

Management of Foreign Investment in Scientific Research Institutions

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Abstract: Based on the premise of promoting the sustainable development of scientific research institutions, this article analyzes the key points that should be emphasized in the management of foreign investment. It summarizes the practical significance of foreign investment management and determine the necessity of this management. According to the problems encountered in the management, three suggestions have been put forward. The scientific optimization suggestions are summarized from three aspects which are strengthening the standardization of foreign investment management, standardizing the financial accounting mode of foreign investment, and paying attention to the cultivation of foreign investment supervision personnel. There are accumulated experiences in the area of foreign investment management and the management system is constantly being improved in order to strengthen the efficiency of foreign investment projects in scientific research institutions.

Keywords: Scientific research institutions; Foreign investment; Investment in assets; Economic system

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1. Introduction

The reform of scientific research institutions gradually realized the importance of economic strength and foreign investment management, integrated tangible assets and intangible assets, as well as strengthened foreign investment. However, sometimes, foreign investment has blindness, which reduces the rationality and benefit of asset investment where some investments cannot be recovered in time. The loss is minimized to ensure the vital interests of scientific research institutions and all the employees of those institutions. Therefore, institutions should improve their management system for foreign investment, and carry out scientific management of foreign investment in accordance with the system requirements to prevent potential risks of investment from the beginning of the project establishment to the final stage of investment treatment.

2. Real value of foreign investment management

In recent years, the economic system of China has changed along with the external economic environment of scientific research institutions. In the process of industrial construction, much more attention has been given to the application of advanced science and technology, which would gradually realize regional, professional, and enterprise-oriented industrial layout in addition to aid in realizing rapid economic growth and promoting the sustainable development of scientific research institutions ^[1].

Scientific research institutions need to obtain economic benefits in the field of foreign investment as well as improve service ability and level, thus achieving the effect of “back feeding” scientific research, accelerating the transformation of science and technology achievements, making all existing assets within

scientific research institutions alive, and then realizing foreign investment, strengthening the industrialization of science and technology, as well as improving the rationality of science and technology resources allocation. Scientific research institutions have a large number of funds dedicated to the development of their institutions. Foreign investment management is an extremely critical financial management project for scientific research institutions. Therefore, there is a need to strengthen the supervision in order to achieve returns from foreign investment ^[2].

3. Current situation of foreign investment management in scientific research institutions

The reform of science and technology system in China has entered a critical period. In order to form economic entities with other institutions, scientific research institutions have started to adopt investments in the form of shares and joint venture cooperation in order to become economic entities. After investment, the establishment of economic entities has legal qualifications. However, there are still some problems in the foreign investment management of scientific research institutions which include the following aspects: First, the foreign investment is too blind and arbitrary, which leads to the low success rate of some projects. There is no scientific and reasonable process for foreign investment decision-making in addition to inadequate supervision. Second, the connection between investment matters and financial management is not close enough. Sometimes, there are confusions among financial accounting subjects, and it is impossible to understand the actual foreign investment and asset composition. Some scientific research institutions participate in investment, but they are not able to avoid market factors interference in addition to a lack in their ability for business development and risk prevention. The cooperation and joint venture projects are faced with risks, which reduces the returns of investment projects. Third, the lack of talents in management leads to the lack of obvious advantages in science and technology of scientific research institutions, the unsatisfactory effect of integration into market economy, and other serious circumstances which would lead to asset loss.

4. Suggestions on the management of foreign investment in scientific research institutions

4.1. Strengthening the standardization of foreign investment management

In order to ensure a standardized foreign investment management, there is a need for a standardized decision-making process in addition to carrying out scientific demonstration on the feasibility of investment projects in the early stage. As scientific research institutions, the decision-making in the early stage of foreign investment projects is related to investment benefits. After understanding the situation of a project, the institution and their personnel should prepare the feasibility report and carry out multiple comparisons as well as evaluations in combination with the nature of the investment project and the rationality of technology and economy ^[3]. Professional investment evaluation teams should participate in the establishment of the investment project evaluation system. If the conditions permit, experts can also be invited to be responsible for the review and demonstration of the feasibility analysis report. Investment assessment teams should master the feasibility analysis report for scientific evaluation and propose suggestions for the purpose of investment ^[4].

The decision-making and approval of foreign investment must refer to the corresponding system, which is an important premise to ensure standardization. The decision-making and approval process of foreign investment is constantly optimized in the practice process to avoid the loss of assets caused by random investments. The approval and handling should be strictly conducted in accordance with the established process. After the discussion and analysis by the investment evaluation team, the investment feasibility report should be prepared. Then, the decision-making should be made according to the suggestions and decisions made by the investment evaluation team to ensure that all investment matters can be implemented

as a collective decision. For major investment projects within scientific research institutions, there should be a corresponding approval mechanism. According to the internal financial standards of these institutions, foreign investment can only be implemented after the joint approval of the competent department, the state-owned assets management department, and the financial department. Scientific research institutions must approve and report the investment projects to the higher authorities in time according to the policies issued by the state and under the required investment management authority to ensure the rationality and perfection of the approval procedure. The choice of investment method should be made by the investors after confirming the value of investment assets where the investors should make choices in the common forms of foreign investment such as cooperation and sole proprietorship.

