



Case Analysis on Financial Risk Control of Kunming Pharmaceutical Corporation



ZHENG ZHONGXIN

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ZHENG ZHONGXIN

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Advisor: Date: 3 / 9 / 2021
(Dr. Li Zhang)

.....
(Associate Professor Dr. Jomphong Mongkhonvanit)
Acting Dean, Graduate School of Business Administration
Date: 8 / 9 / 2021
Siam University, Bangkok, Thailand

Abstract

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By: Zheng Zhongxin

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Advisor:

(Dr. Li Zhang)

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The pharmaceutical industry is one of the most important parts of China's national economies, and is closely related to the lives of residents. With the continuous improvement of China's comprehensive national strength, economic strength and production capacity, the income levels of the pharmaceutical industry have significantly improved. As a branch of the pharmaceutical industry, the pharmaceutical manufacturing industry is a high-risk and high-yield industry, and belongs to the capital-intensive and innovative industries. Financial risk sensitivity of pharmaceutical manufacturing enterprises is stronger, therefore, controlling financial risk has become an indispensable part of the development process of pharmaceutical manufacturing enterprises. It is of great significance to protect the rights and interests of stakeholders, and for the sustainable development to discover the financial risks existing in at the promissory time. Although pharmaceutical manufacturing enterprises have many advantages in China, such as several preferential policies of the government, great potential for market development, and strong industrial foundation, there are still many shortcomings, These shortcomings were exposed in the development, such as similar profit model, narrow financing channels, high cost, and poor investment decisions. Under the condition of deepening the reform of the medical and health systems, society has begun to pay attention to the pharmaceutical manufacturing industry, especially its control of financial risks. In such a complex and changeable economic situation, pharmaceutical manufacturing enterprises should pay more attention to financial risks. Kunming Pharmaceutical Corporation, as one of the top 100 pharmaceutical enterprises in China, and has strong comprehensive strength. It has a certain reference significance for other pharmaceutical manufacturing enterprises to study the financial risk control of Kunming Pharmaceutical Corporation (Hereinafter referred to as KPC).

This paper introduced the research background and significance, and reviewed relevant research on financial risk control by international and domestic scholars. Then introduced related concepts and theories of the control on financial risk. The theoretical bases of financial risk control are capital structure

theory, portfolio theory, principal-agent theory and internal control theory. This paper focused on the content of financial risk control in the pharmaceutical manufacturing industry, including the control of funding risk, investment risk, capital recovery risk and income distribution risk, which laid the foundation for the following analysis. The case of KPC was introduced and according to the financial data of KPC from 2013 to 2017, this paper specifically analyzed the manifestations of the above four risks, and concluded that KPC has a greater financial risk. It elaborated the existing measures of financial risk control of KPC, mainly including the following three aspects: (1), adopting diversified financing methods to reduce the cost of financing; (2), making diversified investment to reduce the risk of investment; (3), expanding sales channels to improve the efficiency of capital operation. The deficiencies of the existing control measures were analyzed in detail, including irrational debt structure, low return on equity investment, high risk of inventory management, loose credit policy, and mismatch between dividend policy and the development stage of the company. Then, aimed at the problems, the causes of the defects in financial risk control of KPC were deeply analyzed. The causes include the lack of long-term planning in the financing process, unscientific investment management system, the need to strengthen inventory management and the failure of minority shareholders to effectively exercise shareholder rights.

Finally, the paper puts forward the optimization countermeasures for financial risk control of KPC from four aspects. In the aspect of funding risk control, we should rationally plan the amount of financing, establish a fund-raising management system, and rationally arrange long-term and short-term debts. In terms of investment risk control, we should adopt sound investment strategies, beef up the feasibility analysis and optimize the industrial chain. In terms of risk control of capital recovery, we should speed up product research and development, promote de-inventory strategy and beef up the management of accounts receivable. In the risk control of income distribution, small and medium-sized shareholders should effectively exercise shareholders' rights. KPC should strengthen coordination and communication among stakeholders, and should rationally choose the way of income distribution. This paper studied the financial risk control of KPC, and summarizes its experience and shortcomings with the intent to provide feasible suggestions for similar enterprises to strengthen financial risk control.

Keywords: Pharmaceutical manufacturing industry, Financial risk, Risk control

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Chapter 1 INTRODUCTION

1.1 Research Background And Significance

Based on the background of the rapid development of the market economy, financial risks are unavoidable in the daily business activities of enterprises. Controlling financial risks has become a common choice made by enterprises for development. Therefore, this article takes the Kunyao Group as an example to conduct financial risk control analysis, which has certain significance in theory and practice.

1.1.1 Research Background

Since the reform and opening up, my country's economy has entered a stage of rapid development, thanks to the support of multiple industries, and the pharmaceutical manufacturing industry is no exception. Because of its rapid development, it has injected new strength into the development of my country's national economy. The pharmaceutical manufacturing industry plays a very important role in protecting and improving people's health, improving the quality of life, and promoting economic development and social progress. In recent years, my country's economic strength and production capacity have achieved a qualitative leap, especially in the pharmaceutical manufacturing industry, whose revenue and profits have risen significantly. In 2017, the new version of the National Medical Insurance Catalogue was released after a lapse of 8 years. The two-invoice system was officially promulgated and implemented, and the industry reshuffle was accelerated. Affected by relevant policies such as medical insurance cost control, drug bidding projects, and medical insurance catalog adjustments, the prices of some medicines are changing. Continued decline, the growth rate of revenue and profit of pharmaceutical companies has slowed down compared with the previous period. Under the guidance of relevant policies such as the priority review of innovative drugs, the consistency evaluation of generic drugs², and the re-evaluation of Chinese medicine injections, the pharmaceutical industry is striving to achieve the upgrading and adjustment of the industry. The continuous innovation of the medical reform system and the state's centralized management of the pharmaceutical industry have continuously promoted the prosperity and development of my country's pharmaceutical manufacturing industry. Under such a general background, if an enterprise wants to make a living, it can only start from itself, improve its innovation and financial management capabilities, and minimize all potential financial risks.

Since economic globalization, all walks of life have been facing an increasingly fierce competitive environment, as has the pharmaceutical manufacturing industry. Enterprises will inevitably encounter financial risks in the process of production and operation, and risk management and control is an inevitable choice for enterprises. Pharmaceutical manufacturing companies must reduce the potential financial risks in the business process as much as possible through the construction and improvement of financial risk control measures, and then clear the stumbling block on the road to future development. Therefore, it is very necessary for pharmaceutical manufacturing companies to control financial risks in order to enhance the competitiveness of the industry.

1.1.2 Research Significance

This article analyzes the pharmaceutical manufacturing industry from the perspective of financial risks and combines specific cases. It has certain theoretical and practical significance, and the specific manifestations are as follows:

(1) Theoretical significance

In recent years, the pharmaceutical manufacturing industry has developed rapidly, but at the same time it has encountered some difficulties, the most significant of which is the corporate financial crisis. Scholars at home and abroad are also aware of this and have launched research on the financial risks of the pharmaceutical manufacturing industry. However, so far, there has not been a more comprehensive and systematic theory in this regard. In addition, the existing research is mainly aimed at the identification and evaluation of financial risks of pharmaceutical manufacturing companies, and early warning analysis of financial risks. There are also a small number of scholars who have conducted systematic research on the means of financial risk control in pharmaceutical manufacturing companies. With fierce competition in the pharmaceutical market, how to control financial risks is one of the major issues facing pharmaceutical manufacturing companies in the future development. Therefore, this article studies the financial risk control of pharmaceutical manufacturing companies, which is of great significance to the future development of the industry.

This article first introduces the relevant definitions of corporate financial risks and sorts out the methods of corporate financial risk control, and then takes Kunyao Group as an example to conduct financial risk research. On the one hand, it supplements and verifies the current theoretical research on pharmaceutical manufacturing companies. On the other hand, it also plays a certain role in combing the theory of corporate financial risk management and has certain academic value.

(2) Practical significance

In this paper, the significance of the case analysis of Kunyao Group's financial risk control is

mainly in two points. First, Kunyao Group is a national key high-tech enterprise and one of the top 100 companies in China's pharmaceutical industry, and its research is representative. In recent years, it has been developing well. Kunyao Group has integrated the research and development, production, and sales (including commercial wholesale and international marketing) of drugs, covering the fields of Chinese medicine, western medicine, and chemical drugs, forming a pure natural botanical medicine based on independent research and development. The business structure of production. Second, as a private enterprise, Kunyao Group's financial risk control measures can provide reference and reference for similar private enterprises in the future.

In my country, pharmaceutical manufacturing companies still have certain shortcomings in financial management. The risk control awareness of corporate managers is insufficient, the financial management system is not perfect, and the way to control financial risks is relatively limited, all of which hinder the future development of my country's pharmaceutical manufacturing companies. Therefore, starting from the economic environment of my country's pharmaceutical industry, this article analyzes the financial risk status of Kunyao Group from four aspects: investment risk, financing risk, income distribution risk, and capital recovery risk. Kunyao Group's existing financial risk control measures put forward optimized countermeasures to provide certain reference and reference for investors, operators and relevant government departments of similar pharmaceutical manufacturing companies.

1.2 Research Ideas

The main research idea of this article is to raise the problem, analyze the case and solve the problem.

First ask the question: What is financial risk and what is financial risk control? Combining the four theoretical foundations of capital structure theory, investment portfolio theory, principal-agent theory and internal control theory, it thoroughly analyzes the mechanism of financial risk control.

Then case analysis: This article sorts out the financial risk status of Kunyao Group, summarizes some of the methods currently used by the company to control financial risks, and further analyzes the defects of these control methods and the causes of such problems.

Finally, solve the problem: I have analyzed the defects in the financial risk control of Kunyao Group and the reasons for their formation. This article proposes corresponding improvement opinions for these reasons. On the one hand, it helps Kunyao Group to fight against the possibility in the rapidly developing industry environment. Facing financial risks, reduce the economic losses of enterprises, and realize the rapid and steady development in the future. On the other hand, it also provides similar methods for similar pharmaceutical manufacturers to control financial risks.

