

# Analysis of Financial Accounting Risk and Preventive System Construction of Commercial Banks

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**Abstract:** With the continuous development of China's current market economy, it is increasingly advancing towards diversified forms. Under the circumstances of fierce market competition, only by establishing a sound risk prevention system of financial accounting can commercial banks have a foothold in the fierce competition. However, there are many problems in the aspect of financial accounting risks in China. Therefore, how to establish effective prevention measures of financial accounting risks is the most important part of business management system. This paper focuses on the financial and accounting risks of commercial banks, analyses the problems existing in the current commercial banks in China, and puts forward countermeasures for how to solve the risks of accounting business.

## 1. Introduction

With the development of diversification trend, the business of commercial banks extends gradually under the circumstance of economic globalization, and the existing problems have attracted more and more attention. Strengthening the prevention of financial accounting risks and improving the internal control system are the current problems to be solved. In order to guarantee the stability and harmony of the financial order of commercial banks and better promote the development of financial enterprises in China, it is essential to take into account the effective measures taken by commercial banks to prevent financial accounting risks. Only in this way can China's commercial banks gain advantages in the fierce competition and push forward the development and progress of China's commercial banks faster and better.

## 2. Concept of Financial Accounting Risks of Commercial Banks

Financial accounting is an important part of the management of commercial banks. With the development of economic globalization, finance is particularly important in commercial banks. The significance of financial accounting risk requires that its supervision of commercial banks' operation, management activities and financial information should be accurate and conform to objective reality. However, financial accounting risks also face many difficult problems caused by complex economic environment and human factors. These problems can be varied according to people's different views.

The main types of financial risks are information distortion risk, weak supervision risk, financial cost risk, operational management risk, payment and settlement risk, financial case risk, misleading decision-making risk and accounting innovation risk.

## 3. Current Situation of Financial Accounting Risks of Commercial Banks

### 3.1 Professional Quality Risk

Financial accounting is an important part of China's commercial banks. With the development of economic globalization, China's commercial banks are also developing rapidly. At the same time, there is a lack of a large number of professional accountants. However, blind recruiting accountants can not further improve their work quality or professional ethics, but results in some accountants with insufficient professional quality in financial accounting work and unavoidable occurrence of

some illegal operations. It will not only damage the interests of banks, but also trigger a series of financial issues. In the process of operation and management of commercial banks, decision making errors caused by mistakes of accounting and financial information, and the imperfection of subjective conditions will damage the assets and reputation of commercial banks to a certain extent.

### **3.2 Information Loss Risk**

Information is one of the important resources of financial accounting in commercial banks. Information loss is an important basis for commercial banks' interests. Under the condition of perfect capital market financial system, commercial banks and financial institutions should publicize their financial related commercial information in strict accordance with the law. Information loss system has been paid attention by financial institutions and government departments in various countries, and has become an important system of financial management in various countries. From the financial point of view, in this era of rapid development of information technology, effective information disclosure provides more comprehensive information for financial institutions and customers, help to make correct decisions, help to improve the economic efficiency of capital market, optimize financial resources, and enable financial value to have full play. However, from the legal point of view, the information disclosure system can effectively prevent the loss of information, unnecessary losses caused by wrong information, as well as the monopoly of information.

### **3.3 Imperfect Internal Control Risk**

The internal control is not perfect, that is to say, in short, the internal control system of financial institutions or commercial banks is not perfect. They are expected to strictly abide by the internal control system and carry out legitimate business activities under the circumstances of interest-driven<sup>[1]</sup>. But in fact, in order to maximize the benefits, some commercial banks engage in illegal business activities, resulting in accounting risks in financial accounting. In addition, since the means of gaining benefits are relatively hidden, and the amount of illegal money is relatively huge, it is difficult for commercial banks and financial institutions to strengthen the internal control system and management in the process of operation and decision-making. Therefore, some human factors and internal control mistakes caused by decision-making errors and operational errors, if not dealt with in time, will bring a certain degree of loss of interest and affect commercial banks and financial institutions' credibility.

