

Research on the Working Capital Management of Scientific Research and Service Enterprises

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Abstract: As the development of China's research service enterprises gradually comes into the right track, the issue of enterprise working capital management has been paid more and more attention by company managers. By understanding the concept of working capital, the concept of working capital management and the specific classification of working capital management, the existing problems of working capital management of this type of enterprises are sorted out, and the relevant countermeasures are proposed according to the unique working capital management problems of this type to help the same type of enterprises to find out their own problems and correct them, so as to promote the stable and orderly development of enterprises. This will help enterprises of the same type to identify and correct their own problems and promote their stable and orderly development.

Keywords: Working capital management, Research services, Financial management.

1. Introduction

Working capital management is an essential part of any enterprise's operation, and it takes up a lot of energy of the financial management staff. Working capital is indispensable to the daily operation of enterprises, so how to manage working capital reasonably is a problem that every enterprise is facing all the time. According to the survey, the finance personnel of a company usually devote 60% of their time to working capital management, which shows that enterprises attach great importance to working capital, and also reflects from the side that the management of working capital has an important impact on the financial performance of enterprises. At present, Chinese scholars classify and study working capital management according to different research directions. Yu [1] (2018) finds the problems of enterprise working capital management through the channel management of working capital and proposes countermeasures; Zihan Zhang [2] (2020) analyzes the problems of enterprise working capital management based on the principle of management; Lihua Liu [3] (2021) discusses the problems of working capital management from the perspective of "industry and finance". The application of working capital is indispensable for any enterprise from procurement, production, operation, sales and other aspects. Effective working capital management is conducive to improving the flow cycle of enterprise assets, improving the financial performance of enterprises, and thus maximizing the interests of enterprises.

2. Working Capital Concept and Working Capital Management Concept

2.1. Working capital

Working capital, also known as working capital, consists of current assets and current liabilities. Working capital is used in the daily operation and management activities of the enterprise, so it exists in all aspects of the enterprise, whether in purchasing activities or sales activities. Traditionally, working capital is divided into a narrow sense and a broad sense.

Working capital in the broad sense represents a specific concept and refers to the sum of all current assets of an enterprise. It roughly includes the cash used by the enterprise on a daily basis, the accounts receivable and accounts payable generated in the course of business activities, the enterprise's inventory, etc. The above-mentioned enterprises' current assets have the common feature that they can be realized within one business activity cycle.

Working capital in a narrow sense, also known as net working capital, is a more abstract concept, that is, working capital is the difference between current assets minus current liabilities. It is not just a specific value of an asset, but a difference from which the relevant capacity of the enterprise is measured. If the difference of current assets minus current liabilities is greater than 0, it proves that the enterprise has a strong short-term solvency; conversely, if the calculated difference is less than 0, it proves that the enterprise has a poor short-term solvency.

2.2. Working capital management

Working capital management also plays an important role in the daily financial management activities of enterprises. From the broad concept of working capital, working capital consists of current assets and current liabilities of the enterprise, so the classification of working capital management based on this includes the management of current assets and current liabilities.

In the traditional sense, working capital management includes working capital investment management and working capital financing management. In fact, it is also the optimal management of the flow of funds generated by the daily investment and financing activities of the enterprise, in order to achieve the purpose of improving the performance of the enterprise. Working capital investment management mainly includes the management of enterprise cash, enterprise warehouse inventory and accounts receivable, while the main content of working capital financing management includes enterprise accounts payable and pre-receivable items.

Along with the continuous development of China's management concept and the continuous updating and

improvement of the financial knowledge system, the concept of working capital management has evolved from basic to in-depth, from simple inventory, accounts receivable and accounts payable to specific classification through the enterprise's operation links. But in general, no matter what classification method is used to define working capital management, the essence of working capital management is the management of enterprise current assets and current liabilities.

3. Different Classifications of Enterprise Working Capital Management

After the concept of working capital was introduced, a large number of scholars at home and abroad began to classify working capital management according to different classification criteria.

3.1. Classification according to enterprise management

The first classification is proposed by Professor Zhuquan Wang[4] (2012), who classifies working capital on the basis of enterprise management and divides it into working capital for operating activities and working capital for financial management activities.

For example, the funds generated in the procurement channel during the purchase of raw materials (material inventory = prepaid accounts - accounts payable, bills), and the funds generated during the production of products are called working capital in the production channel (inventory in products + other receivables - employee compensation payable). + other receivables - employee payables - other payables) and the funds generated by the enterprise in business sales activities are called the working capital of the marketing channel.

The working capital of financial activities is the change of funds generated by the company's daily investment or financing activities. Its main accounts include money funds, interest receivable, financial assets (liabilities) for trading, dividends receivable, etc.