1.3 The Basic Framework Of The Paper

Based on the above research ideas, this article is mainly divided into six parts, the specific content is as follows:

The first part is introduction. This part introduces the background and significance of the topic selection, summarizes the research ideas and methods of this article on the basis of a large number of relevant documents, and finally gives a general overview of the writing framework of this article.

The second part is a basic overview of financial risk control. Clarified related concepts and outlined the theoretical basis of financial risk control and the content of financial risk control in the pharmaceutical manufacturing industry.

The third part is the case introduction of Kunming Pharmaceutical Group's financial risk control. This part uses the case of Kunyao Group to explain the financial risks and manifestations of the group, and describes the control measures currently adopted.

The fourth part is the analysis of the deficiencies and causes of financial risk control measures of Kunming Pharmaceutical Group. Through the content of the third part, we can roughly summarize the financial risk control problems within the group, and analyze the causes of financial control defects in depth.

The fifth part is the optimized countermeasures of Kunming Pharmaceutical Group's financial risk control. In response to the analysis of financial risk control in the fourth part, this chapter proposes reasonable improvement opinions for the healthy and stable development of Kunyao Group, and provides similar methods for pharmaceutical manufacturing companies to control financial risks.

Chapter 2 LITERATURE REVIEW

2.1 Research On Financial Risks

Financial risk is an extension of the concept of risk, and risk management includes financial risk management. According to Huang Jinliang and Bai Fan (2005), the academic community's understanding of financial risk is mainly divided into two categories. One is a narrow understanding, which considers that financial risk is the uncertainty of corporate debt; the other is a broad understanding, that financial risk is The possible risks in the entire operation and management process.

Early scholars believed that corporate debt risk is the so-called financial risk. According to Liu Enlu and Tang Guliang (1989), since the debtor's own assets may not be able to repay the debts that are due, the risk caused by this is financial risk, which means that financial risk is regarded as the debt risk of the enterprise. In the research of Fang Ling (2000), it is believed that due to various unpredictable factors, the financial situation of the enterprise is caused by great uncertainty, and thus the financial loss of the enterprise is caused. This is the definition of enterprise financial risk.

Foreign scholars have done a lot of research on financial risk assessment. Fitzpatrick (1932) was the first to propose the concept of a univariate model, which was based on the financial risk data of listed companies. He believes that a company's ability to resist risks can be measured by two indicators: return on net assets and equity multiplier. Beaver (1966) used an improved univariate model to give a new interpretation of financial risk by studying 158 companies. He believes that using the ratio of cash flow to total assets or the ratio of net profit to total assets can better predict and assess the company's financial risks. Bank overdrafts, failure to repay debts on schedule, and failure to repay preferred stocks may all be related to The company's financial risks are closely related. However, the model still has certain limitations. The overall situation of the enterprise cannot be well reflected, but it also laid the foundation for the birth of the multivariate model. Scholar Altman (1968) also targeted 66 companies, including bankrupt companies and companies with good operating conditions, using 22 selected financial indicators and using multiple linear regression methods to conduct financial risk research on these companies. Based on the research results, he selected a total of five variables and established a multivariate financial early warning model, which is the famous Z model. This is also the earliest research method using multivariate methods to determine financial risks. However, Ohlson et al. (1980) used the Logistic method to conduct a comprehensive analysis of financially normal companies and bankrupt companies in the past six years. The research results show that the potential financial risks of a company can be analyzed through the financial situation of the company or through the capital Make predictions on structure and scale of operations.

If the financial risk is interpreted from the perspective of risk management, there are mainly the following viewpoints. Scholar Xu Yuhong (2003) stated that if financial activities will be affected by various uncertain factors, causing the actual income of the enterprise to be inconsistent with expectations, causing the enterprise to cause losses, this risk is the financial risk of the enterprise. Scholars such as Xiang Dewei (1994) and Yang Yang (2006) have different opinions. They think that companies can divide financial risks into several categories according to the content of financial activities, such as investment risk, financing risk, income distribution risk, and capital recovery. Risk etc. This classification method is generally recognized by most scholars.

In recent years, Chinese scholars have begun to expand the research direction of financial risk to different industries. Kang Ya (2014) pointed out that the pharmaceutical manufacturing industry is facing the current situation of financing difficulties and high debts, and believes that the pharmaceutical manufacturing industry has greater financial risks, such as large financing constraints, unreasonable debt management scale, and weak procurement control links. Liu Haitian (2017) believes that the financial risks of the pharmaceutical manufacturing industry have the characteristics of large investment, high returns, and high risks.

2.2 Research On Financial Risk Control

Scholars at home and abroad generally believe that it is necessary for companies to control financial risks. Kallenberg (2003) pointed out that under the background of economic globalization, an important factor that affects the value of a company is the control of financial risks. Therefore, in order to achieve healthy development, companies We must pay more attention to risk control and communication. Alexandre Tindad (2007) used statistical normal distribution and quantitative analysis methods in the research process of the financial risk controllability and early warning of listed companies, and found that the development of an effective financial risk management and control mechanism is extremely important for the downgrading of corporate financial risk. Great help. Hoyt & Liebenberg (2015) analyzed the operation status of 166 sample companies and found that the value of companies that introduced financial risk control into daily management was about 3.6% higher than those that did not, on average, he tested this finding using statistical methods. All are explicit results. This also proves that the improvement of the company's value is inseparable from the control of financial risks. Li Yuan (2006) pointed out that poor asset status, financing difficulties, poor investment capabilities, and weak financial management capabilities are all problems that companies need to face in the process of financial risk management at this stage. Financial risk management is an important lesson for company operations. Xiang Dewei (1994) proposed the concept of corporate financial risk control. Financial risk is a micro-risk that penetrates all aspects of the enterprise. It is very difficult to

truly eliminate it, but its existence will always threaten the sound development of the enterprise. Therefore, appropriate and professional methods are used to predict, perceive, and control financial risks in a timely manner, prevent gradual failure, and minimize the harm of financial risks to the enterprise.

Some scholars believe that financial risk control should focus on the internal control of enterprises. Liu Jianhai (2002) believes that the establishment of a scientific and effective decision-making mechanism within a company is the key to controlling financial risks. This internal decision-making mechanism should include the pre-event risk prediction mechanism, as well as the in-event risk diversification mechanism, risk transfer mechanism, and post-event risk restraint mechanism. Wen Tao (2005) pointed out that for larger companies, it is essential to establish a company's internal audit system and conduct regular internal audits, establish a corresponding risk management and control department, and establish a risk early warning mechanism for the management and control of financial risks. Liang Yong (2014) proposed to improve the information system, strengthen the quality training of financial internal control managers, establish a scientific financial internal control system, strengthen budget control, establish reward mechanisms and audit institutions from the perspective of corporate financial internal control to prevent corporate financial risks. s method.

Some foreign scholars believe that companies should control financial risks during their operations. OBandaly et al. (2013) used supply chain management procedures to study corporate financial risks and found that the causes of financial risks vary from company to company, so companies are controlling financial risks. Time should also vary according to local conditions. Osypenko (2015) proposed that companies should incorporate mathematical models into their daily business management. This can ensure the scientificity of corporate decisions as much as possible without increasing corporate costs, thereby truly effectively reducing corporate financial risks.

Another part of the scholars believe that the company's internal financial transactions are not the entire content of financial risk control. Hong Leping (2004) found through an empirical analysis of the capital structure of listed companies that the internal relationship between financial analysis and capital structure should be paid more attention to in the future. Ou Lijun and Lu Yunfei (2008) analyzed the previous corporate financial risk control measures and found that scientific and effective risk prevention measures should be based on a reasonable financial risk prevention mechanism. After that, they focused on how to avoid, diversify and transfer risks from the perspective of technical analysis. Zhang Xiaotang (2011) believes that the business goal of effectively controlling financial risks and maximizing the company's value can be achieved by improving the company's management structure. Yang Jiaqi (2016) believes that the company's business strategy, business characteristics and life cycle are all aspects that need to be considered

in advance when controlling financial risks. Peng Yan (2014) believes that advanced management methods such as big data are what companies need to continuously learn and use when controlling financial risks.

In addition, some scholars have put forward corresponding control measures for the potential risks in each link of financial management. Xiang Dewei (1994) believes that financial risk in a broad sense consists of investment risk, financing risk, income distribution risk and capital recovery risk. The focus of investment risk control is the company's capital structure. The key to investment risk control is the choice of investment direction and the combination of various investments. The focus of capital recovery risk control is on product sales and account recovery, and the control of income distribution risk should focus on For a reasonable distribution policy. Jiang Qifa (2000) believes that financial risks can be divided into two types according to the reasons for the occurrence of financial risks: one is cash financial risk, and the other is income and expenditure financial risk. According to the difference of financing methods, it can be divided into two types: one is debt financing risk, and the other is equity financing risk. The optimal decision-making method of financing structure and the timely adjustment method can be used to control the financial risks caused by financing, and the effective control of the debt scale and the improvement of the liquidity of corporate funds are effective in controlling debt financing risks. means.

With the development of market economy, some scholars began to pay attention to the financial risk control of enterprise groups. Ouyang Neng (2010) believes that the financial risks of enterprise groups are inevitable, and divide the financial risks into six categories: structural, financing, investment, credit, administrative and distribution, and believes that the corporate governance structure and internal control system should be improved. Optimize the financial management system of enterprise groups. Chen Ke (2013) analyzed the reasons for the financial risks of enterprise groups, and proposed to build a financial risk control system to strengthen the control of the financial risks of enterprises in four aspects: investment risk, financing risk, income distribution risk and capital recovery risk. Hou Li (2018) emphasized the establishment and improvement of the enterprise group's risk control organization and management system and risk early warning and evaluation system for the financial risk control of enterprise groups.

2. 3 Research On Financial Risk Control In The Pharmaceutical Manufacturing Industry

Since the 21st century, the global pharmaceutical market has continued to expand and its share has also continued to grow. Foreign research on financial risks in the pharmaceutical manufacturing industry is also becoming more abundant. Joseph Golec & John A. Vernon (2009) believe that the financial risks of enterprises will be affected by relevant government laws and regulations, and that financial risks will increase the operating costs of pharmaceutical

manufacturers. Mehdi Mohammadzadeh et al. (2013) studied an Iranian pharmaceutical company and used three indexes (Tobin's Q value, ROA, ROE) to conduct an empirical study on this pharmaceutical company, and evaluated profitability and market value added separately, Found that if a sales method suitable for the development path of the enterprise is adopted, the profitability of the enterprise can be enhanced and the financial risk of the enterprise can be controlled.

