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A Study on the Prevention of Financial Risks in Commercial Enterprises from the Perspective of Accounting Culture

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Abstract: Commercial enterprises mainly make profits through buying and selling goods. Their daily business covers purchasing, inventory control, credit-based sales and collecting outstanding payments. As a result, their cash flow tends to swing greatly, and they face high financial risks related to receivables and stock. As an easily-ignored soft element in corporate finance, accounting culture exerts real-world impacts on the execution of risk controls from four aspects: spirit, institution, staff behavior and material infrastructure. In reality, many commercial enterprises prioritize sales growth and business expansion, yet pay little attention to building proper accounting culture. This practice further exposes firms to different kinds of financial risks. Based on real-world features of the commercial trade industry, this paper explains how accounting culture connects with financial risks. It explores what gives rise to risks when accounting culture is insufficient, and puts forward corresponding preventive measures. This research hopes to offer practical references for commercial enterprises to handle financial risks.

Keywords: Accounting Culture; Commercial Enterprises; Financial Risk; Trade Receivables and Payables

1. Introduction

There are a huge number of market players in China's commercial-trade industry. Most small- and medium-sized trading firms earn their profits simply by buying and selling goods. They hardly carry out complicated production or processing work, so business turnover moves at a fast pace [1]. Fierce competition prevails across the industry. To keep downstream clients, many companies rely heavily on credit sales, which locks up large sums of working capital in accounts receivable. On top of that, businesses have to cope with troubles including excess inventory, devalued goods and unpredictable payment collection [2]. Financial risks can turn up at every stage of procurement and sales. If multiple risks happen at the same time, firms may suffer tight cash flow, and their normal business survival will be under direct threat [3].

At present, when working on risk prevention, most trading enterprises concentrate on updating internal rules and analyzing financial statement data. But they seldom think about how accounting culture can make a difference [4]. Accounting culture quietly changes how managers and finance workers view risks, and it shapes the day-to-day work habits of front-line financial employees [5]. A company may draw up a complete set of risk-control rules. Still, without a matching accounting culture inside the firm, these rules will often be poorly followed and cannot work as intended [6].

Given this reality, this paper adopts an accounting culture perspective and, in conjunction with the operational characteristics of commercial enterprises, analyzes the underlying logic through which shortcomings in accounting culture give rise to financial risks, and explores feasible approaches to mitigating financial risks by fostering a robust accounting culture.

2. Relevant Concepts and Internal Logic

2.1 Accounting Culture Composition

Accounting culture is primarily comprised of four components: spiritual culture, institutional culture, behavioral culture, and material culture [7]. Spiritual culture encompasses risk management concepts and accounting professional ethics, serving as the core of accounting culture [8]; institutional culture encompasses written regulations such as corporate financial internal control rules, trade transaction approval systems, and accounts receivable and payable management measures [9]; behavioral culture refers to the actual work practices and behavioral patterns of accounting personnel when handling purchase and sales

transactions as well as accounts receivable and payable matters [10]; material culture includes financial information systems, accounting archives, and office support resources [11]. These four parts interact with each other and together make up a complete accounting-culture system.

2.2 Operational Characteristics of Commercial Enterprises

Commercial enterprises make profits by purchasing goods from suppliers and reselling them to downstream customers for mark-ups. Four features stand out for this type of business. To begin with, they conduct a large number of transactions, with frequent purchasing and sales activities [12]. Second, accounts receivable take up a large share of their business assets. To attract and keep customers, firms frequently loosen credit conditions, which locks up considerable working capital [13]. Third, inventory management remains a major challenge. Overstocked goods consume capital, and shifting market prices may cause inventory impairment losses [14]. Fourth, their cash flow tends to be unstable. Since businesses cannot fully control when customers settle payments, short-term funding gaps may easily occur [15]. Given these industry traits, commercial enterprises face many potential risk points, and risks can spread quickly across the whole firm.

2.3 The Relationship between Accounting Culture and financial Risks in Commercial Enterprises

Accounting culture is closely intertwined with the financial risks faced by commercial and trading enterprises. A strong accounting ethos can foster a risk-aware culture within an organization and help correct an operational mindset overly focused on sales volume [16]; a robust institutional culture enables the establishment of control and management processes for trade activities such as procurement, credit sales, and payment collection; a sound behavioral culture encourages accounting personnel to proactively identify latent risks within business operations; and a comprehensive material culture ensures seamless data flow between business and finance functions, guaranteeing that risk-related information is transmitted in a timely manner.

