

Discussion on the Problems and Countermeasures of Subsidiary Fund Centralized Management Based on the Perspective of Group Company

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Abstract

At the present stage, group companies are facing higher difficulty in financial management, especially for some group companies with a large number of subsidiaries, which are more likely to have deviation problems in financial management. Fund management is a key part of financial management of group companies. At present, more and more group companies adopt centralized fund management mode for their subsidiaries. This mode has obvious advantages in application, which can realize efficient use of funds and improve the ability to cope with financial risks. However, in the process of centralized fund management of group companies, there are still high difficulties that may easily lead to fund management problems, and should be paid close attention to. This paper first briefly discusses the common mode and basic functions of the centralized management of subsidiary funds, then focuses on the analysis of the current problems in the centralized management of subsidiary funds of the group company, and finally discusses the countermeasures.

Keywords

Group Companies, Subsidiaries, Centralized Fund Management, Problems, Countermeasures

1. Introduction

Under the background of rapid social and economic development at present, the number of group company is increasing and the number of subsidiaries involved

is also increasing, which even involve a number of different fields and industries. Inevitably, the management of the group company is more difficult; especially the financial management is facing higher requirements. Based on the financial management work of the group company, centralized management of its subsidiaries has become an important means and mode, which requires centralized management and scientific allocation of funds for each subsidiary, so as to better improve the utilization rate of funds and effectively avoid capital risks. Although the group company has obvious advantages in implementing the centralized fund management mode for its subsidiaries, it is also relatively difficult. Therefore, it is easy to cause some problems and deficiencies, and the centralized fund management mode should be constantly optimized and improved in order to better promote the overall high-speed development of the group company.

2. Overview of Centralized Fund Management of Group Companies on Subsidiaries

2.1. Common Mode of Centralized Fund Management

Centralized fund management is commonly used in operation management of group companies at present. It mainly means that the group company realizes the centralized management of each subsidiary's funds through commercial Banks, conducts unified scheduling and application on the basis of pooling the subsidiary's funds, and then can give full play to the application value of the corresponding funds. In the process of centralized fund management of group companies, it often involves key links such as centralized fund, internal settlement, financing management, foreign exchange management and payment management. In the current application of centralized fund management in China's group companies, there are many specific forms of application, among which the unified collection and payment mode, appropriation of petty cash mode, settlement center mode, internal bank mode and the financial company mode are more common. It can be combined with the actual situation of the group to make appropriate choice.

Unified collection and payment mode: All the capital income of an enterprise is concentrated in the financial department of the group headquarters, and each branch or subsidiary does not set up a separate account. All cash disbursements are paid through the finance department of the group headquarters, and the approval of cash disbursements is highly centralized. This mode has both advantages and disadvantages. It is conducive to the overall balance of group company's income and expenditure, the improvement of capital turnover efficiency, the reduction of capital precipitation, the monitoring of cash income and expenditure, and the reduction of capital cost. However, it is not conducive to mobilizing the enthusiasm of member enterprises to increase revenue and reduce expenditure, affecting the operating flexibility of member enterprises, and thus reducing the efficiency of the entire group's operating activities and financial activities.

Appropriation of petty cash mode: A certain amount of cash allotted by the group to all its branches or subsidiaries for use in preparation for a certain period of time. Such branches or subsidiaries have reimbursed the group's financial department with relevant expense vouchers to make up the petty cash.

Settlement center mode: A specialized organization set up by an enterprise group to handle cash receipts and payments and current settlement of accounts among its members.

Internal bank mode: An internal fund management organization established by introducing the basic functions and management methods of social bank into the internal management mechanism of enterprises. Its main responsibilities are settlement, financing, credit and supervision and control.

Financial Company Mode: A non-bank financial institution that conducts part of the banking business. Its main responsibility is to carry out the centralized settlement of funds within the group, and provide a full range of financial services, including deposit and loan, finance lease, guarantee, credit verification, bond underwriting, financial adviser, etc., for the group's member enterprises.

2.2. The Basic Function of Centralized Management of Funds

The application of the centralized capital management mode of the group company is directly related to its orderly development, and its specific functions are as follows: First of all, the function of fund adjustment, which is also the basic performance of centralized fund management. With the help of this mode, the effective fund dispatching can be realized within the group company and the problem of large amount of idle funds can be avoided. Secondly, interest accounting, which is also an important function of centralized fund management, and contributes to the subsidiary assessment optimization. Finally, it can provide more referable basis for the group company to make decisions with the help of centralized fund management (Afsharian & Ahn, 2017).

