Application and Practice of Financial Analysis Model in Small and Micro Enterprises

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Abstract. Under the current situation that the state strongly supports the development of small and micro enterprises, small and micro enterprises enter a period of development opportunities. Due to their own problems, small and micro enterprises face many risks in the development process. This paper summarizes the financial analysis model of China's current practical application, and establishes the SAS financial analysis model based on this, and analyzes the application of SAS model in small and micro enterprises with Y company as the research object.

Introduction

The data that corporate decision makers must focus on is financial data, because financial data is the most important economic data in business management. Today, with the development of enterprise informatization, some small and medium-sized enterprises have now entered the era of financial management systems[1]. However, the management functions of financial software in China are not ideal, and because financial data is large and complex, it is often difficult for policy makers. An in-depth analysis is done with simple, preliminary processed financial data. The existing financial system can only provide financial information and shallower accounting indicators in the current state of the enterprise, which is different from the demand of the decision-making layer. Based on this, this paper designs the SAS financial analysis model based on the financial analysis model of China's current practical application, and discusses its application in the financial management of small and micro enterprises.

Common financial analysis indicators and methods

Under normal circumstances, the company has four financial analysis indicators, namely indicators: solvency, operational capability indicators, profitability indicators and development capability indicators, and there are many detailed indicators to measure these four indicators. Due to the small size of SMEs, not every analytical indicator is suitable for them[2]. The important indicators for financial analysis of SMEs are as follows:

$$Current = \frac{Current\ assrts}{Current\ liabilities} \quad (1)$$

$$Quick\ ratio = \frac{Current\ asset - stock}{Cureent\ liabilities} \quad (2)$$

The more commonly used financial analysis methods are mainly the following three types: 1. Comparative analysis method: refers to the comparison of two or more consecutive periods of the same indicator, determining the increase and decrease of the indicator, and further explaining the change of the financial status of the enterprise trend[3]. 2. Ratio analysis method: It is a method to determine the degree of change in financial activities by calculating various ratio indicators. 3. Factor analysis method: It is a method to determine the influence direction and influence degree of each factor on the analysis index based on the relationship between the analysis index and its influencing factors.

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SAS financial analysis model and its application

The SAS financial analysis model is actually a model for comprehensive analysis of corporate strategy, accounting, and statements. It includes three aspects: corporate strategy analysis, accounting analysis and financial statement analysis, which is a comprehensive financial analysis model. The SAS financial analysis model (see Figure 1) is equally applicable to small and micro enterprises. Small and micro enterprises can determine the market positioning of enterprises through strategic analysis and conduct feasibility analysis on potential markets. Accounting analysis of small and micro enterprises requires enterprises to improve the accounting system, adjust the selection and change of accounting policies in a timely manner, and make reasonable choices about the accounting methods used[4]. Small and micro enterprise financial statement analysis can meet the needs of information users, such as government departments, financial institutions and other organizations, to make decisions about providing loans or other services based on the analysis of the company's capital situation and development status.

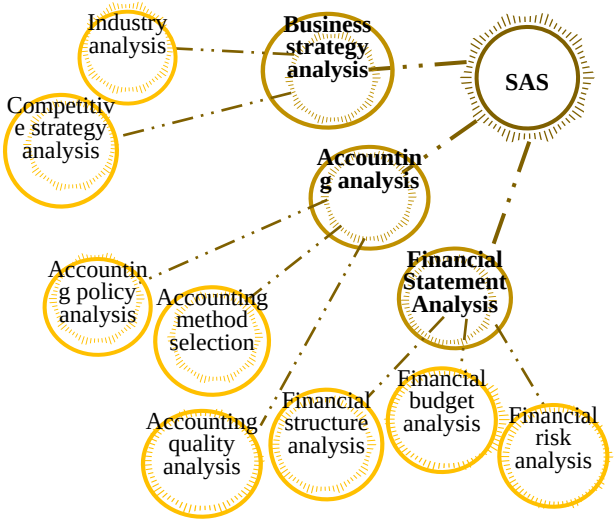

Figure 1 Conventional SAS Financial Analysis Model

The demand side of the financial analysis results of Company Y is company managers, existing and potential customers, partners and so on. Managers pay attention to the choice of industry environment and development strategy. Customers pay more attention to the company's profitability and qualifications. The partners pay attention to the company's development trend. According to the current situation and existing problems of Y company, the company's financial analysis focuses on industry environment, development strategy analysis, profitability analysis, risk analysis and so on. The Y company SAS analysis model is shown in Figure 2.