Conversely, if there are significant shortcomings in the accounting culture—such as managements neglect of financial risks, the perfunctory implementation of accounting policies, accounting personnel focusing solely on bookkeeping without addressing associated risks, or inadequate IT infrastructure to support business operations—then risks such as bad debts arising from credit sales, inventory impairment, and cash flow constraints will be further amplified [17].

3. Common Financial Risks and their Causes in Commercial Enterprises from an Accounting Culture Perspective

3.1 Lack of an Accounting Ethos: Overemphasis on Trade Sales Performance at the Expense of financial Risk Awareness

Many corporate management teams prioritize trade sales and market expansion as their primary performance metrics, yet they exhibit weak risk prevention and control awareness and overlook the development of a strong accounting culture. Management places greater emphasis on the order fulfillment performance of business units; however, financial risk management—being a "soft" function that does not directly generate revenue—is often not given sufficient attention.

The company has internalized a "performance-first" mindset, leading it to arbitrarily relax credit terms for sales on credit without considering customers actual repayment capacity in order to secure customer orders. Financial departments issue risk alerts, but these alerts are sometimes overshadowed by the drive for business expansion. The risk-oriented mindset of financial personnel is influenced by the organizational environment, resulting in diminished risk awareness. Remedial actions are often taken only after a risk event has occurred, while proactive risk prevention awareness remains severely inadequate, which can easily give rise to significant bad debt risks associated with accounts receivable [18].

3.2 Inadequate Accounting Institutional Culture: Financial Approval Procedures and Receivables-Payable Management for Trade-related Business Become Nothing More than Formalities

Institutional culture provides solid protection for commercial enterprises against financial risks in trading activities. Even so, some enterprises only adopt fairly broad-stroke financial rules,

without drawing up detailed regulations suited to their actual trade businesses. They have no clear written standards for customer credit evaluation, credit-sale limit approval, procurement payment checks, inventory stock-taking, or reconciliation of trade receivables and payables.

A number of companies do have formal rules on paper, yet these rules are poorly carried out in daily work. Sales staff can set credit-sale limits without getting reviews from the finance department; receivables and payables are not reconciled on schedule; physical inventory checks are done just for show. Since these rules cannot effectively restrain daily trade operations, internal control flaws keep building up. This raises the possibility of bad debts, inventory value losses and improper capital allocation [19].

3.3 Weaknesses in the Accounting Practice Culture: Accounting Personnel Tend to focus Primarily on Bookkeeping and Financial Recording, Yet Lack Awareness of Conducting Risk Assessments Related to Trade Transactions

From the perspective of accounting practices, many accounting and finance professionals in commercial enterprises limit their work to bookkeeping, tax filing, and preparing financial statements. After entering procurement and sales vouchers, they rarely take the initiative to monitor the risks underlying these trade transactions. They often fail to conduct continuous follow-up on the creditworthiness of accounts receivable customers and are not sufficiently sensitive to signs of inventory obsolescence or impairment.

Financial personnel have limited communication with business departments and are not well-acquainted with clients actual operating conditions; they merely passively process business documents for accounting purposes, failing to exercise their role in financial risk assessment. When credit sales become overdue or significant inventory overstocking occurs, accounting staff are unable to issue timely early warnings; by the time the risk is exposed, the loss has already materialized.

3.4 Insufficient Accounting Material Culture: The Financial Operations System is Disconnected; Trade Contracts, Invoices, and Inventory Data Cannot be Synchronized with the Financial System in a Timely Manner

The shortcomings in accounting and material culture can also give rise to financial risks within commercial enterprises. Many small and medium-sized commercial enterprises operate with their business systems and financial systems running independently [20]. On the business side, procurement contracts, sales orders, and inventory entry/exit documents are generated and must be manually processed and submitted to the finance department for bookkeeping. This process often involves delays in information transmission, making it susceptible to data errors or omissions.

Financial departments are unable to monitor the latest developments in trade transactions in real time, nor can they track the aging of accounts receivable or the status of inventory levels in real time. Accounting records and trade contracts are stored in a decentralized manner, and some documents may be lost, which hinders the reconciliation of intercompany accounts; this information lag directly undermines the enterprises ability to identify risks [21].

4. Financial Risk Prevention Strategies for Commercial Enterprises Based on Accounting Culture Development

4.1 Foster a Risk-Oriented Accounting Culture that Places Equal Emphasis on Performance and Financial Risk

The management of commercial enterprises should transform their business mindset—moving beyond merely pursuing large trading and sales volumes—and foster an accounting culture that places equal emphasis on both performance and risk management. Management should take the lead in prioritizing financial risk management, shifting the outdated perception that finance is solely the responsibility of the back-office accounting department, and integrating risk prevention and control into key corporate operational objectives.

