy interest burden	The entire enterprise cash flow difficulties	Declared bankruptcy
Crisis management awareness is weak, resulting in significant losses	Lack of early warning of accounting information	Debt default can not be paid due	
Lack of effective management system, improper management of distribution resources	Repayment of customer and bank debt		
Ignoring the significant changes in the environment			

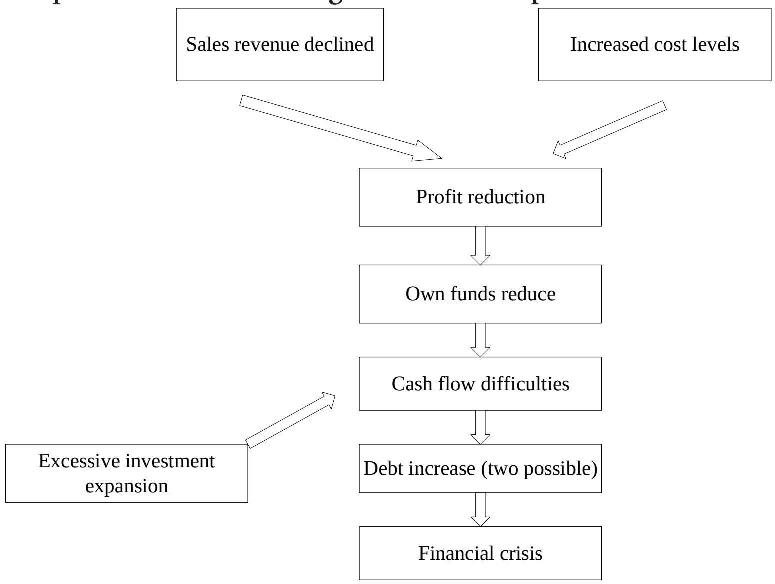
Financial crisis in the process of the formation of more or less show signs, companies can identify signs of crisis before the show, and take preventive measures to prevent the crisis is an important condition to prevent the outbreak.

The Cause of the Financial Crisis

The cause of the formation of corporate financial crisis, in other words, is the impact of corporate financial crisis factors. The impact of financial crisis is extremely complex, both external factors, but also internal factors. External factors, such as the macro environment complex and volatile, weak industry; internal factors, such as excessive debt management, blind expansion of the scale, weak cash management and so on. The external factors faced by different enterprises are basically the same, and the internal factors are very different. Relative to the external factors, the internal control of the internal factors of strong, so we focus on the research on the internal factors of enterprise analysis.

In general, the most direct reason for the financial crisis is that the debt can not be repaid at maturity, and the path of the financial crisis is as follows: the cost level is increased, the sales income is reduced and the expansion is overdue. See Figure 1, three cases will lead to corporate cash flow difficulties, unable to repay the debt due, the final debt can not be repaid and fall into a financial crisis.

Figure 1
An Explanation of Accounting Paths for Enterprises' Financial Crisis



Professor Baumback of the United States on the bankruptcy company operators and creditors after the investigation, put forward the reasons for the bankruptcy of enterprises, please see Table 2, the vast majority of operators believe that corporate bankruptcy is due to economic downturn, lack of funds, competitive and objective Factors, and creditors that ineffective management, lack of free funds is the main reason for business failure

Table 2
Investigation on the Causes of Enterprise Bankruptcy by Different Interest Groups

The Causes of Business Failure	The views of the parties	
	Opinion by the operator (68%)	Creditors' opinions (29%)
Economic depression	68	29
Invalid management	28	59
Lack of funds	48	33
Bad debt loss	30	18
Intense market competition	40	9
The value of the asset is undervalued	32	6
The company's location is poor	15	3
Loan interest burden is heavy	11	2
Changes in trading conditions	11	2

RESULTS

3.1 China 's wholesale and retail industry profile

With the development of society, wholesale and retail trade and modern people more and more close, almost everyone from the wholesale and retail to get their own products or services, wholesale and retail has become an important part of people's lives. It plays a mediating role in the circulation of goods, not only can drive production, but also continue to promote consumption and demand, the rapid development of the national economy has a role in promoting.

