

## **Research on the application of financial statement analysis in enterprise financial management**

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**Keywords:** Financial management; enterprise; financial statement

**Abstract:** Financial management as a key content of enterprise management, its management level will not only affect the ability of enterprises to create economic benefits, but also affect the normal production plan of enterprises. Efficient financial management can not only achieve the purpose of prudent operation, but also ensure the efficiency of capital operation. From the perspective of financial statement analysis, this paper discusses the financial management work, expounds the function of financial statement analysis for enterprise financial management, and puts forward the application suggestions of financial statement based on the theory, hoping to improve the level of enterprise financial statement analysis and promote the long-term progress and development of enterprise.

### **Introduction**

Financial management is about the decision-making of wealth creation. It is a decision-making, not a method. The purpose is to use professional skills to maximize the wealth of shareholders. The realization methods are investment and financing. The overall process is planning, organization, leadership and control. Generally speaking, it describes where money comes from, where it is used, how it is divided, and how to prevent the improper loss of money. The financing, investment and operation of each link of financial management are all the management of funds, which flow continuously from cash to physical objects. Investors spend a huge amount of money, while money has a time value. A dollar today is not equal to a dollar tomorrow, which involves the calculation of discount, and has risks and costs, such as stock issuance fees, interest paid by borrowing, etc. It can be seen that the biggest difference between the indicators of ordinary people's use of financial management and investors' financial management is reflected in the degree of capital preservation and risk control. The profit index and investor index that often appear in financial analysis statements focus on income, while leverage index and liquidity index focus on risk. Income and risk are important research objects of investors [1].

### **Main contents of financial statement analysis**

In the process of financial statement analysis, financial personnel should not only collate and count the data in the above statements, but also compare the data in the statements with the data in the same period of previous years to objectively reflect the development of the enterprise; at the same time, they should also compare the data of the enterprise with similar enterprises in the industry, and find out the shortcomings of the enterprise itself through the comparison of financial data; for some specific links In order to ensure the integrity of financial analysis, we need to combine the non main table data for more detailed processing. Through statement analysis, we can have a deeper understanding of the production capacity, operation capacity, profitability and debt paying capacity of the enterprise, so as to fully grasp the actual business situation of the enterprise and lay a good foundation for the specific implementation of the financial management activities of the enterprise [2]. Figures 1 and 2 show two types of financial statements.

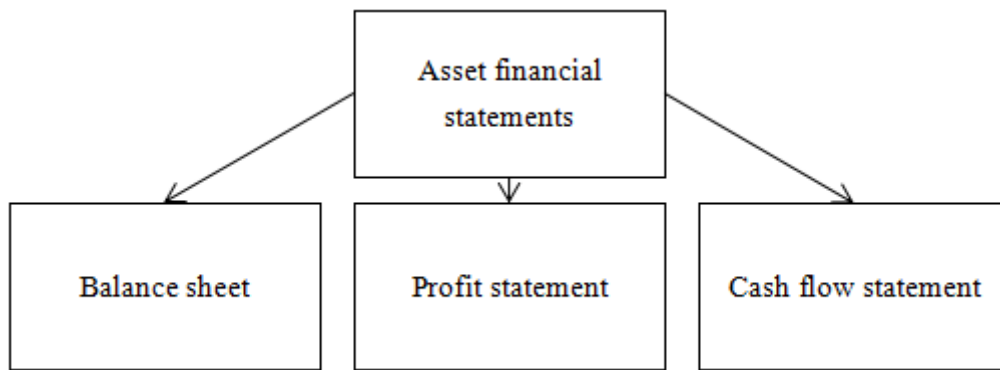


Figure 1 Classification of financial statements (a)