Generally, investment institutions would select intangible and physical assets according to the actual project while using the advantages of science and technology as the target in addition to cooperating with other institutions and enterprises to achieve the purpose of joint investment. According to the requirements of laws and regulations, when both parties of the cooperation sign the investment agreement, the responsibilities, rights, and interests that the investors and the operators would bear in the early stage should be determined. The investment value of intangible assets and physical assets should be clarified, which should then be evaluated according to the requirements. The current assets, fixed assets, and intangible assets of scientific research institutions at the beginning of the acquisition are not aimed at investments but are valued at historical cost. Therefore, professional evaluation institutions should be responsible for value evaluation. They should be in an objective and genuine perspective where the fair value of the assets should be reflected along with the value recognition of foreign investments and the scientific rationality of investment proportion.

4.2. Standardizing the financial accounting model of foreign investment

Financial accounting of foreign investment is very important. It is based on the targeted investment method. Generally, financial accounting would be determined according to the monetary fund and inventory mode. With the use of cash and bank deposits, scientific research institutions invest in other units where they generally take the actual payment amount as a reference basis then, debit and credit them into different subjects. If scientific research institutions invest in inventory, they will generally calculate value-added tax according to the evaluation price, recognized value in the contract, tax law, and other requirements, then, debit and credit them to the corresponding subjects. If scientific research institutions invest in fixed assets, they should conduct financial accounting for investments based on the evaluation and confirmation value along with the contract confirmed value. Scientific research institutions implement investments in intangible assets, which will be generally treated according to the evaluation price of the investment assets and the contract-confirmed values ^[5].

When foreign investment obtains the income, or when the investment is recovered, the accounting of this part of the income should also be in accordance with different situations. For example, the income obtained by scientific research institutions in other investment will be debited to the “bank deposit” subject and credited to the “other investment income” subject. When scientific research institutions take back other investments, they should debit them to the corresponding subjects based on the paid monetary funds and material values while credit them to the corresponding subjects according to the book value of original foreign investment. Once the actual amount of investment recovered exceeds the book amount of the invested assets, the balance can be credited at this time. On the contrary, if the book amount is large, the balance should be debited. According to the original investment amount of scientific research institutions, the treatment methods of investment funds and general funds are determined respectively. When other investments are recovered, they should be debited and credited according to the value of the paid fixed assets. In addition, the original book value of foreign investment also needs to be analyzed.

4.3. Paying attention to the training of foreign investment supervision personnel

Scientific research institutions need to train talents in foreign investment, which requires a scientific internal audit and supervision system to maximize the investment income. The internal audit of investment projects can effectively increase investment income. Generally, the feasibility demonstration of the project is implemented in the early stage, the authenticity and objectivity of the investment project are determined, and a collective decision-making is made. The superior competent department should be responsible for the approval of the investment project while all of the above are within the scope of the internal audit. Institutions should improve their internal audit system of investment projects and carry out regular assessments. In view of investment project management, financial situation, economic benefits, etc., institutions can timely understand the situation and make evaluations. In addition, the tracking and supervision should be entrusted to professional management personnel which include the managers of scientific research institutions, financial department, etc., to obtain the actual operation and progress of the investment units and projects in a timely manner. According to the feasibility study report, the feasibility and the original reasons for realizing the income can be summarized. The regulatory pertinence can be strengthened based on the market environment and management so as to ensure that the implementation of foreign investment projects is optimized and improved in addition to the excellent results of foreign investment management. In order to improve the internal audit supervision system, institutions should also establish and improve the reward and punishment system. For example, rewards can be given to institutions with good management effect and remarkable economic benefits in relation to the actual situation. If the investment project is at loss, feasible measures should be taken to improve in time.

The training of foreign investment management talents must understand the subject of foreign investment management, namely, state-owned assets of scientific research institutions so that the state-owned assets can maintain and increase in value. In the future, there is a solid foundation in the field of science and technology industry development. For wholly owned and controlled investment projects, the emphasis of talent training should be on innovative thinking, management experience, and technology in combination with the targeted training of talents in the current market environment to form management personnel for foreign investment management in scientific research institutions. Institutions should also increase capital investment in talent training as well as arrange skilled and experienced technicians to designated positions. Financial personnel need to understand the accounting business and have rich experience in accounting management. Scientific research institutions can also establish management teams to strengthen the standardization of foreign investment project management so as to maximize the return rate of investment projects. In addition, it is suggested that the marketing team should be gradually strengthened especially in technical training. All management personnel should have management methods of technology and investment projects at the same time to become complex talents required by scientific research institutions. In foreign investment management, personnel should be skilled at applying information technology and in comprehensively analyzing the market dynamics, which can maximize the investment efficiency of foreign projects and improve the level of foreign investment management.

5. Conclusion

In conclusion, in order to obtain higher investment benefits, the project feasibility must be discussed in the initiation stage, and the foreign investment management plan should be formulated through comprehensive analysis and demonstration. As managers, there is a need to master the management knowledge and experience in many aspects to solve the problems encountered in investment management. In this way, the management effect of foreign investment would be more ideal, and the investment efficiency in scientific research institutions can be maximized in the current market situation.

Disclosure statement

The author declares that there is no conflict of interest.

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