Some scholars use pharmaceutical listed companies as the research object to conduct financial risk early warning analysis. Liang Mou and Bian Ying (2010) collected the financial data of 92 listed pharmaceutical manufacturing companies from 2006 to 2008, and used the Z-value model to analyze the financial risks of these 276 samples. At the same time, they believed that if pharmaceutical manufacturing companies need to control corporate finances Risk can increase the company's main business income, or develop some competitive products to control it. Yuan Zhongbing (2010) used the efficiency coefficient method and adopted the corporate performance evaluation system to build a financial early warning model, and applied the model to pharmaceutical companies to provide a reference for other industries. Huang Hui (2000) collected the annual reports of 64 manufacturing companies to establish a financial early warning model. Wang Chao (2018) analyzed manufacturing companies using a fuzzy hierarchical analysis model and put forward some constructive opinions, which have played a certain reference role in preventing financial risks of pharmaceutical companies.

Starting from the financial risks unique to the pharmaceutical industry, most scholars have analyzed the causes of financial risks of pharmaceutical companies and put forward some good opinions. Chen Wei (2014) believes that the main reason for the financial risks of pharmaceutical companies in recent years is that the company's own financial decision-making problems have led to excessive financing costs, deterioration of the external operating environment, and insufficient inventory management in the pharmaceutical industry. science. So it is proposed that pharmaceutical manufacturing companies should strengthen scientific research capabilities and improve early warning mechanisms. Kangya (2014) believes that pharmaceutical companies should strengthen the professional quality of financial personnel, strengthen procurement control links, and clarify accounting rights and responsibilities. Feng Lingling (2015) believes that there are three reasons for the financial risks of manufacturing companies: one is the steep decline in the profit rate of investment, the other is the long recovery period of funds, and the third is that the cost required in the financing process increases rapidly. Therefore, she believes that pharmaceutical manufacturing companies should improve internal control systems and strengthen product research and development. Lai Liubin and Xie Qizhong (2015) selected 36 pharmaceutical companies, and selected 14 financial indicators that can reflect corporate profitability, cash flow, assets and liabilities, etc., using factor analysis to evaluate the financial

comprehensive scores of these pharmaceutical companies Ranking, then made some recommendations. Liu Haitian (2017) combined the industry background and characteristics of pharmaceutical companies, analyzed the financial risks that pharmaceutical companies may face, and proposed targeted measures. It is believed that financing channels should be broadened, product patent protection period should be extended, the uncertainty of fund recovery should be reduced, and the risk of innovation research and development should be controlled. Chaboya (2018) proposed methods to control the financial risks of the pharmaceutical manufacturing industry, including controlling the reasonable expansion of asset scale, focusing on self-accumulation of capital, and strengthening the control of cash flow.

2. 4 Literature Review

To sum up, different scholars have different definitions of financial risk from different angles, which can be roughly divided into three categories: View 1, the uncertainty caused by corporate liabilities. Since the company may not be able to pay its liabilities due, this creates a financial risk for the company. If the company does not have liabilities, there will be no such risk. View two, financial risks exist objectively, whether it is force majeure or uncertain factors. Cause the company to suffer losses; point three, financial risk exists in all aspects of corporate activities, whether it is a decision error or an unfavorable external environment, it may cause financial risk, which exists in every link of financial activities.

Of course, most financial risk research is based on corporate governance. Most scholars believe that financial risks are not the result of a single factor, but are caused by the interaction of internal and external environments. Under normal circumstances, the establishment of sound risk early warning and internal control mechanisms can effectively control risks. In recent years, the theoretical research on financial risk management has become more abundant, but there are still a few scholars who conduct research on different industries. Generally speaking, the existing research has the following two deficiencies.

(1) Lack of targeted research on the domestic pharmaceutical manufacturing industry

At this stage, the theoretical research on financial risk control is not differentiated, and the research methods used are generally the same. However, in real life, the control of financial risks requires specific analysis of specific situations, and cannot be generalized. It needs to be analyzed in combination with different industry characteristics and the company's own conditions.

(2) Lack of accurate and reliable data support

Foreign companies have a strong sense of risk prevention and have paid enough attention to the collection and sorting of financial data early on. Therefore, most foreign scholars use complex mathematical knowledge to model and assess the financial risks of enterprises. However, in my country, due to the lack of accurate and reliable data and complete enterprise information,

it is impossible to carry out quantitative research on the financial risks of enterprises. Therefore, my country's theoretical research on financial risk management is restricted.



Chapter 3 METHODOLOGY

3.1 Qualitative Research

This article is based on theoretical analysis, combined with specific cases, through qualitative research methods using comparative analysis methods to carry out research. On the basis of reading and drawing a large number of relevant domestic and foreign documents, combined with capital structure theory, investment portfolio theory, principal-agent theory and internal control theory, clarify the difference between the two concepts of financial risk and financial risk control, and provide relevant financial risks for pharmaceutical manufacturing companies Interpretation of control methods.

This article uses the method of case analysis and comparative analysis when investigating the financial risk control case of Kunyao Group, combining theoretical research with case analysis, and selecting Kunyao Group, one of the top 100 companies in China's pharmaceutical industry, as the research object It compares its financial performance with the industry average, analyzes the main measures and deficiencies of Kunming Pharmaceutical Group's financial risk control, makes targeted optimization suggestions, and makes as much as possible a more specific, clear and complete analysis of financial risk control.

3.2 Theoretical Basis Of Financial Risk Control

This part will conduct an in-depth study of capital structure theory, investment portfolio theory, principal-agent theory and internal control theory to explore the specific content of the enterprise's risk control process and pave the way for the following case studies.

3.2.1 Capital Structure Theory

Capital structure theory is a very important part of the modern financial theory system, among which MM theory is typical. The theory has gone through two stages: at the beginning, the MM theory began with the "Cost of Capital, Corporate Finance and Investment Theory" published by Modigliani & Miller (1958) in the American Economic Review. He pointed out that under the same conditions, the income tax was removed. Factors, companies differ only in their capital structure, and their capital structure is not related to market value. In the second stage, the revised theory, it is believed that the impact of corporate income tax should be added to the analysis. At this time, the interest expenditure of the company due to debt is not taxed, which will reduce its capital expenditure cost and increase market value . Therefore, as companies increase financial leverage within a certain range, their value will also increase.

Kraus & Litzenberger (1973) put forward the follow-up trade-off theory. He emphasized equilibrium and pointed out that we should not blindly rely on the capital value brought by tax

exemption on debt interest. We should look at the cost of debt to enterprises, such as capital circulation problems, financial distress and other risks. Costs and benefits must reach an economic equilibrium, that is, the present values of the two are equal, and the corresponding capital structure is the optimal structure at this time. The trade-off theory promotes a better understanding of why the debt levels chosen by companies are so different. For large companies (especially with a lot of fixed assets), because of their comprehensive, diversified, and large-scale anti-risk characteristics, their most appropriate choice is to borrow more, do not worry too much about the hidden cost of debt, and enjoy it at ease. Tax-free income. On the contrary, for small companies (with few fixed assets), their business development depends on technology and employees, their anti-risk and debt repayment ability is poor, their liquidity is not strong, and their debt costs are high, so they should choose to borrow less.

With the gradual separation of enterprise ownership and management rights, the agency problem emerged, which gave rise to the agency theory. Jensen & Meckling (1976) proposed the agency cost theory, which pointed out that the agents (operators), principals (shareholders) and creditors are inconsistent in their pursuit of interests, and in order to achieve their goals, they will conflict with each other. This causes the loss of business operations, which is the agency cost. Through diversified fundraising and scientific design of debt and equity ratios, enterprises can make their capital structure better and reduce agency costs.

Myers & Majluf (1984) proposed the optimal order financing theory. The core of the theory is that in the process of financing, enterprises should raise funds in the optimal order. For internal employees and existing shareholders, they are familiar with the company's operating methods, capital operations, inherent assets, expected returns and other internal information, and the company's development and the company's capital structure are closely related to their interests. Therefore, internal financing should be prioritized and retained. The income is transformed into production capital; for external investors, due to the existence of information asymmetry, they have insufficient knowledge of the company and are more inclined to invest blindly than internal personnel. Therefore, external financing should be the second financing, and debt is better than equity financing to avoid the risk of external personnel having adverse effects on the company's decision-making.

3.2.2 Portfolio Theory

Modern investment portfolio theory refers to a series of models and theories including APT, capital asset pricing models, behavioral finance, and efficient market theory. The emergence and continuous development of these theories have allowed modern investment management to change the traditional investment management practice model based on fundamental analysis before becoming more scientific, systematic, and diversified. American economist Markowitz

first proposed portfolio theory in 1952. At the same time, through in-depth investigation and research, rigorous argumentation, and systematic analysis, a scientific and standardized modern investment portfolio theory has been formed. The so-called corporate investment portfolio refers to an investment portfolio that includes several types of securities investment. Although the return of this investment portfolio is equal to the weighted average of the returns of these types of securities investment, the risks and the risks of these types of securities investment The weighted average risk is not equal or even lower than the weighted average risk. Therefore, if an enterprise wants to reduce the non-systematic investment risk of its operations, it can achieve this goal through investment portfolios. This provides a theoretical basis for the historical problems in the investment community, and clarifies the selection method of the investment portfolio to maximize the benefits. It shows that if a portfolio investment approach is adopted, companies can diversify investment risks and reduce non-systematic investment risks. At the same time, this method of diversifying risks is reasonable and well-founded. This theory provides a measurement model of how to determine the best portfolio of assets—a mean variance model. By constructing this model, companies can use data to quantify benefits and risks, and then make more accurate decisions. However, the shortcoming of this model is that it is not feasible in practice. Because it requires that the covariance matrix of each asset must be calculated, this makes the process of using it too complicated and restricts its application.