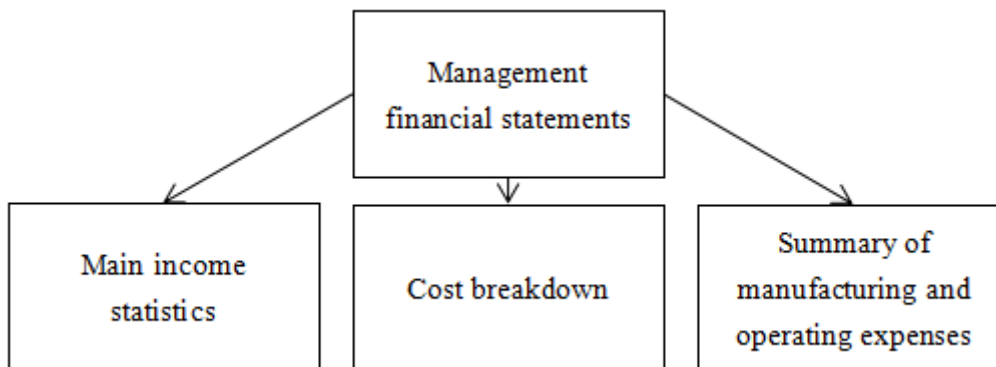


Figure 2 Classification of financial statements (b)

## The application of financial statement analysis in enterprise financial management

### 3.1 Improve the financial statement analysis system

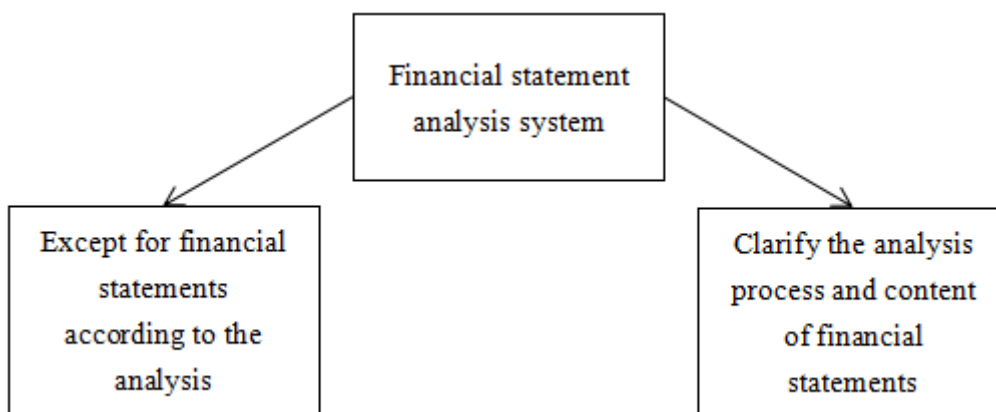


Figure 3 steps to improve the financial statement analysis system

In order to promote the institutionalization, systematization, scientificity and standardization of financial statement analysis, enterprises should base on the existing financial statement analysis, improve the financial statement analysis system, and further play the role of financial statement analysis. Therefore, financial management personnel should strengthen the communication with relevant business departments, strengthen the analysis of non-financial data such as regional market demand information, customer group information, supplier information, material purchase information, and improve the accuracy, integrity and scientificity of financial statement analysis. In this process, enterprises should purchase relevant financial management information systems, break the barriers of information transmission, realize information sharing, and avoid problems such as

untimely information transmission and isolated information island [3]. Figure 3 shows the steps to build a sound financial statement analysis system.

### 3.2 Comprehensive utilization of various financial statement analysis methods

First, financial management personnel should adhere to the principle of combining qualitative analysis and quantitative analysis, make full use of relevant external information such as policies and regulations, industry research data to carry out qualitative analysis on the development status and economic situation of enterprises, and also adopt corresponding formulas to process and process internal financial information to achieve quantitative analysis. Second, the financial management personnel should adhere to the principle of combining dynamic analysis and static analysis, analyze the financial data of different time periods and different time points, and analyze the financial data of a specific time period and specific time points, so as to comprehensively reflect the financial situation of the enterprise and provide information reference for the subsequent development strategy. Third, based on the production and operation status of the enterprise, the financial management personnel shall comprehensively use the trend analysis method, structural analysis method, ratio analysis method and comparative analysis method to analyze the financial data, and form the relevant financial statements to reflect the scientificity of the financial statements [4]. Figure 4 financial statement analysis process.

