Financing Leasing Companies Profit Model Innovation and Positive Effect of Management Accounting Model

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Abstract

With the continuous progress and development of Chinese society, there are many new types of companies. Such companies have undergone major changes in their operation forms, of which the basic operational concepts call for profound discussion. This paper mainly discusses the profit model of financing leasing companies, analyzes the risk category of financing leasing companies, and expounds the positive effect of management accounting on the enterprise. This study can sort out the current operating conditions of financing leasing companies, providing a new perspective for the further development of financing companies.

Keywords: Financing, Leasing Companies, Management Accounting Effect.

1. INTRODUCTION

1.1 Research Purpose

With the continuous development and progress of Chinese society, the operation forms and operation methods of Chinese enterprises are continuously updated. Many more trendy enterprises progressively mushroomed with a variety of new forms. Today, a more extensive type of companies has come into being (Yin et al., 2017). The financing of leasing companies are different in operation and generating profits from the traditional ones along with some risks which needs to be reduced. Thus it is necessary to update the operational ideals and to learn from experience. The paper aims to update the companies’ operating philosophy (Yuan, 2017).

1.2 Research Significance

The research on financing leasing companies can examine the overall operation status of financing companies from some small research results, providing many convenience factors for the development of China’s financing enterprises and promoting the important social development. Meanwhile, some theoretical attempts are made on the management methods and the future development modes of the financing companies, providing corresponding suggestions to the reasonable operation of the companies (Zheng et al., 2017).

2. FINANCING LEASING COMPANIES’ PROFIT MODEL

2.1 Debt Proceeds

Financing leasing companies have many kinds of incomes, and the most important one is debt proceeds. The debt proceeds help the income of the financing companies gain the best yield (Wu, 2017). Usually, the financing companies take the goods purchased by its own companies as the initial proceeds and pay the purchase price of the goods ahead of schedule. The payment of the goods will be used to represent the specific value of the goods. The use value of the goods adds to the increasing value of their own companies. In order to ensure the profitability of the financing leasing companies, it is usually necessary to sign the relevant contract with the creditor, in order to provide guarantee for the stable development of the financing companies in the future (Hong, 2016).
2.2 Remaining Value Proceeds.

In addition to the above benefits, the financing companies make the appropriate assessment of the goods to be disposed, and utilize the used commodities for some final product handling; the remaining funds can be returned to the financing companies’ accounts through certain means of capital rotation, by dividing the original funds in different ways (Liang, 2016). The remaining funds will help gain some proceeds, which is with poor cash flow and unsafe factors though. However, the future development of the companies is enhanced as a result (Wei, 2016).

2.3 Service Proceeds

Service proceeds refer to the income obtained by the financing leasing companies by providing services to people. It is a relatively stable income without many risks. However, the income relies on other factors. Other businesses can provide many other services to other companies in the form of delivering services to members of the community. In such process, some appropriate fees will be charged based on the service varieties and the service levels. Such fees constitute one part of financing companies’ revenues (Liang, 2016).

2.4 Operating Proceeds

Operating proceeds, as part of financing leasing companies’ incomes, mainly refers to some of the financial benefits obtained based on the internal operating mechanisms of the companies, specifically the combination and matching of products within the companies; the economic benefits of communicating with each other among the members of the companies; some revenue generated by the leasing companies’ cooperation with other specialized companies, generating benefits to the companies’ internal staff, contributing to the stability within the financing leasing companies and providing an important guarantee as well as important impetus for the further development of the companies (Feng, 2015).

2.5 Tax Proceeds

Tax proceeds are effective income of financing leasing companies. Leasing companies will undertake a wide range of business in the course of operations. Their implementation of the business is accompanied by other companies’ depreciation of goods and the like. The leasing companies can use the depreciation of goods as an effective way to generate revenues, generating benefits to the leasing companies and providing more opportunities for the development of financing leasing companies. Such form of income is tax proceeds (Sun, 2014).