3. Analysis on the Problems Existing in the Implementation of Centralized Fund Management of Subsidiary Companies by Group Companies

3.1. The Consciousness of Centralized Management of Funds Is Not High

At present, when the group company implements centralized fund management for each subsidiary, the first restriction factor is the low level of consciousness. Whether the group company or each subsidiary, there are obvious deficiencies in the awareness of centralized fund management. They do not realize the important value of the centralized fund management, and the requirements and specific responsibilities of the centralized fund management are vague. In this way, it is difficult to carry out the centralized fund management orderly manner in the follow-up, and the cooperation of relevant financial management personnel of each subsidiary is also not good. For example, at present, the group com-

pany has not provided necessary publicity and guidance on centralized fund management for each subsidiary, and the cultivation of awareness is not good, which has not aroused high attention, so the relevant work is subject to great resistance. In addition, from the perspective of the leaders of each subsidiary, the implement of the centralized fund management mode of group companies will inevitably have certain influence and restriction on their management authority in the subsidiary company. Therefore, they are very easy to get resentments, and difficult to cooperate for centralized fund management, so bias problems are more likely to occur in the application of the models.

3.2. The Centralized Fund Management System Is Not Sound

Although there are more and more centralized fund management modes in the development of the group company, and with the continuous improvement of the financial management level of the group company, the centralized fund management has certain basic conditions. However, there are still many deficiencies in the practical application process, and the whole centralized fund management system is not sound. Because it is increasingly difficult for group companies to implement centralized fund management for each subsidiary, the amount of capital involved is relatively large, and shows obvious characteristics of decentralization. In the context of frequent capital flows, defects are easy to appear in centralized fund management, and the implementation and application of the corresponding system are not good. For example, from the perspective of budget, if the budget indicator is not set reasonably and scientifically and there are some obvious deviations, it will inevitably lead to poor application effect of the budget plan and bring great trouble to the normal operation and production of each subsidiary, and the complexity of subsequent approval and processing will be prominent. In addition, there are also some constraints in the aspects of fund collection and allocation. The corresponding process is not efficient and feasible, and there are even problems in the standardization, leading to poor application effect of funds and chaotic situation in the call. The hidden dangers in the establishment of the fund management platform make it difficult to support and maintain the demand for centralized fund management, which makes it disconnect with the actual situation to a certain extent and severely limit the implementation effect of centralized fund management.

3.3. Internal Oversight Is Inadequate

The centralized fund management of the group company for each subsidiary is also inseparable from the necessary internal supervision mechanism. It will also affect the application of the mode if the supervision mechanism is insufficient. Although the application of the centralized fund management model can indeed avoid financial risks to a certain extent, if there is no effective supervision and control in the whole implementation process, it is also unable to completely avoid the risk events, or even lead to more serious capital losses. At present,

many group companies have not set up a sound and feasible internal supervision system, and lack of timely evaluation and prevention and control of risk factors in the centralized management of funds. The resulting problems cannot be ignored. Now, more and more group companies have internal audit institutions, which require them to supervise and control the process of centralized fund management. However, because the internal audit institution is often affiliated to the financial center of the group company and is not independent, so it is difficult to form ideal control for the centralized fund management. The internal audit institutions only do simple verification of financial accounts, and lack comprehensive and detailed supervision and control over the approval process, financing and capital application, etc., which will inevitably affect the control effect of internal supervision, and cannot guarantee the application of the centralized fund management mode.