Retail industry refers to the sales of workers and peasants, wholesale traders or residents through the sale of goods, the purchase of goods sold to other residents or social groups as consumer goods sales industry. It has the following characteristics: the frequent frequency of transactions and the average transaction amount is the two major characteristics of the retail industry, the need for strict control in the daily management of inventory; it is more susceptible to changes in market demand, different consumers have There are a variety of formats, including: supermarket chains, department stores, warehousing shops, stores, shopping, convenience stores, shopping malls, shopping malls, shopping malls, shopping malls, shopping malls, Supermarkets, large supermarkets, etc.; it must strictly grasp the capital turnover rate, improve the turnover rate, so that small profits but quick turnover, quick to buy quick sell.

Wholesale trade refers to the wholesalers to retail or wholesale units and other units in bulk sales of goods trading activities. The wholesale industry has the following characteristics: batch trading and batch pricing; wholesale and sell the relationship between the purchase and sale of the two sides is relatively stable; a wide range of transactions, usually a small number of wholesale institutions can cover a wide range of services.

In recent years, China's wholesale and retail industry has developed rapidly, whether it is industrial scale and practitioners or sales have appeared in a surprising increase, according to the National Bureau of Statistics, China's wholesale and retail trade in 2009 the number of 95468, in 2013 for 171913, in 5 years the number of legal entities in the industry increased by 80.1%; and the number of employees in 2009 to 7490000 people,in 2013 to 113966000 people, an increase of 52.1%. From the two sets of data changes, we can see: China's wholesale and retail industry has been expanding, increasing the number of employed workers. And industry scale and practitioners, the industry's total sales are also increasing, in 2009 the total sales of 201166.2 billion yuan in 2013 reached 496603 billion yuan, sales double d, which also reflects the people's demand for consumer goods increased dramatically, the future wholesale and retail industry has a lot of room for development.

The Characteristics of Wholesale and Retail Trade

Product cost is lower, the price is relatively stable.

High sales costs.

Inventory management is difficult

The use of commercial credit for financing, short operating cycle, fast asset turnover, low financing costs.

The proportion of debt financing is high and the overall investment is insufficient.

Improving the management of working capital is the key to the success of wholesale and retail trade.

Research Sample and Data Selection

Scientific and perfect sample data and research methods are of great significance to construct a reasonable and effective financial crisis model of listed and retail listed companies. Therefore, before starting the argument, it is necessary to use reasonable statistical methods to sample and index data screening.

The financial crisis early warning model constructed in this paper is for listed companies in China's wholesale and retail trade, so we will choose the listed and listed companies of Shanghai Stock Exchange and Shenzhen Stock Exchange as the sample. Only choose A-share listed companies, because A-share listed companies and B shares, H shares listed companies using the inconsistent criteria, the former is the use of domestic accounting standards and accounting systems, the latter is the use of international accounting standards, to send two accounting standards in the measurement of differences, making the financial data is not comparable. In the Shanghai and Shenzhen Stock Exchange listed A shares of wholesale and retail companies a total of 159, of which five contain B shares, this article, the study object is from 2006 to 2008 between the wholesale and retail companies, and B-share companies and data incomplete. The company did not take the research sample of this article, and finally, from the Shanghai and Shenzhen listed companies selected 315 wholesale and retail companies as a research sample.

Selection of Sample Data

The sample data is mainly from:

Guo Tai An database;

Rui Si financial research database.

Financial crisis warning is through the company's public financial information and other information, the company's future financial situation for police intelligence forecast. This paper will use the index of the previous year's T-1 year to predict the financial situation of the company's T year, that is, when the model input the index data of the year, the company is lagging behind the financial situation of the year. As a result, the company's stakeholders can take early action before the crisis, or when an enterprise fails, to implement effective responses to minimize the losses caused by the crisis.

The Establishment of an Indicator System

Domestic and foreign scholars mainly from the traditional financial indicators, cash flow indicators, non-financial indicators and market value indicators selected indicators to build pre-index system, the financial crisis warning. Among them, the traditional financial indicators and cash flow indicator information can be obtained from the financial statements, easier, and market value and corporate governance information can not be obtained through the financial statements.Among them, the former reflects the operation of the capital market, which reflects the ownership structure and internal governance.

The research on the financial early warning is mainly based on the listed companies. With the deepening of the financial crisis early warning research, people gradually realize that the financial crisis early warning model established by the sub-industry is more targeted and the forecasting accuracy is high. For China's wholesale and retail financial crisis early warning research, although some scholars have done research, but the number is very small, its in-depth study is still in the trial stage.

