

# Risk Identification and Coping Strategy Analysis of Listed Companies' Capital Management Under the Centralized Management Mode

Xu Chen, Jingjing Yang, Ruonan Zhao and Le Gao

Anhui University of Finance and Economics, Bengbu, 233030, China

---

**Abstract:** In order to improve their competitiveness in the market, listed companies have transformed from the original single production management to the centralized production management mode, and realized the optimization and integration of the internal resources of the enterprise. With the change of enterprise management mode, its capital risk has also changed. Listed companies adopt the same standard in capital management and use. This paper analyzes the capital management risk of listed companies under the centralized management mode, identifies the capital management risk from the perspectives of budget, allocation and settlement, and proposes a capital management risk prevention strategy according to the risk content.

**Keywords:** Centralized management model, Listed company, Capital risk, Risk identification.

---

## 1. Introduction

In order to expand the scale, listed companies use mergers and acquisitions to change the original business model of a single enterprise, and adopt a diversified approach to business management. The chain effect has improved the risk response ability of enterprises. But at present, capital is the guarantee for listed companies to continuously expand their scale and improve their competitiveness. Through capital flow and capital risk identification, it is helpful to understand the capital risks of the company and improve the operating efficiency of the company.

## 2. Analysis of Enterprise Fund Management Under Centralized Management Mode

### 2.1. Fund Management Mode

There are five forms of centralized fund management mode. The first is that the subsidiary does not set up a financial department, and the parent company is responsible for fund management, and the subsidiary's reserve fund is managed or the mode of unified income and unified payment is carried out. One is that the enterprise establishes a settlement center, establishes a special fund settlement department to manage fund activities in a unified manner, and uses the settlement system to record and monitor fund flow and capital situation; Financing and credit functions, realize the financing of internal funds and form economies of scale; the fourth is the financial company model, in which the listed company establishes an independent financial management department to provide financial services for the parent company and subsidiaries of the listed company and improve the efficiency of capital use[1]; The five is the management mode of using the capital pool. The listed company cooperates with the bank to open subsidiary accounts, manage the limit and balance, and after the parent company reviews and approves, realizes the use of the subsidiary's funds, and realizes the allocation of funds according to the account[2]. Listed companies can reasonably adopt a scientific fund management model according to their business scope and actual needs.

### 2.2. Advantages of Capital Management

Listed companies apply centralized fund management to realize the collection and processing of funds for subsidiaries, and scientifically allocate internal funds to achieve effective supervision of fund activities. Listed companies use the centralized fund management model, which has the following three advantages: First, it can achieve the goal of optimizing fund management, realize the optimal allocation of internal funds of the enterprise[3], and improve the scale efficiency of enterprise operation and management. The parent company can keep abreast of the capital situation of its subsidiaries at any time, formulate a more complete capital use system and internal management mechanism, and reasonably allocate the capital use between the parent company and different subsidiaries, so that the internal turnover of funds is more flexible and can be reduced through decision-making. Capital risk; second, it can reduce costs and improve capital rate of return. The centralized management model used by listed companies makes the use of internal funds more flexible, changes the previous information asymmetry, reduces financing losses, and increases financing efficiency. Compared with the two lines of funds, the use of funds and the amount of funds used can be monitored in real time, which does not reduce the occurrence of information asymmetry, and effectively reduces the risk of funds[4].

### 2.3. Fund Management Process

Use the centralized fund management mode to realize the scientific management of funds, take the fund budget as the core content, review the capital use of the subsidiaries, and realize the circulation of the internal funds of the enterprise. Under the centralized management mode, the income fund account and the expenditure fund account are managed separately, and the parent company's account has the authority to manage it, and can check the account amount, return and use funds at any time. The use of funds of the subsidiary is limited. If it exceeds the scope of the capital budget, it will be allowed to pay and use after review and approval. Funds will be collected by the parent company's account, and the subsidiary will be responsible for the income and expenditure

of personal funds[5].

### **3. Risk Identification of Enterprise Capital Management Under the Centralized Management Mode**

#### **3.1. Risk of Capital Budget**

##### **(1) Preparation risk**

In the capital budget management of listed companies under the centralized management mode, the funds needed to be used in future business activities are forecasted through the preparation of the plan list, and the funds are arranged, and the overall planning is carried out by compiling reports. Incorporate capital activities into the capital budget system[6]. If the accuracy of the capital required for budget submission and reporting is inconsistent with the actual situation, the capital risk of listed companies will increase. If the forecast is too high, the capital utilization rate may be reduced. If it is low, it will lead to a shortage of funds and financial risks.