Conduct risk culture awareness campaigns targeting both business and finance departments, explaining the tangible risks posed by credit sales-related bad debts and inventory overstocking to commercial enterprises. Replace the traditional practice of evaluating sales personnel solely based on sales volume by incorporating accounts receivable collection

quality and bad debt losses into their performance appraisal systems; this approach will compel sales personnel to take customer credit risk more seriously and foster an internal corporate culture that values risk awareness and compliance.

4.2 Strengthen Institutional Accounting Culture and Develop Internal-Control, Receivables-Payable and Inventory Management Systems that Fit Trading-business Needs

Enterprises should improve their institutional accounting culture according to the practical features of commodity-trading operations. First, establish a customer credit assessment and credit sales approval system; conduct credit rating assessments for both new and existing customers, set appropriate credit limits, and ensure that all credit sales are subject to review by the finance department; second, standardize the procurement payment process, implement financial review procedures for procurement contracts, and prevent inventory overstocking resulting from impulsive purchasing; third, implement a regular reconciliation system for accounts receivable and payable and clarify the responsibilities for collecting accounts receivable; fourth, enhance the inventory counting system by conducting periodic inventory audits to promptly identify inventory impairment risks.

Upon completion of the policy formulation process, strengthen its implementation and enforcement to prevent policies from remaining merely on paper; establish a accountability mechanism for transactions that violate the financial approval procedures; and leverage a robust institutional culture to govern the entire trade process.

4.3 Cultivate Sound Accounting-Behavior Culture and Help Accounting Staff Spot Risks in Trading-related Businesses

Accounting employees need to break away from the mindset that limits their work to simple bookkeeping. Companies should offer targeted training so that finance staff can get a full grasp of the whole business flow, covering procurement, credit sales, payment collection and inventory management. Rather than only finishing routine book-entry work, accountants ought to take initiative to analyze the aging of accounts receivable, keep track of overdue payments, submit regular reports on inventory turnover, and warn management of potential risks hidden in trading businesses.

It is also necessary to set up stable communication channels between the finance and business departments. In this way, financial workers can keep in close contact with business teams and learn about real-time conditions of clients. Enterprises should encourage accountants to combine routine accounting work with risk-control awareness, so that finance departments can give full play to their early-warning function.

4.4 Improve Material-Level Accounting Culture, Connect Data of Trading Systems and Financial Platforms, and Realize Data Linkage for Procurement and Sales Businesses

Enterprises need to update their information-technology facilities and promote system integration between business and finance modules. Purchase orders, sales delivery records, payment receipts and inventory in-out documents can be automatically synced to financial systems. Therefore, finance teams can obtain trading data in real time. The system can automatically calculate receivable aging and inventory turnover, cutting down delays and mistakes caused by manual document hand-over.

Trade contracts, warehouse receipts and reconciliation vouchers should be archived in digital forms. Such improvements to basic accounting infrastructure can supply complete and up-to-date data support for risk identification work.

4.5 Foster an Internal Oversight Culture to Regulate Financial Operations Throughout the Trade Process

Integrate internal oversight into the development of accounting culture. Leverage the capabilities of internal financial review and internal auditing by conducting regular targeted inspections of credit sales, accounts receivable and payable, and inventory management. Monitor whether various trade-related financial policies and regulations are fully implemented, and promptly identify vulnerabilities in operational practices. For any identified risk areas, implement timely corrective actions to foster a culture of oversight and error correction, thereby preventing non-compliant operations within trade activities.

5. Conclusion

Commercial enterprises carry out frequent trading activities, so they face plenty of financial risks concerning accounts receivable, inventory and working capital. Managing these risks requires more than just institutional rules and technical tools. Accounting culture also serves as a vital soft-power factor that cannot be overlooked. At present, quite a few trading companies have obvious drawbacks: their staff lack sufficient risk awareness, accounting systems are only superficially enforced, accountants focus heavily on bookkeeping rather than risk control, and business-finance systems remain poorly connected. All these problems make financial risks in trading businesses even worse.

To address these issues, commercial enterprises need to push forward improvements across all four dimensions of accounting culture. They should build a risk-centered accounting value system, optimize financial internal controls that fit trading needs, cultivate risk-aware working habits among accounting employees, upgrade information technology resources for business-finance integration, and strengthen internal supervision culture. Through better accounting-culture construction, risk prevention ideas can be embedded into every link of procurement, sales and payment collection. In this way, companies can lower financial risks and keep their trading businesses running steadily.

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