3.4. The Utilization Rate of Funds Is Not High

When group companies implement centralized fund management for subsidiaries, it is often limited by the low overall management level, and the corresponding capital utilization ratio also has certain problems, so they cannot use funds efficiently and orderly, which leads to the waste of funds, and low profits from capital use. Because group company at present develops fast, and involves a large number of subsidiaries, thus the centralized fund management not only face a huge amount of money, but also obvious dispersion characteristics, which increases the difficulty of centralized fund management, and leads to hidden trouble in capital in its application. And it is difficult to maximize its utilization. For example, each subsidiary often needs to have its own fund reserves in its own production and operation, which also puts forward higher requirements for the budget work under the centralized fund management. However, if the budget is not accurate enough, and the subsidiary cannot get sufficient financial support before production and operation, it will be difficult to achieve good development and unable to grasp development opportunities, and as a result form restrictions on its own development. In addition, under the application of the centralized fund management, the corresponding fund settlement is also faced with difficulty, especially for some diversified enterprises, the cash flow is relatively large and the frequency is relatively high. In this way, centralized fund management is also needed to be more efficient and reliable. If the corresponding capital settlement lags behind, it will affect the follow-up work effect (Li, 2012).

3.5. Money Management Issues

When a group company conducts centralized fund management for its subsidiaries, the fund data information is also the key point. If the corresponding fund data information cannot be effectively managed and applied, it will also have an impact on the effectiveness of centralized fund management. Currently, group company's centralized fund management of data information often involves a lot

of money information, in addition to professional financial data information, it also involves production operation information, product sales, customer information, logistics information, etc., which are of important reference value for the centralized fund management of group company funds. However, due to the lack of detailed collection, sorting, sharing and application of these data and information, the corresponding centralized fund management is interfered, and cannot form the ideal capital scheduling application, which brings great obstacles to the development and operation of each subsidiary. In the process of a project of a subsidiary, for example, because the member group didn't timely report to the group company to share its data information, including sales information of sales center, logistics information, customer operation quality information, receivables payment days not timely generated and summarized processing, or the production department did not timely budget the required materials, accessories, staff, utilities and other information; or the project department did not timely and accurately collect and submit the project fund demand and project fund recovery data, or the R & D department lacks R&D programs, or the management center lacks the fund payment scheme to guarantee the operation, which will all make it difficult for the money management department to control the company's capital data completely. So it will seriously affect the allocation of corresponding funds of the group company forms obvious influence and restriction on corresponding projects.

4. The Optimized Countermeasure of Centralized Fund Management for the Subsidiary Company

4.1. Strengthen Publicity and Guidance

When group companies conduct centralized fund management mode, it is necessary to solve the limiting factors of thought first. Not only the financial managers of the group company should be fully aware of the requirements of centralized capital management and its important significance, but also the leaders of each subsidiary and their corresponding financial managers should be aware of the application value of this mode. In this way, the leaders of each subsidiary will cooperate well in the follow-up work, which helps to avoid bad affect on centralized fund management caused by aversion and resistance. Based on this, the group company and its subsidiaries should strengthen the propaganda and guidance of centralized fund management, which requires to clarify that the application of this mode will have positive effect on the development of the group company and the operation and management of its subsidiaries on the basis of elaborating the centralized fund management mode. After comparing and analyzing the centralized fund management mode and traditional financial management mode, relevant personnel can give more support and cooperation to this mode. For some special negative emotions of the leaders of each subsidiary, targeted guidance and relief are needed to avoid the obstruction in any link of subsequent centralized fund management. Therefore, in order to cooperate with

centralized fund management, to better supervise and control the group, standardize the operation behavior of subsidiaries, strengthen the strategic coordination of the group, and reduce capital risks, the financial accounting and management system should also be unified.

4.2. Improve the Fund Management System

To implement the centralized fund management mode in the subsidiaries, the group company needs to constantly improve the corresponding system. It requires to optimize various management activities relying on the feasible centralized fund management system. In the construction and improvement of the centralized fund management system, the group company first needs to fully study the actual situation of the group head office and each subsidiary. Thus, it can be matched with the corresponding centralized fund management system to avoid serious maladaptive problems in subsequent applications. For example, when the group company chooses the centralized fund management mode, it needs to focus on its own actual situation and requires highlighting the feasibility, so as to avoid too much burden due to improper operation mode selection.

Because the centralized fund management of group companies is difficult and involves many links, and the amount of capital is large, so it is necessary to refine the centralized fund management system, which requires to consider all aspects of centralized fund management and reflect a stronger guiding role. And it also requires to form a standard and feasible system, and strictly control the functions of centralized fund management, capital account setting, capital collection and expenditure and budget. For example, in terms of fund planning and budget management procedures, it is often necessary to focus on the detailed centralized fund management mode, so as to help each subsidiary company to get appropriate fund supply in the actual operation and avoid serious chaos in this aspect (Peetz et al., 2013).