##### **(2) Approval risk**

The fund approval process of listed companies under the centralized management model is more detailed and the approval procedure is more complicated. Whether the fund approval is passed or whether the approval is timely is affected by the personnel of the parent company is subjective. If the budget approval of funds does not comply with the principle of objectivity, or if the approval is not passed or the approval is not timely, it may lead to a loss of rationality in the allocation of funds among various departments of the listed company, which will reduce the capital efficiency, and may even cause serious damage. As a result, the Group's reputation has been affected to a certain extent[7].

#### **3.2. Risk of Capital Allocation**

##### **(1) Financing risk**

Financing risk means that when an enterprise has financing problems, it needs to raise financing from the perspectives of internal and external sources to expand the production scale of the enterprise. Fundraising behavior will have an impact on the operation and production of the enterprise, thereby increasing the financial risk of the enterprise. Specifically, the financing risks of listed companies are mainly reflected in three aspects: first, if the financing is not in place, it is difficult to obtain sufficient funds, which will lead to a shortage of funds for the enterprise[8], which will affect business activities or investment behavior to a certain extent; It is the cost risk of financing. Listed companies generally obtain credit through financial institutions, or obtain funds through bank loans and issuance of stocks and bonds. If the internal information is asymmetric and the debt cannot be repaid when it expires, it will lead to damage to the corporate reputation and capital risk. Increase; the third is the risk of financing structure. By comparing the ratio of self-owned funds to debt funds, and the ratio of long-term liabilities to short-term liabilities, the financing risk of the enterprise can be identified. If the proportion of debt funds is too high or long-term liabilities are low, then the enterprise increased financial risk. If the source of funds of listed companies is relatively single, the risk of the company will also increase.

##### **(2) Investment risk**

In order to obtain additional funds and improve the utilization efficiency of funds, listed companies will use investment to obtain additional income. The investment behavior of listed companies is decided by the members of

the board of directors and shareholders, and the investment plan is formulated and approved. Under the centralized management model, the parent company participates in the investment behavior, but there is a risk of investment direction manipulation, and it is impossible to accurately select the one with higher returns. investment increases investment risk. Identify the investment risks of listed companies, which mainly include investment direction risk and investment efficiency risk. Investment direction refers to the situation where funds cannot be quickly recovered due to deviations in investment direction, and the normal operation of the company's internal funds cannot be guaranteed. Unable to control the investment returns, making the capital allocation efficiency too low.

##### **(3) Risk of capital occupation**

In the process of capital allocation of listed companies, if their own funds are sufficient, but funds are still borrowed, the responsibility will lead to the impact of financing activities. Listed companies have relatively strong external financing capabilities, and the process of obtaining external funds can meet the company's capital needs. However, if they carry out credit or extract funds for operation at the same time, the risk of capital occupation of the company will increase.

#### **3.3. Fund Settlement Risk**

##### **(1) System risk**

The centralized management mode realizes the centralized management of funds based on the information system, which improves the management efficiency. The fund management system is the core platform for centralized fund management of listed companies[9]. While providing fund management services for enterprises, it also makes the security risks of funds. In addition, if the authority of the information system is tampered with, the system crashes or is invaded by outsiders, it may lead to an increase in the financial risk of the enterprise.

##### **(2) Operational risk**

Operational risk refers to the risk of funds caused by human operation. Listed companies use manual approval to approve the application for funds of subsidiaries. If the approval personnel or financial personnel make mistakes in the operation, or do not approve in accordance with the process specifications, it will lead to The capital flow of subsidiaries or departments is abnormal, resulting in the inability of rapid turnover of funds, resulting in capital risks[10].

### **4. Countermeasures for Enterprise Capital Risk Management Under the Centralized Management Mode**

For various risks under the centralized management mode of listed companies, the company must take corresponding measures to identify and manage the risks, adhere to the risk pre-control principle of "prevention first, governance second", and reduce the occurrence of capital risk problems. Management countermeasures are as follows:

#### **4.1. Countermeasures Against Capital Management Budget Risks**

##### **(1) Strengthening budget management**

Listed companies should establish a sound capital management system, optimize existing budget risks, consider the impact of policy changes and market environment on the capital model, improve the internal governance structure, and

formulate a scientific budget management system[11]. First of all, the budget management system of listed companies should be open, fair and transparent, and attention should be paid to the division of post responsibilities of budget personnel. For example, the responsibilities of the Funding Committee include formulating funding methods and measures, balancing the budget plan, and assisting in budget implementation. In accordance with the rules and regulations, the budget preparers should clarify the budget objectives, implementation, assessment and other content in the planning documents, and make specific plans. Secondly, in budget approval, a standardized and standardized approval system should also be established, and future capital activities should be predicted through existing capital flows, and a loose and appropriate budget management model should be adopted to speed up the approval process and approval efficiency. In the specific budget execution process, a dynamic and staged management model is adopted to track the execution of the capital budget in real time, analyze the reasons for the discrepancy between the budget execution and the actual budget, and continuously optimize the budget preparation.