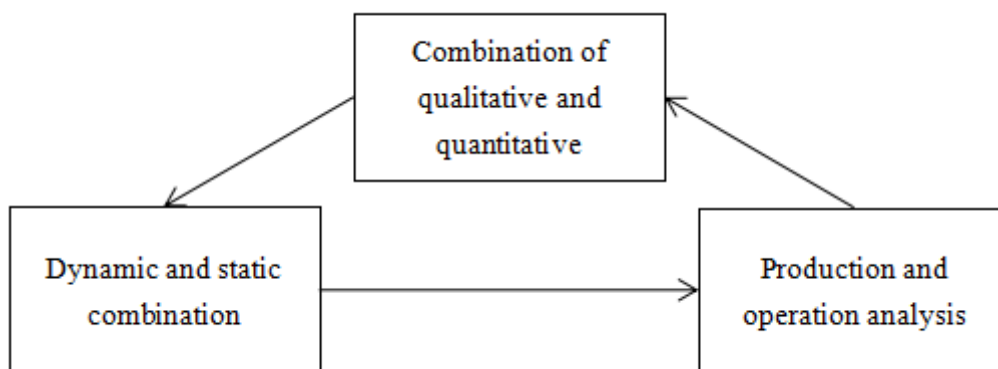


Figure 4 financial statement analysis process

## The role of financial statement analysis in enterprise financial management

### 4.1 lay a good foundation for cost control

First of all, the analysis of financial statements can lay a good foundation for the control of business operation cost. In the situation of more and more fierce market competition, reducing the operating cost is an important basis for enterprises to improve their comprehensive profits. Through a comprehensive and in-depth analysis of the cost of raw material procurement, product manufacturing and processing, inventory commodity sales, logistics, after-sales and other different links of the enterprise, it can fully reflect the loopholes in the process of enterprise procurement, production, management and operation. The enterprise can optimize and compensate through the means of operation and management in time, and control the comprehensive cost in a reasonable range to improve The profitability of an enterprise. For example, when the cost of raw materials is too high, through the analysis of the balance sheet, profit statement and the non main statement cost breakdown, we can find out the real reason for the high cost of raw materials, which is caused by the design of the R & D unit, the loss in the production process, or the high cost of raw materials procurement. We can find the reason for the enterprise through the report analysis. The decision provides the basis to pay the lowest purchase cost when the material quality is up to the standard [5].

## 4.2 promote internal management optimization

With the help of financial statement analysis, the optimization of internal management can be promoted. Financial statement analysis can provide reference for the internal performance management of enterprises, which is conducive to stimulating the work enthusiasm and subjective initiative of all departments and posts. For example, based on the main statement profit statement, cash flow statement, non main statement revenue statistics and accounts receivable aging management report, we can fully grasp the work effect of enterprise sales personnel. In case of no change in other factors, if the operating revenue increases, the profit increases and the amount of accounts receivable does not increase, it indicates that the sales business of the enterprise has a good development momentum and the operating cash flow is sufficient. On the contrary, even if the business income and profit increase, the amount of accounts receivable increases significantly, which indicates that the credit sales activities of the enterprise increase significantly, which may lead to the lack of future operating cash flow, which reflects the potential problems in the sales business. The enterprise should pay attention to and consider whether to adjust the sales department and related sales business.

## Conclusion

Financial statement analysis is the information basis for business analysis and decision-making. The quality of financial statement analysis plays a decisive role in the financial management of enterprises, and affects the progress and future development of enterprises. The effective analysis of financial statements and the sorting, processing and integration of business data can not only directly analyze the current business activities of the enterprise, but also predict the later profits of the enterprise and obtain higher economic benefits. This paper mainly discusses the application of financial statement analysis in business decision-making on the basis of the key points of financial statement analysis, analyzes the difficulties faced by financial statement analysis, and puts forward relevant optimization countermeasures, hoping to give reference and reference to Chinese enterprises.

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