

Financial Risk Prevention Strategies from the Perspective of Financial Accounting

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Abstract: Financial risks pose challenges to the stability of capital markets and the financial health of enterprises. From the perspective of financial accounting, identifying and managing these risks is crucial for promoting long-term economic development and maintaining the continuity of enterprise operations. This paper first elaborates on the concepts of financial accounting and financial risk, analyzes the manifestations of financial risk, and explores the importance of preventing financial risk. Finally, the paper studies the financial risk prevention strategies from the perspective of financial accounting. It is hoped that the discussion in this article can provide some reference and assistance for the sustainable and stable development of enterprises.

Keywords: Financial accounting; Financial risk; Preventive strategies

Online publication: September 27, 2024

1. Introduction

In the context of globalization and the information economy, the uncertainty and complexity of financial markets have gradually increased, and financial risks have shown characteristics of concealment and diversification, posing challenges to the stable operation of financial institutions. Financial accounting, as an important bridge connecting risk management and financial information, plays a crucial role in identifying, measuring, and monitoring financial risks. From the perspective of financial accounting, in-depth exploration of financial risk prevention strategies can not only improve the risk management capabilities of financial institutions but also enhance the confidence of market participants and effectively maintain the stability of the financial market. Therefore, it is of great significance to study the financial risk prevention strategies from the perspective of financial accounting in this article.

2. Conceptual explanation of financial accounting and financial risk

Financial accounting refers to the application of basic accounting principles in financial management. In

addition to possessing accounting characteristics, it also includes financial attributes. Specifically, the functions of financial accounting can be divided into two parts: indirect forecasting and direct accounting management. Indirect forecasting mainly involves analyzing historical financial data and combining market trends to predict future financial conditions, providing an important basis for strategic decision-making. Direct accounting management focuses on daily financial monitoring and cost control, ensuring the rational use of funds, timely detection and control of financial risks, and ensuring the financial health and sustainable development of the enterprise.

Financial risk refers to the possibility of financial entities suffering losses in the pursuit of returns due to various uncertain factors in financial activities, mainly including credit risk, market risk, operational risk, and so on. Essentially, it is the uncertainty of future returns. Financial risks not only have an impact on the stable operation of financial institutions but may also have an impact on the stability of the financial system and economy. Therefore, effective management and control of financial risks are important components of financial accounting work. The purpose is to identify potential risks through accurate financial risk and prediction and take timely and reasonable response measures to achieve a balance between risk management and business development ^[1].

3. Specific manifestations of financial risks

Firstly, in financial enterprises, due to the relationship between delegation and agency, managers value short-term goals. To meet the corresponding indicators, there may be situations where they use their positions to instruct accountants to falsify accounts, resulting in a false profit impression. At the same time, there may also be issues of seeking personal gain, leading to the occurrence of dishonest behavior. Secondly, some financial accountants lack attention to financial risks and awareness of management systems, leading to the existence of financial accounting risks. At the same time, financial accounting is subject to institutional constraints in the work process, and the financial processing mode adopted is relatively fixed, which inevitably leads to a lack of sufficient timeliness in the adjustment process, making it difficult to change the accounting method according to changes in management requirements, thereby seriously affecting accounting efficiency. In addition, financial accountants have complex procedures and high professional requirements in the process of bookkeeping. If there is a lack of quality or unclear division of responsibilities, it will affect the accuracy of accounting and lead to the emergence of financial risks. Finally, the supervisory function is an important component of the financial industry, and financial accounting has great advantages in this regard. However, in practice, due to the lack of a sound regulatory system, the regulatory function cannot be effectively utilized, leading to the emergence of financial risks ^[2-3].