#### (2) Strengthen target management

Budget target management refers to carrying out capital management work with the business development strategy of the enterprise as the goal, and integrating the strategic business plan with the capital target management work, so as to enrich the budget management work of each department. The market environment will have a certain degree of influence on the budget objectives of enterprises, and the strategic objectives of listed companies will also change. The formulation of budget objectives must adhere to the principles of adaptability and flexibility, and constantly adapt to changes in the market. In addition, the implementation of budget objectives should adhere to the principle of feasibility to improve the operability of budget objectives. The more commonly used goal management method is to establish scientific budget indicators. The selection of budget indicators is based on the actual strategic operation of the enterprise. The budget objectives are combined with the budget indicators, and the objectives are adjusted to avoid capital budget risks that are too large or too small. produce.

#### (3) Scientific budget preparation

Since listed companies have many departments and are in a complex environment, the budgeting method should be flexible. From the company's product technology research and development, production, sales and other channels, due to the content of budget preparation, taking into account the uncertainty of the capital elements in the company's various business activities, the estimation method and response method are used to calculate the possibility and budget. The implementation of the plan is different, and the capital risk prevention is carried out. For example, Kant's new listed company adopts the flexible budget method and integrates it with the rolling budget method to adjust the budget plan. The budget preparation content includes weekly budget, monthly budget, quarterly budget, annual budget, etc. Each cycle has A clear capital plan makes the budget preparation content reasonable and well-founded to deal with the potential capital risks of listed companies.

## 4.2. Risk Countermeasures for Capital Management and Allocation

#### (1) Strengthening internal audit

In order to reasonably avoid capital risks, listed companies

should strengthen internal auditing and evaluate the internal control effect of funds through auditing. Relevant personnel should set up a complete and independent internal audit organization, which is composed of members of the board of directors and audit committee, and links auditing with capital risk management. Control the degree of fit between the capital budget system and the execution system. The internal audit method is used to manage the internal funds of the enterprise, and the audit is carried out to the capital budget and capital allocation, and a matching performance evaluation mechanism is established. Identify unreasonable factors in capital management and improve capital management procedures to prevent losses.

#### (2) Optimizing credit management

Credit management can improve the efficiency of capital utilization of listed companies and help companies to reasonably avoid capital risks. Listed companies can adopt the method of introducing risk management mechanism, establish a credit database for enterprise personnel and enterprise departments, and conduct scientific credit ratings. , credit rating, etc. to determine the approval process, and sort according to the order of the rating. The construction and application of the credit database can record all the information within the enterprise and clarify the credit repayment method. Listed companies should establish an internal credit management system, formulate a sound credit management mechanism, and give priority to enterprises with relatively high credit ratings and good credit, so as to reduce the credit risk of internal funds.

#### (3) Financial information disclosure

Information disclosure can reduce the information asymmetry in the capital of listed companies, strengthen the constraints on the capital management process, and reduce the risks in the capital allocation stage. The information disclosure of listed companies should emphasize the standardization of information disclosure, clarify the content of disclosure information, disclosure form, disclosure method, disclosure object, etc., and formulate a complete information disclosure mechanism. Regulate the use of regular or non-regular information disclosure methods by enterprises to improve the quality of information disclosure. In addition, listed companies should strengthen the supervision and management of information disclosure, strengthen the disclosure of problems in financial information, increase the supervision and management of information disclosure, and integrate financial information disclosure with reward and punishment mechanisms. The financial information disclosure of listed companies under the centralized management model should follow the principles of comprehensiveness and standardization, and deal with irregularities in information disclosure to ensure that the financial information disclosure of listed companies accurately reflects capital issues and provide guarantees for relevant personnel to make decisions.

#### (4) Supervision of fund execution

The construction of a control system with internal control and internal supervision as the core should strengthen the use and supervision of funds, and build a governance system with clear rights and responsibilities and good internal control, so as to improve the internal control structure and realize the supervision and implementation of funds. Listed companies can implement the post management model according to the flow of funds, use the way of special post specialists to clarify individual responsibilities in fund management, and establish

a accountability system to evaluate the fund management of relevant personnel by means of supervision. Prevent personal favoritism and other behaviors. By integrating the supervision mechanism with the reward and punishment mechanism, the incentive method is used to clarify the method of fund use management and flow supervision, which can effectively improve the work enthusiasm of the relevant responsible persons, reduce the risks in the process of fund allocation, and realize the standardization of the internal fund system. Process-oriented.