3.2. Classification by accounting accounts

The second classification is based on different accounting accounts as the basis of classification. Xian Zhang[5] (2019) analyzes working capital management according to accounting accounts, and the main basis of classification is that different accounting accounts need to account for different contents, thus dividing working capital management into different categories such as cash management, enterprise inventory management, accounts receivable management and accounts payable management.

Cash includes not only cash on hand, but also bank deposits, cashier's checks and money orders. The amount of cash that should be held varies from company to company, not the more you hold the better, nor the less you hold the better, but the best is to meet the daily needs of the company and to minimize the total cost of capital.

Accounts receivable generally occurs when a company sells goods to or provides services to a counterparty, and should obtain payment from the other entity. When an enterprise has accounts receivable, the occurrence of accounts receivable also means the occurrence of business activities. In order to promote the sales of this enterprise, this enterprise

will go to adjust the credit period and credit standard appropriately in order to expand the sales of this enterprise and increase the accounts receivable of this enterprise; moreover, in order to collect the accounts receivable as soon as possible, certain cash discounts will be taken to promote the repayment of the outstanding units as soon as possible; when the outstanding enterprises have difficulties in repaying the loans, this enterprise also needs to establish appropriate collection policies to avoid bad debts.

Inventory may be goods that an enterprise is about to sell, or it may be a large amount of raw materials that an enterprise purchases in order to produce goods. The enterprise inventory reserve should also be appropriate. If the enterprise warehouse inventory reserve is too much and the enterprise has no business activities occurring, then the enterprise inventory in the warehouse will incur a large amount of storage costs; if the enterprise has a small amount of storage in the warehouse, when the enterprise has sales orders occurring at the same time, it will incur a certain amount of shortage costs. Therefore, a company needs to set the right amount of inventory for itself to minimize the occurrence of other costs.

Accounts payable is a liability that arises when a company has the purchase of goods or the receipt of services and does not pay the supplier and the provider of services in time for payment. In fact, it also has many similarities with accounts receivable. However, for enterprises that purchase goods and receive services, the creation of accounts payable actually provides enterprises with the ability to retain certain funds for other investment activities and expand their profitability. However, the accounts payable cycle of a business should not be expanded indefinitely, otherwise it may put the business in a situation where it is forced to pay as soon as possible.

4. Existing Problems of Working Capital of Research Service Enterprises

4.1. Misunderstanding of daily cash management of enterprises

In the daily management, enterprises pay little attention to the daily use of cash management, generally simply think that "money is enough", in fact, this is a completely wrong idea. The general working capital management not only includes the advanced management, but also the advanced utilization of the enterprise, therefore, the good or bad management is not only reflected in the amount of the enterprise cash, but also includes the actual degree of use of the enterprise cash. When the manager's cash management management is backward, along with the continuous development of the times, it will gradually cause the fragmentation of the enterprise and the market, thus leading to problems in the management of the enterprise's working capital, which may seriously affect the daily business activities of the enterprise.

4.2. Unstrict accounts receivable management system

Accounts receivable is a frequently used asset account for enterprises, and it also affects the daily operation activities of enterprises to a certain extent. The larger and larger the structure of the enterprise, the greater the proportion of daily operation accounts receivable will take up, and there may be a lack of communication between various departments, and

there will be a part of crossover of adjacent responsibilities. This part may lead to problems in the work due to the different objectives of different departments. For example, the business department may only examine whether the supplier has the ability to provide the relevant products but not the operation of the company. When the business department finishes the contract, the finance department may only examine the financial situation of the supplier, which may increase the risk that the enterprise cannot collect the accounts receivable.

4.3. Lack of perfect inventory management system

The management of inventory is not only reflected in the daily management of the warehouse, but also the control of the quantity. If an enterprise produces a large amount of inventory, which leads to the backlog of inventory in the warehouse, it not only aggravates the difficulty of warehouse management, but also means that a large amount of the enterprise's capital may have been occupied and cannot be discounted in a short time. The increase in the number of inventory makes it more difficult for the management staff to manage, and the enterprise does not use advanced management system, only rely on manual inventory verification may be inaccurate or forget the early inventory; In addition, although the production of excess inventory is a kind of utilization of the enterprise's working capital, but is not the most appropriate way to use the enterprise, a large backlog of inventory may be a large amount of working capital. This move also makes the enterprise a large amount of working capital is occupied, can not be used flexibly.