3. RISK CATEGORY OF FINANCIAL LEASING COMPANIES

3.1 Credit Risk

The financing leasing companies are relatively trendy operating concept in China, generating benefits to the social development and providing important material guarantee for the material life of members of the society. There are many risk factors in the continuous development of financing companies. These risks, which cannot be effectively controlled, will cause terrible consequences, undermining the effective operation of the companies and adversely affecting the future development of the companies. Generally speaking, financing leasing companies buy goods in advance, which will be leased to others for use. Some individuals or companies will pay the leasing companies the corresponding fees. However, due to several reasons, some of the individuals or companies fail to pay the full renting fees when finishing the goods renting, harming the long-term development of leasing companies causing great pressure. In addition, the depreciation of goods will not generate benefits to the companies, failing to offer the companies further capital expansion for condition improvement of the companies. Therefore, the financing companies will encounter credit risk (Hu, 2010).

3.2 Liquidity Risk

Financing leasing companies’ capital is obtained through financing. In the process of obtaining funds, many people will invest their hard-earned money in the financing companies. However, the companies’ operation cannot run as smoothly as forever, which will always encounter some difficult problems. In view of this financing problem, some criminals will take the opportunity to steal the private ownership of the companies by
turning it into its own capital. It is necessary to control such safety risks by continuously improving the companies’ system and thus lowering the capital risks to the minimum (Li, 2008).

3.3 Interest Rate Risk

Interest rate risk refers to the financial risk attached to changes in the lending rates of the banking institutions. Generally speaking, the companies are financed through various channels, so the companies can continuously obtain some effective operation resources for individuals in the community, in order to get a better return. There are many flexible ways of financing; most of the funds of the financing companies are obtained through bank loans. The interest rate of bank loans should be studied. The risks of financing companies in obtaining the bank loans has been reduced to the minimum, and the interest costs has been placed on a specific commodity. However, interest rates of banks are constantly changing; the instability of interest rates will cause funding risks for the financing companies.

3.4 Internal Risks

The enterprise internal risk is a universal problem for all companies, which is a difficult problem to overcome. In a companies’ operation, decisions within the organization play a crucial role in the companies’ development. Many powerful financing companies will encounter problems in the operation of the companies without reasonable control of the internal risks. Thus the companies’ employees need to strengthen solidarity and cooperation, in order to solve the companies’ upcoming problems. The top leaders of the companies should pay more attention to such aspect. The risk of the companies must be controlled to the minimum, in order to ensure that the companies can operate in a reasonable and safe manner, making contribution to the development of society.

4. POSITIVE EFFECT OF MANAGEMENT ACCOUNTING ON COMPANIES

4.1 Develop Right Operating Plan

Management accounting plays an important role in an enterprise. Some financial information and management accounting can quickly study and deal with the risks the enterprise faces in business operation with digital form of the risk data and more real and useful information provided to the enterprise managers. Information selection and management can put some of the more serious problems on the highest priority; the effective use of this information can help managers develop appropriate strategies and constantly adjust the strategies of methods and means for the companies’ sound operation (Kong, 2017).

4.2 Help Managers Grasp Business Information

In the development of Chinese enterprises over the years, the decisions of top leaders play an important role in the future development of the enterprises. In the continuous progress of society, many enterprises collapsed amidst the fierce competition, embarking upon the desperation of their business development one after another, which denies the birth of new opportunities. In view of such situation, the rapid development of enterprises can only be achieved when the top business leaders can have better access to dealing with internal crisis of the enterprise management accounting (Wang et al., 2014).

4.3 Improve Internal Business Collaboration and External Image

At present, information technology has entered tens of thousands of households. Management accounting, as one of the most important types of business in China, provides an important information resource for the development of China’s economy. It manages accounting through computers; mastering financial management can quickly and easily gain access to current financial information. Promoting the harmonious relationship among the employees in the companies, meanwhile, can strengthen the communication among the members of the companies, establishing the image of the enterprise successfully and playing a huge role in the better development of the enterprise. In particular, there are many financing leasing companies in China at present. During the development of such leasing companies, there are huge corporate risks along. In order to minimize the risks facing the financing leasing companies, the management accounting of enterprises should be adopted (Zhu, 2014).
5. CONCLUSION

With the continuous progress of Chinese society, people’s standard of living has been continuously improved and people’s ideas and concepts have undergone tremendous changes. Nowadays, many companies operate in different ways and the companies’ operating modes are different from the past ones. Although there are many risks in the development of financing leasing companies, it is believed that as long as financing companies can take advantage of enterprise management accounting, the companies’ operational risk will be gradually reduced. It is hoped that the companies’ efficient and healthy operation guarantees the better future of financing companies.

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