4. The importance of preventing financial risks

Firstly, preventing financial risks is conducive to creating a more sustainable and stable business environment, reducing the anxiety of financial enterprises, and enabling them to better achieve their expected goals. Even if financial risks occur, corresponding preventive measures can be taken to reduce corporate losses and ensure the sustained and stable operation of the financial system. Secondly, preventing financial risks can effectively enhance the economic benefits of financial enterprises. By optimizing resource allocation and improving resource utilization, financial risks can be reduced, thereby minimizing economic losses and effectively

reducing the negative impact of financial risks, thus improving the economic benefits of financial enterprises. Thirdly, preventing financial risks is conducive to promoting the harmonious and stable development of society. Financial risks can have a significant impact on the development of the financial industry, and even pose a threat to national economic security, affecting social stability. When financial risks turn into financial crises, it can lead to the breakage of a company's funding chain, thereby increasing unemployment rates and affecting social stability. Hence, it is necessary to effectively prevent financial risks, reduce corporate risks, and maintain social harmony and stability. Finally, preventing financial risks can promote financial innovation. By establishing and improving a risk management system, financial enterprises can boldly explore new business models, provide customers with richer financial services, and enhance the competitiveness of the financial market. In summary, preventing financial risks is an important guarantee for maintaining social harmony and financial stability. It requires joint efforts from multiple parties to establish a multi-level and all-round risk prevention and control system, thereby creating a healthier and safer financial ecological environment ^[4].

5. Financial risk prevention strategies from the perspective of financial accounting

5.1. Enhancing risk awareness

In the process of carrying out financial risk prevention work, financial accounting management personnel are key, so it is necessary to enhance the risk awareness of financial accounting management personnel so that they can fully realize the necessity of carrying out financial risk prevention work, and thus improve the overall management level. In the specific operation process, both risk prevention awareness and legal awareness should be taken into account to better respond to challenges. Firstly, it is necessary to strengthen risk awareness and attach importance to the development of relevant training work, so that financial accounting management personnel can clarify their obligations and responsibilities. At the same time, a risk awareness assessment mechanism should be established and incorporated into the performance evaluation system. In addition, financial accounting managers can deepen their understanding of the importance of financial risk prevention and control through simulation exercises or case studies, making them more alert in their work and making more cautious decisions. Secondly, it is necessary to enhance legal awareness, which involves understanding and complying with relevant laws, regulations, and industry standards, ensuring that all business activities can be conducted within the legal framework, and improving the legal literacy of financial accounting personnel through regular legal training. At the same time, a legal compliance review mechanism should be established to conduct legal risk assessments on contract signing and major decision-making processes, ensuring the legality of financial accounting and providing legal protection for preventing financial risks ^[5].

5.2. Improve the content of the system

With the development of the market economy, in the process of carrying out business management work, financial enterprises need to keep up with the development of the times to innovate and improve the financial accounting system, therefore adapting to the market economy environment and effectively preventing financial risks. Financial enterprises need to establish a sound, standardized, and scientific accounting system to effectively enhance their risk prevention level. Thus, it is necessary to further standardize and improve the financial accounting system, summarize the problems, and make targeted improvements and optimizations. In addition to improving the financial accounting system, it is also necessary to establish an efficient and standardized internal

control system to constrain and regulate the behavior of staff, thereby achieving effective risk control. In the process of improving the internal control system, relevant laws and regulations should be strictly followed, and the implementation of the internal control system should be strictly supervised. A mechanism for supervising the implementation of the system should be established and evaluated through compliance inspections and internal audits. Corresponding accountability mechanisms should be established, and punishment measures should be used to strengthen the authority and seriousness of the system. In addition, employees are also encouraged to participate in institutional reforms, making institutional construction more practical and thus enhancing the effectiveness of the system. Establishing a standardized and flexible institutional system through these measures provides important institutional guarantees for financial risk prevention.