Therefore, Sharpe proposed in 1964 to simplify the estimation of the covariance matrix by establishing a "single factor model", so that the portfolio theory can overcome the previous shortcomings and reduce the constraints in practical applications. In the 1960s, Sharpe (1964)> Lintner (1965)> Mossin (1966) respectively proposed their own capital asset pricing model (CAPM). This model proposed an operational structure for evaluating the characteristics of mutual conversion between returns and risks. Laid a theoretical foundation for portfolio analysis and fund performance evaluation. In 1976, in order to solve the practical shortcoming of the untestability of the CAPM model, Ross proposed the APT model, which is an alternative capital asset pricing model. This model makes multi-index portfolio analysis widely used in investment practice.

3.2.3 Principal-Agent Theory

The separation of ownership and management rights is common in modern companies. This is because the enterprise is in order to optimally allocate resources and reduce costs to achieve the goal of maximizing profits. The principal, that is, the equity owner, will entrust professional knowledge personnel (also known as agents) to operate and manage the company. As a result, a principal-agent relationship arises, but the principal and the agent are prone to inconsistent interests. This indefinite conflict of interest will cause agency problems and risk sharing

problems. The former occurs when the principal and the agent have different interests and the owner replaces the manager. The latter is generated on the basis of the former and mainly arises from the distribution and assumption of risks. Both the principal and the agent are more willing to pass the risk to each other. Under this circumstance, it is necessary for the two to jointly establish a community of interests, and a charter for sharing benefits and risk sharing is urgently needed.

It is impossible for the principal to reduce costs without pains and maximize profits. He needs to pay a certain amount of cost management to make the agent willing to devote time and energy to sincerely strive for the maximization of benefits. In this process, he transfers the management right to the agent and retains the residual claim right himself. At the same time, he has to pay a series of costs including incentive costs, supervision costs, restraint costs, and residual costs. Incentive cost means that in order to encourage the agent to be consistent with its goals, the principal will give the agent objective material and spiritual encouragement, such as remuneration, bonus, welfare allowance, social status and honor, etc.; the principal pays the supervision cost for better The supervisory agent restricts the latter's rights to prevent the other party from embezzling the company's funds, or even overhead the company causing irreversible losses; the cost of restraint is rooted in the limitation of the agent's powers, and the principal should bear the responsibility of restricting the The loss caused by its inability to make decisions and adjust operations in time under important or emergency situations; residual cost is a kind of deviation loss, which stems from uncertain and unstable objective conditions. This instability will affect the agent's decision effect. Even if the agent strongly hopes to help the principal obtain the maximum benefit subjectively, the limitation of objective conditions makes this hope impossible to realize.

The principal-agent theory came into being under this situation. Due to the peculiarities of modern enterprise management, the separation of ownership and management rights has created a principal-agent relationship between the company's owner (ie, the principal) and the operator (ie, the agent). The principal-agent theory mainly focuses on how this principal-agent relationship can be handled appropriately. The theory believes that the degree of decentralization of the two powers is too high or too low, which will cause huge conflicts between the principal and the agent and lead to poor business operations. If the degree of dispersion is too high, the owner of the business loses full control, and the agent will harm the interests of the principal to achieve its own goals. Principal-agent theory combined with theories about company management and internal control, from the standpoint of the company, pointed out why the company generates financial risks, how to effectively warn of financial risks, and how to control the risks. Therefore, the principal-agent theory is the action guide for modern enterprises, guiding them to carry out optimal financial management behaviors, effective corporate governance and reasonable internal

control behaviors.

3.2.4 Internal Control Theory

Internal control theory is a professional system, which can be roughly divided into four stages of gradual development: internal containment, internal control system, internal control structure and internal control overall framework. At the beginning, the theory focused on the audit efficiency of enterprises. Now, this theory has broken through the limitations of accounting and auditing, and has expanded and innovated accordingly. It incorporates important indicators such as employee comprehensive capabilities, entrepreneurial talents, risk prevention, personnel management, and cultural soft power into internal control. Except for accounting and auditing, these indicators are also related to the future prospects and development of the company. We can see that the theoretical system of internal control has changed from a single focus on auditing, accounting and finance, and a mechanical reflection of financial information to a comprehensive, more scientific, standardized, and practical financial control guide, which combines the system and control Theory and practice are combined throughout.

The main function of this theoretical system is to guide enterprises to study and analyze the relationship between internal control organization, internal control space environment and internal control methods. In addition, the theories of financial risk control and enterprise internal control are the same. The financial risk control system takes finance as the leading direction and strives to improve internal control. The so-called control also refers to the internal control environment, means and objectives. As an important part of the internal control system, financial risk control is related to the internal control theoretical system in all aspects. This tells us that the effectiveness of financial risk control management depends not only on how to control financial risks, but also on the constraints of internal control conditions. Furthermore, the quality of the internal control environment will also affect the choice and effectiveness of financial risk control methods. Moreover, the degree of cooperation between the two is also related to the final effect.

Chapter 4 DATA ANALYSIS

4.1 Overview of Kunyao Group

Kunming Pharmaceutical Group (600422) is the full name of Kunming Pharmaceutical Group Co., Ltd., which was renamed from the original Kunming Pharmaceutical in March 2015. Kunming Pharmaceutical Group was established in March 1951. As the first state-owned pharmaceutical company in Yunnan Province, Kunming Pharmaceutical Group co The Employee Stock Ownership Council was restructured to establish Kunming Pharmaceutical Co., Ltd. The company was listed and traded on the Shanghai Stock Exchange in December 2000, and the stock was issued under the name of Kunming Pharmaceutical (600422). In March 2015, it was renamed Kunming Pharmaceutical Group.

4.1.1 Company Profile of Kunyao Group

Kunyao Group has profound and professional pharmaceutical experience and is a national high-tech key enterprise and one of the top 100 enterprises in the Chinese pharmaceutical industry. Kunyao Group integrates drug research and development, production, sales, commercial wholesale and international marketing, and has formed a business layout focusing on natural botanicals, including traditional Chinese medicine, chemical medicine, and pharmaceutical circulation. Relying on the rich plant resources of Yunnan Province, Kunyao Group has developed more than 40 natural botanical products, including: Artemisia annua series, Panax notoginseng series, Gastrodia series and characteristic Chinese medicine and ethnic medicine. They all represent the advanced level at home and abroad. They not only fill many gaps in this field at home and abroad, but also have a number of national invention patents. They are well-known in the treatment of diseases such as the nervous system, cardiovascular and cerebrovascular diseases, and malaria. , Also has a high reputation, and has made a positive and significant contribution to human health.

4.1.2 Business Composition Of Kunyao Group

The company's current main business sectors include the botanical product series of panax notoginseng saponins series, gastrodin series, and Qinghao series; Shugan granules, Banlan Qingre granules, Shenling Jianpiwei granules and other proprietary Chinese medicines The main OTC traditional Chinese medicine product segment; the chemical medicine segment focusing on antibiotics, bone and joint health, gynecology, pediatrics, immunosuppression and other fields; the pharmaceutical distribution segment focusing on pharmaceutical distribution business.

The company has the production capacity of various dosage forms such as raw materials, oral preparations, small-volume injections, and freeze-dried powder injections. It can produce

nearly 400 kinds of Chinese and Western medicines, and has about 550 medicines and health products production numbers. After years of development, the company has formed a number of main products with strong competitiveness in the treatment of cardiovascular and cerebrovascular diseases, central nervous system diseases, orthopedic drugs, commonly used Chinese patent medicines, and anti-malaria. Among the research projects, key research and development projects in the areas of chronic diseases such as diabetes, tumors, and gout have also been carried out.

4.2 Financial Risk Analysis Of Kunyao Group

The pharmaceutical industry has been in a state of rapid development, and Kunyao Group is facing financial risks under the tide of the market economy. Financial risks exist in all aspects of corporate financial management. Next, the financial risks of Kunming Pharmaceutical Group will be analyzed from four aspects.

4.2.1 Investment Risk

The main purpose of a company's investment is to realize the value of the investment in the future. Therefore, the investment decision has a crucial impact on the success or failure of the company's operations. Whether a company's investment can be successful depends on the decision maker. The analysis of the market and the evaluation of the rationality of decision-making, and whether the decision-maker can put the limited resources in the right project to bring the most benefits to the enterprise. There are many reasons for the failure of corporate investment, such as: unassessed investment, decision makers' insufficient understanding of the company's operating conditions, decision makers' insufficient understanding of investment projects, uncontrollable factors in the macro environment, etc. . This article mainly analyzes the investment situation and risks of enterprises from two aspects, namely, internal investment and external investment.

(1) Inward investment

Inward investment includes physical investment and intangible asset investment. The investment made by an enterprise to maintain normal production and operation or to lay a solid material foundation for expansion of reproduction is called physical asset investment, which mainly includes fixed assets and construction in progress. Intangible asset investment is a systematic project with the characteristics of large investment, long cycle, multiple links, and large risks. In the current era of the prevalence of the knowledge economy, the competitive advantage of an enterprise comes from the excess profitability of intangible assets.

Table3.1 Inward investment analysis table

Year	2013	2014	2015	2016	2017
Fixed assets (Ten thousand yuan)	30,188.97	64,564.32	62,113.07	58,260.84	57,892.53
Construction in progress (ten thousand yuan)	19,245.06	2,221.46	14,124.06	23,257.09	40,837.27
Intangible assets (ten thousand yuan)	15,663.31	22,943.59	23,882.53	35,680.41	42,505.45
Total (ten thousand yuan)	65,097.34	89,729.36	100,119.67	117,198.34	141,235.24
growth rate	39.79%	37.84%	11.58%	17.06%	20.51%

It can be seen from Table 3.1 that Kunyao Group's investment in physical assets is relatively large and maintains a steady growth trend. Intangible assets have shown an increasing trend in the last five years, with an average growth rate of 29.66%. Fixed asset investment is mainly focused on expanding factories and purchasing equipment. Intangible assets due to the increase in the purchase of land and the evaluation of newly merged enterprises, the total investment has risen sharply. Construction in progress has increased substantially in the last three years, with an average growth rate of 70.13%. The reason is the investment in the construction of modernized production and expansion of traditional Chinese medicine, the Majinpu botanical medicine project, and the construction of soft capsule production expansion and transformation projects. The total assets of these three items increased from 650 million yuan in 2013 to 1.412 billion yuan in 2017, an increase of 117%. This shows that Kunyao Group is making expansion investments, which has increased the investment risk of the company.