In addition, for the application of the centralized fund management mode, it is also necessary to pay attention to the characteristics of unity and standardization, requiring the same implementation of the operating mechanism in each subsidiary, so as to avoid affecting the group company's implementation effect in this aspect due to difference in operating mechanism.

4.3. Strengthen Internal Supervision

When a group company implements the centralized fund management mode, it is easy to cause deviation and corruption problems due to the overall complexity and numerous work links. Based on this, it is very important to construct a perfect and feasible internal supervision mechanism actively, which requires to combine the centralized fund management mode and perform matching process. In the internal supervision of centralized fund management, it is often necessary to follow the principle of incompatible post separation, which requires all financial management personnel involved in the centralized fund management to be in-

dependent, especially for accounting personnel and cashier personnel, to avoid post confusion and form a good mutual restraint and supervision.

In order to better play the function of internal supervision, group companies should also pay attention to strengthen the function of internal audit, requiring internal audit staff of the group company can give full play to their own power. On the basis of ensuring the independent of internal audit, they should strictly supervise and examine each link of centralized fund management. It is not only necessary to check and proofread all financial statements and relevant parameters, but also need to focus on the specific process of centralized fund management, correct the obvious violations in time to better improve its monitoring function.

In addition, the implementation of centralized fund management mode in group companies often involves banking institutions, so it is necessary to actively introduce banks in the construction of internal supervision mechanism. On the basis of the commercial cooperation between the group company and the banks, financial information of each other should be strictly checked. Take financial information of each other as an important basis for checking and proofreading, provide reference for internal supervision staff, and create a more comprehensive and safe environment for centralized fund management (Bran-caccio et al., 2018).

4.4. Improve Capital Utilization

The centralized fund management of a group company for its subsidiaries is not simply collecting and managing the fund, its core purpose is to improve the utilization rate of funds on the basis of ensuring the security of funds. Based on this demand, the group company should focus on the rational and efficient use of funds, and give full play to the optimal application value of funds with the help of a scientific and reasonable fund scheduling mechanism. In the improvement of capital utilization rate, group companies should first focus on the budget link, require to establish a scientific and reasonable budget mechanism and ensure the budget preparation is more accurate and feasible, so as to guide and support the business development of each subsidiary, and avoid the impact on the operation and development of the subsidiary due to capital constraints.

In addition, to improve the capital utilization efficiency in the centralized management of group companies, performance evaluation mechanism is also needed, which requires to conduct necessary performance appraisal for the relevant person in charge, and thus to evaluate their work completion status and give punishment for obvious mistakes. Then relevant personnel could actively involve in the centralized fund management, and significantly improve the utilization rate of funds on the basis of constantly improving their own comprehensive quality and ability (Spiegler, 2020).

4.5. Optimize Fund Management

To implement centralized fund management, group companies often need to

focus on the optimal application of fund information, so as to make the fund information play its due value and avoid the risk problems in this aspect. Because the fund data involved in the centralized fund management is relatively rich, so it is necessary to first classify the fund data, requiring all the data information of the centralized fund management to be included, and then be scientifically summarized, in order to form ideal access, management and verification conditions, and reflect the application value of corresponding fund data information. To optimize the management of fund data should also focus on the upgrading of software and hardware conditions, requiring to form perfect and feasible data sharing mechanism of funds between the group companies and subsidiaries, make every effort to form a good effect of mutual communication and sharing of fund data, and solve the problem of isolated information in the past.

5. Conclusion

To sum up, at present, it has become a common method for group companies to implement centralized fund management for subsidiaries. The application of centralized fund management mode does show obvious advantages, but it also increases the difficulty for management. Deviation is more likely to occur in the centralized fund management, which should be constantly optimized and improved. In the future, the group company should focus on the continuous improvement of the corresponding mechanism in the centralized fund management, and use the unified standard centralized management mode to realize the optimal management of each subsidiary. At the same time, the group company should constantly improve the internal supervision mechanism, optimize the fund data management, and maintain its orderly development. However, the research in this paper is limited by professional knowledge, and the research results need to be further improved. In addition, the collected research materials are limited, and the effect of the optimization scheme needs to be implemented.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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