### 4.3. Countermeasures for Capital Management Settlement Risks

#### (1) Information system construction

In order to effectively prevent capital settlement risks within listed companies, relevant personnel should introduce scientific financial information systems, apply them to capital management, and fully exploit the role of information systems in capital risk pre-control of listed companies. Listed enterprises should establish a fund settlement information system, financial data information system, financial information management system, and bank-enterprise direct connection information system according to the nature of financial management and their own conditions, and realize fund settlement through the information system to effectively prevent fund settlement risks. The construction and application of the information system can realize the dynamic tracking of funds, reduce the intermediate process of fund settlement, and use big data technology to realize the identification and analysis of financial data to determine whether there are certain risk factors. The information system should be managed by a special department, and the system operation authority should be divided. In addition, listed companies should regularly maintain the system, introduce new security protection technologies, effectively ensure the security of the system, and prevent problems such as password leakage and system crash. The construction and application of the information system establishes a system analysis model according to the purpose, usage, business scope, and business operations of financial funds by building a risk pre-control model. The model simulates the actual business situation of the enterprise, and conducts risk assessment according to the existing capital flow, capital amount, capital source, etc., and formulates the risk level, so as to determine the emergency prevention and control measures for capital risk accidents. Judging from the current situation, big data technology, cloud computing technology, etc. are deeply excavated in risk early warning and risk identification. It is convenient for enterprise internal control personnel and financial personnel to carry out risk management work. For example, a listed company divides its internal capital risks into five levels based on its actual development situation, namely, particularly major risks (red), major risks (orange), relatively large risks (yellow), general risks (blue), Small risks (green). Evaluate the risk factor of the capital settlement link, and adopt daily management methods and daily pre-control measures according to the level to effectively reduce the possibility of risk accidents, reduce the impact of capital risk accidents on the economic benefits of the enterprise, and help the enterprise to establish a more standardized and stable development. mechanism to improve the efficiency of capital utilization.

#### (2) Strengthen personnel management

The quality of fund management personnel is one of the

main reasons for the occurrence of operational risks. The content of fund management under the centralized management mode is more complex, and the fund management work in the information age requires higher technical literacy of staff. Listed companies must strengthen the professional quality and technical quality of capital management personnel, and use training, assessment, training and other means to improve the technical application ability of capital management personnel. By means of ideological education, cultural edification, conference publicity, etc., we can improve the sense of responsibility and system of fund management personnel, and realize the importance of fund management work for the future development of the enterprise.

## 5. Conclusion

To sum up, listed companies still have certain problems in capital management, such as high loans, high capital occupancy rate, unreasonable debt structure, and low capital utilization rate. Under the centralized management mode, capital risk management activities are carried out throughout the capital activities. By strengthening internal control, strengthening system management, optimizing information systems, and strengthening internal auditing, the company's capital risk response capability can be effectively improved, and the market competition of enterprises can be improved.

## References

- [1] SEC Charges Venture Capital Adviser Energy Innovation Capital Management for Overcharging Fees[J]. M2 Presswire,2022.
- [2] Brown Martin,Hentschel Nicole,Mettler Hannes,Stix Helmut. The convenience of electronic payments and consumer cash demand[J]. Journal of Monetary Economics,2022,130.
- [3] Suryanarayanan Sheela,Ramswamy Rama. Women's Empowerment through Skill Education and Entrepreneurship Development in the Handloom Sector in Mizoram[J]. SEDME (Small Enterprises Development, Management & Extension Journal), 2022,49(3).
- [4] Ilze Zariņa Cīrule,Gaida Petteere,Irina Voronova. Efficient capital management using an internal model: a case of non-life insurance [J]. Proceedings of the Estonian Academy of Sciences, 2022,71(3).
- [5] Sotes-Paladino Juan,Zapatero Fernando. Carrot and stick: A role for benchmark-adjusted compensation in active fund management[J]. Journal of Financial Intermediation,2022,52.
- [6] Carneiro Livia Mendes,Eid Junior William,Yoshinaga Claudia Emiko. The implications of passive investments for active fund management: International evidence[J]. Global Finance Journal,2022,53.
- [7] Abuhommos Ala'a Adden,Alsaraireh Ahmad Salim,Alqarallel Huthaifa. The impact of working capital management on credit rating[J]. Financial Innovation, 2022, 8(1).
- [8] Environment - Environmental Factors; Study Results from School of Accounting Update Understanding of Environmental Factors (Fund Management and Risk Control of Listed Ocean Shipping Companies Based On Cost Control Theory)[J]. Ecology Environment & Conservation,2020.
- [9] Yan Lin,Sufen Han. Fund Management and Risk Control of Listed Ocean Shipping Companies Based on Cost Control Theory[J]. Journal of Coastal Research,2020,106(sp1).

[10] Megaladevi P.,Subramaniam Anbarasu Siva. A Study on Working Capital Management in Selected Cement Companies in India[J]. ITIHAS The Journal of Indian Management, 2020, 8(3).

[11] P. Megaladevi,Anbarasu Siva Subramaniam. A Study on Working Capital Management in Selected Cement Companies in India[J]. ITIHAS The Journal of Indian Management, 2018,8(3).