(2) Foreign investment

Table 3.2 Analysis of external financial asset

Year	2013	2014	2015	2016	2017
Available-for-sale financial assets (ten thousand yuan)	53.40	14,604.56	54,493.84	52,531.66	40,410.67
Long-term equity investment (ten thousand yuan)			3,720.94	2,711.99	6,358.95
Total proportion of total assets	0.02%	4.15%	11.76%	10.23%	7.38%

Foreign investment mainly refers to investment in financial assets. The form of buying marketable securities or buying stocks is the method used in financial asset investment. This kind of investment can make full use of the company's financial strength and play the role of existing funds, while at the same time, it is premised that it does not affect the company's own capital deployment and use. Financial asset investment risks refer to unpredictable changes in the market environment, companies failing to carefully evaluate the investment methods or types of investments, and unreasonable investment allocation ratios, which result in companies failing to meet their investment income expectations. We can see from Table 3.3 that available-for-sale financial asset investment and long-term equity investment are the main part of the company's external financial asset investment. From the table, we can see that as of the end of 2017, the financial assets invested abroad are only 7.38% of the total assets, including the available-for-sale financial assets of Beijing Shengnuoji Pharmaceutical and the long-term equity investment of Kunming Yinnuo and Kunming Gaoxin Nuotai.

Kunyao Group's main financial asset investment projects are available-for-sale financial assets. Since 2015, long-term equity investment has been increased, but it accounts for a relatively small proportion of the company's total financial asset investment. Among the company's available-for-sale financial assets, its main items are investments in Rani Company and Beijing Sheng Nuoji Pharmaceutical Technology Co., Ltd., and its investment amount accounts for 15% of the company's total available-for-sale financial assets.

From the above analysis, it can be seen that Kunyao Group's domestic investment is large and the risk is relatively high; the foreign investment is more dispersed and the risk is relatively small.

4.2.2 Risk Of Fund Recovery

The effect of fund recovery risk control is embodied in the status of accounts receivable and inventory. This part uses Kunyao Group's index changes from 2013 to 2017 and comparison with industry indicators to measure Kunyao Group's capital recovery risk.

(1) Accounts receivable

Accounts receivable refer to the accounts generated by companies selling products on credit. This part of the accounts will slow down the company's fund withdrawal, and may even fail to collect funds. Excessive accounts receivable is the main reason for the risk of corporate capital withdrawal. It will cause the company's sales income and tax burden to increase at the same time, which will lead to a decrease in corporate cash. Market competition is becoming more and more fierce, and enterprises must improve their competitiveness in order to survive. Most companies choose to develop new products and increase sales through credit sales or instalment collections. At present, the credit sales business accounts for a relatively large share of the market. However, the growth of credit sales orders will directly affect companies in terms of account receivable defaults and bad debt risks. Extending the collection time of accounts receivable and generating bad debts are the two main forms of fund recovery risks in accounts receivable.

Table 3.3 Accounts Receivable Turnover and Income Statement

Year	2013	2014	2015	2016	2017
Accounts receivable (100 million yuan)	3.63	4.41	5.52	7.14	10.38
Growth rate of accounts receivable (%)	18.62	21.71	25.05	29.31	45.38
Operating income (100 million yuan)	35.84	41.21	49.16	51.01	58.52
Operating income growth rate (%)	18.84	14.96	19.30	3.76	14.74
Proportion of accounts receivable in operating income (%)	10.12	10.71	11.23	13.99	17.73

Table 3.3 reflects the turnover of accounts receivable and operating income of Kunyao Group from 2013 to 2017. From the table, we can see that Kunyao Group's accounts receivable and growth rate have maintained a growth trend in the past five years. The high growth rate in 2017 was mainly due to the expansion of the main business sales scale and the increase in

receivables brought about by newly acquired companies. In terms of operating income, there was an upward trend from 2013 to 2017, and the proportion of accounts receivable in operating income has increased year by year, which is enough to indicate the steady growth of accounts receivable. The absolute and relative growth of accounts receivable will increase the company's capital recovery risk.

4.3 Kunming Pharmaceutical Group's Financial Risk Control Measures

Kun Yao Group has taken some measures to face financial risks. The following is an introduction to the relevant measures.

4.3.1 Diversification Of Financing Methods To Reduce Financing Costs

Kun Yao Group adopts diversified financing methods with the purpose of reducing financing costs. Kun Yao Group's financing methods mainly include equity financing and debt financing. Kun Yao Group uses three methods of stocks, bonds and bank loans. In 2013, a public offering of shares raised 700 million yuan. In 2015, non-public stock offerings raised 1.25 billion yuan, and 300 million yuan corporate bonds were also issued in the same year. In 2017, the land use right was used as collateral to obtain a long-term loan of RMB 40 million. Short-term loans include four types of pledge, mortgage, guarantee and credit loans. The closing balance of short-term loans in 2017 was 312 million yuan.

In terms of financing mode, Kun Yao Group is not limited to traditional debt financing, but uses diversified financing methods to obtain funds. It adopts equity financing, commercial credit financing, etc., and uses multiple financing channels to raise cash flow for enterprise development. In this way, the company will no longer rely too much on bank deposits, and its solvency will be enhanced to prevent financial risks caused by debt crises.

Kun Yao Group has been committed to acquiring or merging some similar companies and expanding its scale. As a matter of fact, pharmaceutical manufacturing companies were small companies at the beginning, but gradually developed and expanded. When companies encounter development bottlenecks caused by capital or technology, they will strengthen connections, collaborate with each other, and unite to overcome financing difficulties. This approach is of great help to the development of the enterprise, and this type of alliance or merger can help the most effective use of resources, which is conducive to strengthening the comprehensive strength of the enterprise and maintaining the viability to deal with fierce industry competition. Kun Yao Group does not rely on a single debt financing, and seeks multiple ways to actively raise funds, which will help reduce the company's financing costs and financing risks.

4.3.2 Diversified Investment To Diversify Investment Risks

Kunyao Group has a wide range of investments, involving four major sectors: botanical medicine, traditional Chinese medicine, chemical medicine, and medicine circulation, with a relatively rich structure. When the external environment of the company changes, the impact is relatively small. In the development process, Kunyao Group has actively expanded its investment fields, diversified its business structure, can diversify risks and reduce losses, and finally create profit and income.

As an important platform for the health industry ecosystem of Holley Group Co., Ltd., the company will be strategically positioned in the future as an innovative international drug provider focusing on cardiovascular and cerebrovascular and chronic diseases. Taking international prescription medicines, boutique Chinese medicines, and commercial leaders as one main body and two wings, realize the coordinated development of Chinese medicine, chemical medicine and biological medicine. The pipeline terminal is driven by prescription lines and OTC two-wheel drive, and products in the field of cardiovascular and cerebrovascular products, orthopedic products and boutique Chinese medicines are used as The core competition area will gradually expand the industrial boundary to other major chronic non-communicable disease treatment areas. In recent years, it has carried out mergers and acquisitions of some traditional Chinese medicine, western medicine, and health-care pharmaceutical companies, established a merger fund, and accelerated the pace of mergers and acquisitions. Cooperate with professional investment institutions to set up an industrial M&A fund and obtain support from a professional M&A team to broaden the company's industrial development field, and the investment industry can cover the big health field.

In China, Kunyao Group invested RMB 5 million in "Mr. Orange", a leading domestic cardiovascular and cerebrovascular management medical platform, and realized the combination of "medicine + medicine" for cardiovascular and cerebrovascular diseases. Kunyao Group invested 25 million yuan to acquire 60% of the shares of Tibetan Medicine Group to expand the company's market in Tibet. It invested 70 million yuan to develop new indications of dihydroartemisinin tablets-lupus erythematosus. Subscribing to the equity of Hubei Yikai Changjiang Equity Investment Center for 30 million yuan, under the premise of controllable risks, effectively utilize the company's idle funds, increase the company's capital utilization rate, and enable the company to obtain higher returns. In foreign countries, Kunyao Group has invested in CPI Co., Ltd. and RiMO shares in the United States to develop new drugs and seize market opportunities. Kunyao Group has a wide investment field and a wide investment area, which is conducive to diversifying investment risks.

4.3.3 Expand Sales Channels To Improve Capital Operation Efficiency

Kun Yao Group began to formally try e-commerce channels in 2017, and reached a strategic cooperation with the medical e-commerce platform Kangaiduo to cooperate in product sales and patient services. First, at the product level, Kun Yao Group's core products of oral preparations based on Xuesaitong series products (mainly used for cerebral thrombosis and stroke-like diseases) and tea bags for kidney tea are directly supplied to Kangaiduo for sale. More customized strategic cooperation policies. Kangaiduo relies on the company's online and offline pharmaceutical retail platform to help Kun Yao Group open up its pharmaceutical e-commerce sales. Second, at the resource level, Kun Yao Group shares all marketing, marketing and professional training resources for its products with Kangaiduo, diverts patients for Kangaiduo's online and offline platforms, and jointly expands chronic disease management services. Kangaiduo formulates corresponding membership marketing and patient education programs for Kun Yao Group products to promote product volume and expand online users for products. This is conducive to open up the relationship between the upstream pharmaceutical industry, pharmaceutical e-commerce companies, offline pharmacies (pharmacists), hospitals (doctors) and patients. And relying on the company's O2O pharmaceutical service platform to provide professional pharmaceutical services to product users. Third, at the brand level, Kangaiduo formulates corresponding professional promotion and Internet marketing strategies based on the characteristics of Kun Yao Group's products to enhance the brand influence of products in the e-commerce user group.