4.4. The huge amount of accounts payable affects the daily business activities of the enterprise

In terms of enterprises, accounts payable is actually a convenience for enterprises. While the enterprise receives the goods, the seller can extend the payment time of the enterprise and give the enterprise a certain capital buffer time. However, this ratio also needs to be grasped very importantly, if the proportion of accounts payable of the enterprise is too large, it may affect the balance sheet ratio of the enterprise, thus affecting the overall financial position of the enterprise. An excessive amount of accounts payable may also require vigilance against sudden payment requests from the sales side. If the amount of cash in the daily operation of the enterprise cannot support the amount of accounts payable, there may be a possibility of default and the reputation of the enterprise may also be affected.

4.5. Problems of management system and management system

Finally, it is the influence of the company's own department and management system. Generally, the finance department of the company will make a general plan to manage the working capital of the enterprise, but in the actual implementation process, there are still many unexpected situations. The general enterprise daily has the experience of dealing with unexpected situations, which may lead to the daily business activities of the enterprise being affected once it encounters such situations. In addition, the company has not set up a special monitoring department, which is unable to monitor and manage the flow of working capital in the daily operation activities of the enterprise, unable to track the use

of working capital management of the enterprise, and unable to forecast the future use of funds according to the actual situation of the enterprise.

5. Solutions to the Working Capital Management Problems of Research Service Enterprises

As one of the most important parts of the daily business activities, the problems of working capital management also affect the daily business activities of the enterprise to a certain extent. Moreover, the company as a research service industry company, the industry is in a rapid development stage in China, the level of working capital management is inadequate compared with other industries, therefore, combined with the previous problems of the enterprise, the following proposed measures.

5.1. Strengthen enterprise budget management

In the context of the overall uncertainty of the world economic situation, the current market environment in China is affected, resulting in some enterprises in this market environment, financial performance is affected, business volume is also decreasing, so the use of appropriate working capital management can be a smooth enterprise in the current economic background to tide over the difficulties. In terms of daily cash management, enterprises can strengthen their financial budget management, which includes all aspects of their daily business. Through proper budgeting, the approximate amount of funds can be estimated more accurately, so that the amount of daily cash can be predicted and the cash turnover cycle can be effectively controlled, thus making the enterprise achieve optimal benefits.

5.2. Broaden corporate financing channels

Most of the technology service companies have many unique patented technologies in order to provide services to other companies. Therefore, while other companies use their relevant patented technologies, it will lead to the increase of enterprise accounts receivable and there may be a lack of funds for use by the enterprise. Therefore, at this stage, enterprises should prepare in advance and actively communicate with relevant financial institutions, banks, etc., and make plans to raise funds or loans. In case of shortage of working capital, the company can receive loans as soon as possible to cope with the difficulties encountered by the company. In addition, enterprises can also certify useful patents, etc., as a guarantee to increase the amount of financing from financial institutions.

5.3. Improve the inventory management system

The company's inventory should be accurate in forecasting the amount needed on a daily basis, not too much and not too little. The company's purchasing department and sales department should formulate the company's purchasing plan and sales plan, so as to achieve the planned purchase and sales, and reasonably set the ordering time and sales time; and also actively communicate with the suppliers reasonably, so that the suppliers can supply according to the needs of the enterprise, and ensure the arrival time, so as to avoid the storage cost of the inventory in the warehouse and the shortage cost of the insufficient quantity of the inventory when the business occurs. This requires accelerating the

inventory turnover cycle and improving the inventory management to further enhance the financial performance of the enterprise.

5.4. Reduce the proportion of accounts payable of enterprises

In the case of poor profitability, companies may use credit purchase in order to achieve more profit. In order to continue to invest in production or purchase goods, a large number of accounts payable will be generated, and generally enterprises will try to make the turnover of accounts payable as long as possible, but in fact, when the turnover cycle of accounts payable is too long means that the payment terms of enterprises are not favorable, and the financial performance of enterprises may not be very good. To address this situation, finance department staff should strengthen controls over credit and pre-purchase transactions. To minimize the frequency of such business, or to develop a management system to strengthen the management of accounts payable and improve the efficiency of accounts payable management, so as to reduce the turnover cycle of accounts payable and reduce the payment risks that may arise in the future, thus truly improving the financial performance of the enterprise.

5.5. Adopt suitable working capital management methods

Different enterprises have different working capital management methods according to their different enterprise properties. The correct working capital management methods can effectively improve the financial performance of enterprises. For the management of working capital, the most important thing is to match the size of the company, from small to large companies, the size of the company is different, which means that the amount of funds that the company is exposed to on a daily basis is also different. As the size of the

company grows, the business that the company is exposed to also increases. Therefore, the change of the working capital management method according to the size of the company will improve the efficiency of the working capital management and thus the financial performance of the company.

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