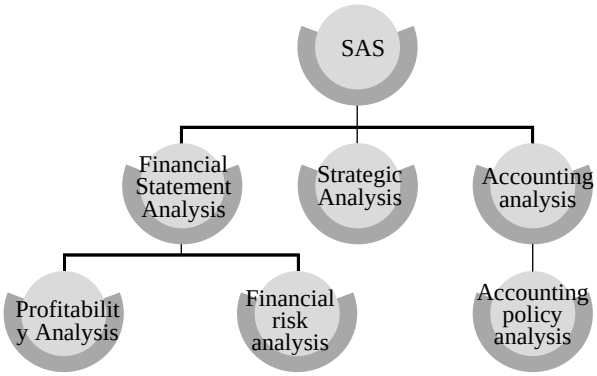

Figure 2 Y company SAS financial analysis model

The company believes that R&D and innovation are the development trend in the future. At the same time as the online business is retained, the development of the offline market will be increased

(see Figure 3), and the procurement bidding of the institutional departments will be involved. On the basis of maintaining the existing market, the company should gradually divest the agency business with low profit, and concentrate the direction of manpower and capital in developing potential customers and providing better products. The introduction of talents and retention of talents requires the company to improve the human resources system and ensure the construction of technical teams from various aspects such as compensation, assessment and training.

Figure 3 Development plan of the Y company offline market

Company Y has always followed the rules of small business accounting standards and accounting systems for accounting, and there has been no change. The assets of Company Y are mainly composed of monetary funds, accounts receivable, fixed assets and inventories. Liabilities mainly consist of payroll payables, taxes payable, accounts payable, etc. The owner's equity consists of paid-in capital and retained earnings. Below, we combine the Y company's 2017 and 2018 financial statements at the end of the period to analyze the company's regular financial statements from two aspects: solvency and profitability, as shown in Tables 1 and 2.

Table 1Y List of solvency indicators of the company

		2017	2018
Debt structure	Assets and liabilities	0.5344	1.5554
	Property ratio	1.3331	1.4495
	Current debt ratio	0.4607	0.4649
Debt service	Current ratio	0.6121	0.6295
	Assets and liabilities	0.5344	0.5554
	Debt operating rate	0.0737	0.0906

Table 2 List of Y company profitability indicators

	2017	2018
Main business profitability	1.89%	16.70%
Cost net interest rate	1.89%	3.52%
Internal investment yield	2.97%	2.56%
Return on foreign investment	-12.10%	-2.89%
Return on equity	2.77%	3.02%

As can be seen from the data in the table, the asset liquidity ratio is far below the reasonable

value (generally considered normal value is 1), indicating that when the debt expires, it is difficult for the company to repay the principal and interest through the realization of the assets, and only the business can be replaced. Income and external financing. The company's debt operating rate is extremely low, mainly because companies are accustomed to using low-interest current liabilities, and are not accustomed to using long-term liabilities with high cost and stable sources. At the same time, the interest coverage ratio is high, so the ability to repay principal and interest is still More powerful. The lower internal rate of return on assets indicates that there are major problems in the management of internal assets. Such as the slow turnover of inventory and accounts receivable, and the serious waste of idle assets, etc., directly affect the profitability of the internal business of the enterprise. The return on net assets is determined by two factors: the profit level of business activities and the efficiency of self-owned capital use. By expanding and expanding its main business, Y Company has improved the profit margin of its main business, but the low return on foreign investment and the inefficient operation of internal assets have led to the unsatisfactory return on net assets of enterprises.

Conclusion

The SAS model has broad applicability in small and micro enterprises, which helps information users to understand the overall situation of small and micro enterprises and provide a basis for accurate decision-making. When using the SAS model for financial analysis, information users should determine specific indicators based on the industry characteristics and business characteristics of the enterprise.

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