Kun Yao Commercial is a key pharmaceutical distribution platform of Kun Yao Group. The 2016 Statistics and Analysis Report on the Operation of the Pharmaceutical Distribution Industry released by the Ministry of Commerce mentioned that Kun Yao Commercial ranks among the top 100 pharmaceutical companies in the country whose main business is wholesale The 55th place is the third among the pharmaceutical companies circulating in Yunnan Province. In addition, it has a comprehensive distribution network in Yunnan Province, and also has general agent resources for some mainstream drugs in the market. Currently, Kun Yao Commercial is moving from a model based on distribution business to a comprehensive service provider integrating terminal, promotion and logistics, and is striving to develop modern logistics business and terminals. At the same time, use the advantages of the information platform to integrate information flow, capital flow, and logistics, and integrate industry and commerce, promotion, and third-party logistics. We use the concept of information sharing and mutual benefit to cooperate and provide customers with diversified products and services. In order to implement the strategy of expanding the layout of the terminal market in Yunnan Province, Kun Yao Group realized the plan to establish new commercial companies in Banna and Yuxi in 2017, and completed the acquisition of 60% equity in Hongcheng, Lijiang Pharmaceutical, and Dali Huirui. At the same time, the construction of a

modern pharmaceutical logistics center in Majinpu was launched.

Kun Yao Group actively expands its sales channels and conducts online and offline sales at the same time, which is conducive to the smooth sales of pharmaceutical products, accelerates the flow of funds in operating activities, improves the efficiency of capital operation, and reduces the company's capital recovery risks.

4.4 Reasons For The Financial Risk Control Defects Of Kun Yao Group

It can be seen from the financial risk performance of Kun Yao Group that the company is currently facing difficulties such as rising asset-liability ratio, increasing short-term debt ratio, and declining debt solvency. Although Kun Yao Group has carried out equity financing and debt financing in order to meet the capital needs of the company in recent years, in the long run, the existing financing measures are still insufficient, which causes the company's capital structure to be unreasonable and increases the company's financing risk .

When making investment decisions, companies are most likely to fail to conduct research and analysis on the project in advance. Coupled with the influence of information asymmetry and false information, companies make wrong investment decisions. Kunming Yinnuo Pharmaceutical Technology Co., Ltd. invested in Kunming Yinnuo Pharmaceutical Technology Co., Ltd. in 2015, holding a long-term equity investment, losing money for three consecutive years, and still making additional investments. This shows that Kun Yao Group has not made the right investment decision, which caused the return of investment to deviate from the expected return of the enterprise, and the investment could not be recovered on time, which increased the financial risk of the enterprise.

The continuous increase of Kunpharm Group's accounts receivable is mainly affected by its sales difficulties. The company originally wanted to use credit sales to help it quickly seize the market, but it did not achieve the desired effect. In fact, the real best practice should be to establish a diversified product market, enhance product comprehensive strength, and make products sell well. Therefore, improving the market competitiveness of products and mastering the company's market voice are the key factors to strengthen the risk management of accounts receivable, so as not to make the company fall into the predicament of excessive credit sales.

4.4.1 Lack Of Long-Term Planning In The Financing Process

The person in charge of fundraising of Kun Yao Group did not formulate a detailed plan. The fundraising and deadline were decided on an ad hoc basis. The fund was not fully utilized and the borrowing rate was increased. Secondly, the person in charge of fundraising is not very professional, does not have a comprehensive understanding of the company's internal long-term capital needs, and cannot make the best capital structure analysis. Moreover, it is impossible to

make professional judgments and analysis in many aspects, such as the period of fund-raising, return method, interest rate level, etc. It is not even clear whether fund-raising is necessary. This is a very obvious defect. Because there is no comprehensive plan, it is difficult to solve temporary problems in a timely manner, and it may even need to spend unnecessary costs to rework the plan. The current plans of the group are all drawn up by the person in charge of fundraising. They are too arbitrary and separate from the company's internal strategic plan. They are equivalent to a vain fundraising plan. They are of no practical use and are difficult to cope with the rapidly changing market. It is suggested that it should link up with enterprises and work together to seek common development. The financing plan should be in line with the company's long-term development plan, and Kunyao Group should regard the financing behavior as an organic part of the company's strategic development. Formulating a fund-raising plan is conducive to improving the credit rating of the enterprise and laying the foundation for the company's future fund-raising activities. Generally speaking, the purpose of corporate funding is to meet the needs of corporate investment activities and capital operations. The purpose of Kunyao Group's financing is to expand scale, improve core competitiveness, and achieve diversified development. Kunyao Group should clarify the purpose of fundraising before raising funds, reduce the interference of irrational factors, avoid blindness in fundraising, and increase the success rate of fundraising.

4.4.2 The Investment Management System Is Not Scientific

The reason for not obtaining the expected return is directly related to the investment decision-making. When making the fixed asset investment decision-making plan, the enterprise does not conduct scientific and detailed analysis and research, lacks true and reliable information, and lacks professional and highly capable talents. In addition, listed companies have a relatively large number of investment projects, and management risks are relatively high. In order to effectively reduce risks, it is necessary to control the process, track projects and evaluate decision-making. When a risk arises, it will promptly come up with a corresponding response plan, scientifically and effectively control sudden risks, and promote the continuation of the project. In short, all factors that affect decision-making, large and small, should be taken into consideration in investment decision-making, comprehensively considered, objectively analyzed, and not arbitrary, using quantitative analysis methods and selecting appropriate decision-making models to help make scientific decisions Program.

4.4.3 Inventory Management Needs To Be Strengthened

In recent years, Kunyao Group's inventory turnover rate has shown a downward trend. It dropped from 5.83 in 2015 to 3.23 in 2017, and inventories accounted for a larger proportion of

current assets. There are many reasons for this phenomenon. Excessive inventory reserves of the company and unsalable inventory will lead to increased management costs. If these inventories cannot be disposed of in time, the company's financial pressure will continue to increase. In the actual production and operation process, Kunyao Group has a shortage of working capital, mainly because it has accumulated too much inventory, which has caused a backlog of funds, which invisibly slowed the speed of capital turnover and hindered the normal production and operation of the enterprise. One thing I have to mention is that Kunyao Group's inventory requires strict storage and transportation conditions. The shelf life of these drugs, injections or health care products is accurate to the year, month and day. If they cannot be sold before the expiration date, the inventory will continue. Backlog, products gradually expire, then this will cause great economic losses. Therefore, enterprises must introduce scientific management models as soon as possible, and adopt advanced technologies to enable inventory management to meet the production and storage requirements of modern enterprises. For example, you can improve the ERP system, centralize management, check for leaks, and reduce inventory. The pharmaceutical manufacturing industry has strict inventory management requirements. The product name, batch number, manufacturer, quantity, and outsourcing situation should be checked for the arrival of materials. After the materials arrive at the factory for inspection and acceptance, they will enter the waiting area and wait for the sampling inspection by the quality department. Inbound storage needs to be stored according to product storage requirements. Material issuance requires an inspection report from the quality department and a material release form, otherwise it cannot be issued. However, Kunyao Group's inventory management is relatively messy, related procedures have been simplified, and inventory management requirements are not strict enough.

4.4.4 Poor Management Of Accounts Receivable

Regarding the management of accounts receivable, first of all, the company did not set up a special management department for its requirements. The company still has its financial department responsible for the management of accounts receivable. There is no special management department within the group. defect. In addition, its financial department did not pay much attention to the management of accounts receivable, did not understand the basic information of customers in detail, and paid too much attention to cash flow and sales income, so that the risk management of accounts receivable did not receive scientific and effective evaluation and evaluation. measuring. Then I want to emphasize that the company has not established a complete accounts receivable collection system. When the company manages the accounts receivable, it ignores the agitation of the enthusiasm of the employees in the collection work, which makes a backlog of receivables. In the end, the accounts had to be included in the bad debt processing. At the same time, the company's single and tough method of collection is

also a major reason. It failed to properly classify the deposit amount according to time, and gradually moved towards the situation of slow collection. The last point is that the company lacks a complete internal control mechanism for accounts receivable and a reasonable performance evaluation system for sales personnel. In Kunming Pharmaceutical Group, sales staff are responsible for the reminder work of accounts receivable, but the performance of this work is not included in its overall performance evaluation content, so sales staff only pay attention to sales and do not look at the reminder amount. This is extremely detrimental to the management of accounts receivable.

4.4.5 Small And Medium Shareholders Have Not Effectively Exercised Shareholder Rights

In fact, many shareholders of Kunyao Group are mainly small and medium shareholders, who have not fully exercised their shareholder voting rights. When voting on the 2016 annual cash dividend, among ordinary shareholders holding less than 5% of the shares, the total number of shares exercising voting rights only accounted for 0.33% of the total number of shareholders attending the meeting and 0.12% of the total number of shares at the end of 2016.

It can be seen that the minority shareholders of Kunyao Group are not strong in exercising their rights and cannot effectively protect their own interests. When shareholders attend the general meeting of shareholders, each share they hold has one vote. Ordinary shares generally represent one vote per share. The voting rights can be exercised by others appointed by shareholders. Large shareholders often only need to centrally control 30%-0% of ordinary stocks to control the voting rights of the shareholders' meeting and thus control the joint-stock company.

Chapter 5 DISCUSSION AND CONCLUSION

5.1 The Optimal Countermeasures Of Kunming Pharmaceutical Group's Financing Risk Control

For problems encountered in Kunming Pharmaceutical Group, its financial risk management and control process and the difficulties faced by optimizing countermeasures proposed risk control Kunming Pharmaceutical Group Finance, hoping to provide some reference to the Kunming Pharmaceutical Group control financial risks.

5.1.1 Reasonably Plan The Amount Of Funding To Match The Funding Needs

The funds raised by the enterprise should be appropriate, not excessive, otherwise it will cause idle funds. This requires companies to strictly control and raise funds to meet daily operations in their daily production and operations. In short, when determining the amount of funds to be raised, an enterprise must not only consider the production scale and plan that must be achieved by the production workshop, but also follow up the product sales in a timely manner to avoid all kinds of problems caused by insufficient financing. Sales issues. At the same time, in the process of fundraising, we should make full use of the funds raised, and from the perspective of corporate sustainability, we should continuously reduce costs and raise funds appropriately.