This paper summarizes and combs the predecessors' research and sets out the indicators of significant difference between bankrupt companies and non-bankrupt companies, as shown in Table 3:

Table 3
Significant Differences in Indicators of the Summary Table

Warning indicators The researcher	Shue Yang Qing Chen	Jie Ma Yuxun Wan	Minzan Xiao	Xia Xiong
Flow ratio	√			√
Assets and liabilities	√	√	√	√
Interest protection factor		√		√
Clever profit margins	√			
Sales margin			√	
Return on assets				√
Total return on assets				√
Accounts receivable turnover	√			
Total asset turnover	√	√	√	√
Current asset turnover				√
Inventory turnover	√	√		
Sales growth rate				√
Capital preservation rate				√
Total asset growth rate		√		
Debt security rate		√		
Cash flow ratio				√
The proportion of the second largest shareholder			√	

To sum up, most of the researchers are mainly from the solvency, profitability, operational capacity and development can be selected for the four indicators. As can be seen in Table 3, the ratio of asset-liability ratio, total assets turnover rate, current ratio, inventory turnover rate and other indicators between the crisis companies and normal companies are more frequent, which has a certain set of early warning index system reference and guiding significance.

The Principles of the Selection of Indicators

In order to help the wholesale and retail company operators to effectively deal with preventing the occurrence of financial crisis, we should actively establish a scientific financial crisis early warning system.Correct selection of early warning indicators is the key to establishing an effective financial crisis early warning system. In the construction of early warning index system, select the early warning indicators too much or too little is not very good. If you select more early warning indicators, although to a certain extent, can more fully reflect the company's management situation, but also will inevitably increase the cost of early warning and early warning analysis of the complexity; if you choose less early warning indicators,early warning cost reduction, pre-Bodhi analysis is simple, but the early warning index system can not be accurate, fully reflect the company's financial situation, leading to lower accuracy of the early warning model. This paper selects the early warning indicators to adhere to the following principles;

Industry specificity principle.

Scientific principles.

Comprehensive principle.

Operability principle.

Predictive principle.

Principle of sensitivity.

The construction of the forecasting index system is the prerequisite for the establishment of the financial crisis early warning model, which plays an important role in the accuracy of the prediction of the pre-sauce model. It can be seen from Table 3 that the financial crisis early warning index system of the wholesale and retail trade constructed by the majority of scholars includes the solvency index, the profitability index, the development ability index and the operation energy as the index. In order to make the early warning index system more comprehensive system, this paper draws lessons from the research results of the early warning index system of domestic and foreign scholars, and refers to the classification of financial indicators according to the Guo Ta An database. Based on the principle of selecting the early warning index, ability, operation ability, development ability, cash flow, corporate governance, market value and risk level of the eight aspects of the selection of 49 indicators to build financial crisis forecast system.

The Significance Test of Early Warning Index

This paper has initially identified 49 indicators, too many early warning indicators will lead to the model is too complex, the workload increases, the problem becomes more difficult. In addition, although these indicators can reflect all aspects of the company's information, but there is a correlation between early warning indicators may reduce the early warning model early warning performance. Therefore, based on these indicators before the establishment of early warning model, it is necessary for these 49 indicators for further screening, selecting the strongest ability to discriminate, so with the least and representative indicators reflect the company's financial situation.

The wettability test refers to the assumption that the overall parameter or the overall distribution form is used first, and then use the sample information to judge whether the overall real situation and the prior assumptions have obvious differences. The principle is "small probability event actual impossibility principle " Through the significance test to determine the primary pre-answer indicators in the crisis between the company and the difference between the company is obvious,and then use the obvious indicators as the input crisis of the financial crisis early warning model of China's wholesale and retail trade, and construct the financial crisis early warning model.

DISCUSSION

This paper first summarizes the theories related to the financial crisis early warning, and then selects the 292 non-ST companies and 23 ST companies as the samples from the wholesale and retail companies listed on the Shanghai and Shenzhen Stock Exchange in 2006-2008 .According to the principle of selecting the indicators of early warning, the principle of selecting the index of the six indicators is based on the particularity, scientificity, comprehensiveness, operability, predictability and sensitivity of the industry,from the eight aspects of solvency, profitability, operational capacity, development ability, cash flow, corporate governance, market value and risk level, 49 indicators reflecting the financial situation of the company are selected as far as possible. And constructs the financial crisis early warning model of China's wholesale and retail listed companies one year ahead of schedule.

Human Subjects Approval Statement

This paper did not include human subjects.

Conflict of Interest Disclosure Statement

None declared.

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