5.3. Enhancing professional skills

From the perspective of financial accounting, enhancing professional competence is one of the key strategies for preventing financial risks. With the increasingly fierce competition in the financial industry, the requirements for financial accountants are gradually increasing. Financial accountants are required to have a solid theoretical foundation and proficient accounting skills, as well as to master the basic laws of the financial market and the application methods of financial instruments. Therefore, it is necessary for financial institutions to regularly organize professional training, covering risk management theory, financial market dynamics, financial regulations, the latest accounting standards, and so on, to ensure that the knowledge system of financial accounting personnel keeps pace with industry development trends and promote the improvement of their professional level and comprehensive abilities. At the same time, financial accountants should also be encouraged to participate in professional certification exams, such as Chartered Financial Analysts and Certified Public Accountants, to improve their market competitiveness and professional level. In addition, case analysis and other methods can also be used to enhance the operational and risk identification abilities of financial accountants, enabling them to make accurate judgments in complex financial environments and effectively prevent financial risks ^[6].

5.4. Innovative working mode

To better prevent financial risks, financial enterprises need to actively innovate their work models. Firstly, a specialized financial accounting department should be established. For a long time, due to the lack of such departments, enterprises have lacked sufficient professionalism in carrying out financial risk prevention work. Therefore, to achieve better risk prevention effects, it is necessary to integrate the existing accounting department and establish a specialized financial accounting department to improve work efficiency and reduce the impact of financial risks on financial work. Secondly, it is necessary to combine the internal control system with corporate culture. Corporate culture is a comprehensive reflection of the company's internal values, code of conduct and work atmosphere. Integrating corporate culture into the internal control system can enhance employees' sense of identity and create a good atmosphere for everyone to participate in risk prevention and control. Thirdly, cooperation with regulatory agencies should be strengthened to understand the latest industry trends and regulatory policies, adjust risk management strategies, and ensure the compliance and legality of operations. By regularly participating in exchange activities and industry seminars to learn from the successful experiences of other institutions in financial risk prevention, one can improve their risk management capabilities. Finally, it is important to pay attention to the introduction of advanced financial technologies, such as blockchain technology and big data technology, to monitor and predict market dynamics and potential risks,

and improve the accuracy of risk identification. Big data technology can help financial institutions mine data information and provide data support for risk prevention. Due to its tamper-proof properties and traceability, blockchain technology can greatly enhance the security of transactions, thereby reducing operational risks ^[7].

5.5. Strengthen information disclosure

Currently, financial enterprises have problems with a single form, incomplete content, and insufficient timeliness in accounting information disclosure. To improve the authenticity and effectiveness of information disclosure, financial enterprises need to take a series of measures. Firstly, it is necessary to establish and improve the relevant system for information disclosure, clarify the processes and responsibilities for information collection, review, and disclosure, and ensure the accuracy and timeliness of information. Secondly, enterprises need to adopt diversified and transparent information disclosure methods. In addition to financial statements and annual reports, enterprises can also use social media and the Internet to release information such as enterprise operations and risk factors, to improve the availability of information. At the same time, attention should also be paid to disclosing non-financial information, including social responsibility and corporate governance structure, to accurately reflect the business situation of the enterprise and meet the diverse information needs of investors. Thirdly, financial enterprises should actively participate in the formulation of industry standards, jointly develop information disclosure standards with industry associations and regulatory agencies, improve the level of industry information disclosure, reduce information asymmetry through standardized information disclosure requirements, and enhance market fairness. Finally, it is necessary to strengthen communication with external stakeholders, regularly hold performance briefing meetings, clarify and explain key indicators and data in financial reports, enhance the interpretability of information, strengthen market confidence in enterprises, and avoid market fluctuations and financial risks caused by opaque information.

6. Conclusion

In summary, financial accounting plays a crucial role in preventing financial risks. Through accurate recording, analysis, and reporting of financial information, it can provide forward-looking risk warnings for financial institutions, helping them make more rational and effective decisions in complex and changing market environments. In the constantly changing financial environment, only by deeply integrating financial accounting with risk management, constantly innovating and improving relevant strategies, can enterprises effectively respond to future challenges and achieve the stable development of the financial system.

Disclosure statement

The author declares no conflict of interest.

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