Kunyao Group used its own funds and borrowed funds to invest many times, and then raised funds, and then used the raised funds to replace the previously invested funds after the funds arrived. To a certain extent, this shows that Kunyao Group's fundraising is lagging behind and the fundraising plan is unreasonable. Kunyao Group also uses some idle raised funds for cash management, which reflects the low utilization rate of funds and unscientific financing arrangements. In response to the above phenomenon, Kunming Pharmaceutical Group should proceed from reality, make scientific forecasts on the amount of funds required, make reasonable plans for the amount of funds to be invested, and make timely arrangements for the period of funds to increase the utilization rate of funds to truly achieve funds. The amount raised is consistent with the demand. The Kunyao Group should make a reasonable and effective forecast of the amount of funds needed to match the funding scale, which can help reduce excessive funding and avoid the emergence of idle funds. All in all, enterprises must keep pace with the times, constantly adjust and improve themselves.

5.1.2 Establish A Fund-Raising Management System To Standardize The Fund-Raising Management Process

In order to regulate the fundraising behavior of Kunyao Group, a fundraising management system should be established. Fund-raising activities include the public issuance of bonds, the

handling of comprehensive credit business with banks and other financial institutions, and other financing activities.

First, clarify the specific financing risks that the company should pay attention to, and the financing activities should be reviewed and approved in accordance with the company's procedures. The Office of the Board of Directors is responsible for matters related to the public issuance of bonds. The finance department is responsible for debt financing other than public bond issuance. These two financing plans must not violate relevant national policies or national laws and regulations. The scale, purpose, structure, method and target of the financing must be clear, and the timing of financing, estimated costs, potential risks and Coping strategies and debt service plans. It should be considered whether the investment project has considerable returns and sufficient solvency, and consideration should be given to the level of its target structure benefits and capital cost.

Secondly, when the company conducts equity financing in the capital market, it should hire an intermediary company that meets the relevant requirements to perform accounting, legal, asset evaluation and other professional work. The funds raised in the capital market shall be stored, used and disclosed in accordance with the relevant provisions of the company's "funds-raising management system". The company shall use the funds raised externally in accordance with the purposes specified in the financing plan. The subsidiary shall report the financing status and the utilization status of financing funds to the company's financial department on a monthly basis. The company's financial department should follow up and inspect its financing activities, help solve various practical problems, and coordinate various relationships.

Finally, for repayment control, the financial department needs to make detailed plans and arrangements. The plan content should include principal and interest, repayment form and process, etc., and at the same time, accurate calculations and accurate accounting should be made to ensure its repayment. All funds meet the regulations. At the same time, the financial department should strictly calculate interest, make accurate calculations based on the principal, interest rate, term and currency required in the contract or agreement, and check with creditors. Regarding the accounting treatment of the company's fund-raising business, detailed record vouchers should be established, the fund-raising business should be specifically recorded in the account books, the accounting and supervision capabilities should be strengthened, and the fund-raising and principal repayment and other related businesses should be accurately checked according to the requirements of the accounting standards system And supervise, check accounts with the fund provider to ensure that the fund-raising activities meet the requirements of the fund-raising plan. The financial department checks the vouchers of the loan business with financial statements and related account books every month, and finds out the differences in time to find out the reasons and make adjustments.

Kun Yao Group should establish a fund-raising management system that includes the above contents, so as to reduce fund-raising risks and standardize fund-raising management processes.

5.1.3 Reasonably Arrange Long-Term And Short-Term Debt To Adjust The Debt Structure

The reasonable choice of debt maturity is one of the more scientific aspects of financing decision-making. If the choice of debt maturity is unreasonable, it will have a negative impact on financing costs and easily threaten a company's financial security. Therefore, for Kun Yao Group, it is very necessary to choose a reasonable debt maturity, and distribute the short-term, medium-term and long-term liabilities in a reasonable proportion. In the previous part of this article, the company's current debt maturity has been structurally analyzed, and the conclusion is that the long-term and short-term maturity structure of the company's debt is unbalanced. In 2013, it had up to 90% of short-term debt, which could easily trigger the company. The internal debt crisis has increased the debt pressure within the company. When the short-term debt is about to mature, it is a big risk to pay close attention to whether the principal can be repaid on time. The same factor with uncertain risk attributes is the interest cost. Raising funds through short-term debt requires continuous updating of its debt information, and the next borrowing interest will not be paid until this borrowing officially expires. Can be completely determined. For example, short-term liabilities have extremely volatile interest rates in the financial market. If you compare the long-term with the short-term, relatively speaking, short-term debt is easier and faster to acquire, while long-term debt is more difficult and slower to acquire.

When making fund-raising decision-making analysis, Kun Yao Group should proceed from the funding needs. Different needs have different deadlines and different financing methods. The capital demand suitable for long-term borrowing is also long-term, and the capital demand suitable for short-term borrowing is relatively temporary, sudden or seasonal, which can guarantee 40

The useful life of the funds will not exceed the repayment time of the debt. The advantage of this is that it can help companies control debt repayment risks and quickly obtain loans. In addition, Kun Yao Group should establish good relations with financial institutions to prepare for the expansion of financing channels.

5.2 Optimal countermeasures of Kunming Pharmaceutical Group's investment risk control

Kun Yao Group's investment on such a large scale has taken up a large amount of liquidity and increased investment risks. As for the company's investment direction, the investment in the main business and core technology should not be ignored, and great attention should be paid to it, and there should be no nets everywhere. For investment projects, attention should be paid to the two aspects of economic benefit level and management capability improvement, within the

means of living within our means, and balancing funds. Kunming Pharmaceutical Group should screen investment projects to improve the efficiency of fund use.

5.2.1 Strengthen The Feasibility Analysis Of Investment Projects To Increase Investment Income

Before a project is invested, there are many factors that need to be fully considered, such as: the characteristics, requirements, objectives and management of the investment project, and these factors must be considered together to make the final decision. The investment management principles The three most important points are feasibility analysis, structural balance and dynamic monitoring. These three points have a great guarantee for the smooth development of investment. Generally speaking, medical service projects have the characteristics of high risk and large investment, and are extremely susceptible to the impact of relevant policies. Therefore, Kunyao Group should formulate its investment decision plan in accordance with the relevant policies of the pharmaceutical industry and medical security. For the company's internal drug research and development, we must pay close attention to the national control policy. The supervision and management of the drug market has always been strict, and its approval policies and medical insurance coverage are constantly changing. If the company's drugs can be included in the national medical insurance Scope, then it is of great help to the development of the company. For the construction of medical services, it is also necessary to strengthen the relationship with private hospitals, pay attention to their related policies, strive to apply to become a designated medical insurance unit, and pay close attention to policies that benefit the people related to medical reimbursement. Kunyao Group has a lot of foreign investment, which is definitely different from the domestic market for foreign markets. Therefore, preliminary market research is essential. To ensure the smooth progress of the project, a special research organization can be established to ensure the effectiveness of the research. . At the same time, the management of investment risks also needs to be included in the scope of company management. Investment risk management can start from the project implementation process, strictly control the progress, and timely follow up and evaluate. Once there is a risk, immediately implement the risk management plan, analyze the risk control risk, and ensure that the project can proceed smoothly.

Before the official start of each investment activity, Kunyao Group must conduct self-analysis, policy interpretation and prospect forecasting. Know the business conditions of the enterprise and the economic environment of our country well, then choose the target industry, and do a quantitative or qualitative analysis of the feasibility of the target, and make a final decision based on the analysis result, which can greatly reduce some potential risks of. Analyzing whether an investment plan is feasible or not can be judged based on the following three aspects: whether it has reliable investment income, whether it has low investment risk, and whether it has an

investment period that meets its needs. For a specific investment project, methods such as the net present value method can be adopted for investment analysis. Kunyao Group should strengthen the feasibility analysis of investment projects based on the principles of investment management to increase the possibility of obtaining investment returns.

5.2.2 Improve And Optimize The Industrial Chain To Diversify Investment Risks

From the initial establishment of the company to its current expansion and strengthening, Kunyao Group has established and gradually developed its production, R&D and sales system step by step. However, the industrial chain is not complete, and the main business is still limited to the manufacture of drugs. In today's rapidly changing market economy system, if companies want to effectively prevent financial risks, they should constantly improve their industrial chain.

The upstream industries of the pharmaceutical industry include chemical raw materials, animal and plant raw materials and medical packaging materials. The following industries include pharmaceutical distribution companies, hospitals and other medical institutions, and retail pharmacies. The existing industrial chain of Kunyao Group includes four sectors of botanical medicine, traditional Chinese medicine, chemical medicine and pharmaceutical circulation, and the industrial chain has begun to take shape. Kunyao Group began to cooperate with e-commerce platform Kangaiduo in 2017 to further improve the downstream industry chain. However, Kunyao Group has not been involved in the cultivation of traditional Chinese medicinal materials, and blindly purchases raw materials from suppliers. Prices fluctuate greatly, and the quality of raw materials cannot be guaranteed.

Kunyao Group can consider from the following two aspects: First, start from the industrial chain, integrate and optimize the industrial chain, and allocate resources to the greatest extent. With the help of technological innovation and resource advantages, we will continuously expand to the upstream of the industrial chain and reduce the cost of purchasing raw materials. This makes the quality and supply of raw materials have a stable guarantee, and also enables the product profit margin to be expanded. Second, on the basis of the primary products produced and sold by the company, deep processing of them and development of the production of derivatives, and vigorously developing downstream high value-added products, make the company's main business continuously stronger. At the same time, we must find ways to broaden sales channels and improve the logistics system to

Strengthen control over the market. Kunyao Group should continuously improve its technology research and development capabilities, optimize product layout, and enrich product structure. At the same time, we will continue to improve production technology, promote green manufacturing technology, improve product quality, and achieve the company's stable, healthy and sustainable development. Gradually diversify investment risks by extending to upstream

industries and expanding to downstream industries.

5.3 Optimized countermeasures of Kunming Pharmaceutical Group's fund recovery risk control

In the process of making an enterprise's production plan, various factors must be considered comprehensively, such as: past sales, expected sales, production matching, and the number of existing finished products. Kunming Pharmaceutical Group should fully consider the impact of these aspects to ensure that the company can control inventory levels, not occupy working capital, and effectively prevent capital recovery risks. To achieve effective inventory management, it is necessary to do a good job in the construction of the company's internal information flow. If the company cannot effectively grasp accurate market information and lack correct market leadership, the company's production will lack goals, which will bring inventory risks. Therefore, for the company's internal construction, vigorously building market information channels, strengthening information management, and doing after-sales services can closely link production and market, ensure that production meets customer needs, optimize production processes, improve production technology levels, and promote Improve production efficiency, etc. To strengthen inventory management, Kunyao Group should start from the following three aspects.

5.3.1 Promote Destocking Strategy To Optimize Inventory Management Level

(1) Manage inventory budget

In the company's annual budget management, when preparing the annual budget, the sales situation of the previous year is used as a reference, and the budget of each item will be subdivided after the approval of the management; when managing the monthly budget, The existing inventory within the company should be fully considered, and the procurement budget should be carefully drawn up by the procurement department in combination with the company's product requirements and the signing of sales contracts. For those materials that are reserved in advance due to the estimated price increase, in-depth market investigations should be done, and careful decisions should be made to ensure that capital turnover will not be affected.

(2) Establish a post responsibility system

The first point is that the powers and responsibilities are clearly defined. Each department and each post perform their duties and cooperate with each other to ensure that each business is supervised and restricted, such as between sales and collection, procurement and payment, and management and inventory. Consistent. The second point is to optimize the management of the various processes of the inventory business, to properly regulate and clarify the requirements, and to keep records and vouchers for each link of inventory from entry to exit. The third point is to strictly control the control process of authorized approval. The handler must clarify his own

responsibilities and work, and only be responsible for the work within the authority; the approver must clarify the method, process and policy of approval. The fourth and final point is that the management methods for inventory approval must be rigorous and meticulous, and all departments must undergo strict approval before they can pass. For example, the production of products in the production department must first go through the technical review of the technical department, and can only be produced when the delivery requirements are met.

(3) Strengthen the skill training and knowledge tutoring of warehouse management personnel

Kunyao Group should strengthen the training of employees' comprehensive quality, carry out skills training and knowledge tuition, keep pace with the times, master professional skills and understand professional knowledge, in order to respond to the rapidly changing economic and market environment, enhance the company's business capabilities, and promote the company's long-term development.

5.3.2 Strengthen The Management Of Accounts Receivable To Ensure Smooth Collection

Facts have proved that the loose credit policy is very unfavorable to Kunyao Group, causing it to continuously accumulate accounts receivable, gradually reduce the capital turnover rate, and trigger the company's financial risks. In response to the above situation, prevention work and designated prevention programs can be done from the following aspects.

(1) Improve customer credit evaluation mechanism

First of all, the customer credit files are classified and processed through the following three important analyses: the grasp of the customer's first-hand information can be obtained by querying the customer's basic information and investigating the customer's production and business sites; the determination of the customer's debt solvency, It can be obtained by analyzing the basic data of customers; the investigation of whether customers can pay back in time can be obtained by collecting customers' business records and credit rating information. Secondly, once the customer information changes, the customer's credit rating will be adjusted accordingly. The formulation of credit policies is also different from person to person. The credit level of customers is different, and the credit policies formulated for them are also different. At the same time, to meet the actual needs of customers in different positions, for users of different scales and sizes, we must also formulate corresponding credit sales systems that match their capabilities. Do not engage in "package" projects or simply formulate unified standards.

(2) Adjust the assessment and control mechanism of marketing personnel

Performance appraisal should not only include the appraisal of sales performance, but also the appraisal of the amount of receivables. Therefore, Kunyao Group should make corresponding adjustments to the appraisal mechanism, and deal with the bad debts in a timely manner and

strictly review and hold accountable Severe penalties, mobilize sales staff's enthusiasm for reminders through incentive and punishment mechanisms. In this way, after they sell the products on credit, they will actively pay attention to the recovery of the accounts, keep close contact with the customers, and urge the accounts back regularly and quantitatively, so that the percentage of payment will be increased accordingly.

(3) Enhance accounting and supervision

According to the contract that the company has signed, the finance department should strictly calculate its sales business in accordance with the requirements, organize and update customer accounts and aging information in a timely manner, and report it to the main leaders and related departments immediately to ensure that it can be the first time Update customer credit rating information so that sales staff can better track customers. Kunming Pharmaceutical Group must understand the causes of bad debts in real time, keep a close eye on the bad debts generation process, predict the trend of bad debts in time, evaluate the impact of bad debts on the internal, and make reasonable decisions as soon as possible to minimize the impact of bad debts.

(4) Enhance employees' legal concept

The company can carry out relevant legal publicity activities to strengthen employees' legal awareness, especially to ensure that employees are aware of the relevant provisions of the civil law. The protection period of civil litigation claims by the people's court is three years. This has played a very good protective role in the development of dunning work. The dunning staff reconciled the accounts and sent the reminder notice according to the deadline, which not only preserved the evidence, but also controlled the statute of limitations.

5.4 Optimal Countermeasures For The Risk Control Of Kunming Pharmaceutical Group's Income Distribution

If a company wants to obtain stable growth and long-term development, it must start from corporate governance, and strive to coordinate the interest relationships between various stakeholders, as far as possible to ensure both short-term and long-term interests, and it is best to realize the interests maximize. To effectively supervise the effect of the dividend distribution policy, this requires small and medium shareholders to be able to truly and effectively exercise their shareholder rights. Take the voting rights in their hands seriously and oppose all dividend decisions that do not conform to the interests of the company or shareholders, so as to supervise the management to make correct dividend decisions. Based on the above reasons, in future shareholder meetings, small and medium shareholders should cultivate a positive concept of exercising power, exercise their rights effectively, and safeguard their true rights and interests.

5.4.1 Small And Medium Shareholders Effectively Exercise Shareholder Rights

Kunyao Group should proceed from the interests of shareholders and formulate dividend policies in accordance with the principle of maximizing shareholder wealth, so as to meet the needs of shareholders as much as possible to safeguard shareholders' rights and interests, enhance the company's attractiveness and competitiveness, and expand the company's actual value. If a company wants to achieve healthy and long-term development, it must be supported by a dividend policy. Therefore, Kunyao Group should fully consider the various elements of the company's development and formulate a corresponding dividend policy. The factors that affect Kunyao Group's dividend policy are as follows: expected earnings, policy regulations, drafting of articles of association, growth time, and capital balance. Kunyao Group should take these factors into consideration in formulating its dividend policy, and take the interests of small and medium shareholders into its consideration.

5.4.2 Strengthen Coordination And Communication Among Stakeholders

The formation of financial risks is sometimes caused by improper handling of financial relationships, which is also a major risk in the distribution of income. If financial relationship issues cannot be resolved in a timely and effective manner, it will greatly affect the company's future financing and employees' Work motivation. Therefore, when controlling this risk internally, the company must strengthen communication and contact, handle financial relationships in a timely manner, comprehensively consider long-term and short-term benefits, increase employees' enthusiasm for work, and help the company's rapid development.

5.4.3 Reasonable Choice Of Income Distribution Method

The growth rate of Kunyao Group will continue to grow rapidly in the next few years, and there will still be a large demand for funds. Therefore, the use of a large proportion of cash dividends is not recommended. In recent years, the Kunyao Group's articles of association have stipulated the ratio of cash dividends every three years, so Kunyao Group can choose a fixed dividend payment rate policy or a low normal dividend plus an additional dividend policy. Kunyao Group adopts a low normal dividend plus additional dividend policy, which enables it to have flexibility in cash and dividend decisions. If Kunyao Group is in a growth period without major abnormalities, the low normal dividend plus additional dividend policy is more conducive to Kunyao Group's growth, so Kunyao Group should choose a low normal dividend plus additional dividend policy. If Kunyao Group enters a mature period in the future and various indicators gradually stabilize and no longer rely too much on cash demand, compared with the policy of fixed dividend payment rate, the low normal dividend policy plus the additional

dividend policy will not have obvious advantages. Therefore, The choice of dividend policy should proceed from the actual needs of shareholders, and choose the most effective and suitable policy among the two policies.

If Kunyao Group adopts a low normal dividend plus additional dividend policy, Kunyao Group should not formulate an excessively low normal dividend, because if the low normal dividend is too high, it will increase the company's cash dividend pressure. Because Kunyao Group's articles of association have stipulated the proportion of cash dividends every three years, Kunyao Group needs to pay an additional dividend every three years, and the amount of additional dividends paid by the company during the three-year period 30% of the distributable profit obtained minus the low normal dividends distributed in three years. At the same time, Kunming Pharmaceutical Group may consider adopting stock dividend payment method to reserve enough development funds for the company's investment projects and create more value for the company. In addition, Kunming Pharmaceutical Group should encourage its minority shareholders to effectively exercise their voting rights, especially in dividend decision-making, so as to ensure the maximum wealth of shareholders and the effectiveness of the dividend policy.

5.5 Conclusion

In the business process of an enterprise, there are various risks, and financial risk is the factor that has the greatest impact on the healthy and stable development of the enterprise. Financial risks may be seen in every operation link. For the enterprise, in any one Any link affected by serious financial risks may cause the company to suffer a serious financial crisis and even face the risk of bankruptcy. If an enterprise wants to achieve healthy and long-term development, its management method must be scientific and reasonable. As the most important part of risk management, financial risk control should be strengthened.

As a private pharmaceutical manufacturing company in the growth stage, Kunyao Group has taken some measures to control financial risks during its development, but there are still many problems. This is also a common problem for private pharmaceutical companies. Therefore, studying the financial risk control of Kunming Pharmaceutical Group will help guide other private pharmaceutical companies to effectively control financial risks. This article mainly uses the research method of case analysis to make a comprehensive analysis of the financial risk control of Kunyao Group. On the basis of research on financial risk control by domestic and foreign scholars, conduct financial risk analysis for Kunyao Group, explain Kunyao Group's existing financial risk control measures, and then analyze the problems existing in the existing control measures and make their causes Analyze and put forward corresponding optimization countermeasures.

The limitations of this article mainly include the following two aspects. On the one hand, it

is difficult to collect data. They are all searched from major online databases, and it is difficult to guarantee its authenticity and reliability. Therefore, the conclusion may not be accurate. On the other hand, due to lack of sufficient social practical experience and the author's limited depth of thinking, the suggestions for strengthening corporate financial risk control proposed in this article may be too theoretical and need to be further verified and improved in practice.



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