## **4. Problems in Financial Accounting Risks of Commercial Banks**

### **4.1 Low Professional Ethics and Low Professional Quality of Accountants**

Accountants' professional quality has a direct relationship with financial accounting work. At the same time, it will affect the quality of work. Some accountants have not received professional accounting training, so they just abide by stereotypes, do not want to be aggressive, lack skilled business operations, and have insufficient professional ethics and professional quality. They are satisfied with the status quo, do not take the initiative to improve professional skills training and are not ambitious on accounting expertise. Their ideological and moral qualities need to be improved. The lack of accountants' moral quality is mainly due to their lack of enterprise and responsibility, their low enthusiasm for their work, their lack of conscientious working attitude and positive enterprising spirit. They show a negative state in their work and use their rights to carry out some illegal acts in spite of the principles of their work. Some have low professional ethics and violate the principle of seeking truth from facts in their accounting work, which leads to the loss of authenticity of accounting information. Those who lack legal knowledge do not recognize or master the laws and regulations related to finance. They are not strict with themselves and often violate laws and regulations. Some, or even, blindly pursue their own interests by taking advantage of their positions, and refuse to recognize fraudulent acts, which has brought great losses to the interests of financial institutions while ignoring the laws and regulations of the state.

## **4.2 Lack of Awareness of Financial Information Risk Control**

With the continuous development and improvement of China's social economy, the trend of economic globalization is constantly advancing. At the same time, it also brings new opportunities and challenges for the development of China's social economy. Faced with the changing economic situation, the awareness of risk prevention of commercial banks in China is still relatively weak. Some do not know what financial risks are and what types they are divided into. When faced with financial risks, they will be at a loss, which will lead to serious consequences. For example, when introducing financial products to customers, some financial institutions do not strictly check them before, and then sell them to customers who are unfamiliar with financial knowledge, which increases the incidence of financial risks to a certain extent.

## **4.3 Lack of Perfect Internal Control System**

The management of financial risk is closely related to its good internal control system. Only with a good internal control system can the incidence of financial risk be reduced. Although our society is constantly progressing and developing, our financial institutions have not established an effective internal control system of financial risk. Although the reform and opening-up has continuously promoted the development and progress of China's financial institutions, compared with other developed countries, China has not yet established a sound financial risk control system. For example, at present, some financial institutions and commercial banks have not established a targeted risk management and control system, so they are unable to timely prevent and manage financial risks effectively. Some departments of institutions can not deal with or solve financial risks, which leads to excessive financial risks. The failure of timely dealing not only has seriously affected the development of financial institutions, but also hindered the development of national financial markets.

# **5. Effective Measures to Control Financial Risks of Commercial Banks**

## **5.1 Improve the Comprehensive Quality of Accountants**

Accountants' professional ethics is not high. Accounting work is directly related to the activities of the state, financial institutions, investors, creditors and other aspects of economic interests. If the moral quality of accountants can not be improved, making use of their positions to create false information will not only cause the loss of interests of investors and creditors and their decision-making errors, but also lead to contingent assets and financial income, which, to a certain extent, undermines the macroeconomic control of the economy as well as corrupts the social atmosphere <sup>[2]</sup>. therefore, it is essential to constantly strengthen the education, training and assessment of accountants. Accounting education and training in some areas is just a kind of formality and is only for personal interests, ignoring the quality of education. Education and training institutions have the responsibility of teaching as well as assessment. However, due to the lack of rigorous accounting evaluation system, the overall quality of accounting personnel has not been effectively improved.

## **5.2 Strengthen the Prevention of Financial Information Risk**

The precautions against financial information mainly include the following three aspects. First, the confidentiality of financial information provides effective means to prevent illegal elements from stealing information. Second, the integrity and accuracy of financial information effectively prevents illegal elements from tampering with or deleting information. Third, the availability of financial information, in all cases, provides appropriate services for legitimate users, and effectively prevents the monopoly of resources and information. Strengthening the prevention of illegal elements intrusion and establishing a firewall system are the key to guarantee financial information, so as to ensure the security of data transmission of financial information, improve the structure of network system, strengthen equipment management, and ensure the normal operation of financial information network.

### 5.3 Establish a Sound Internal Control System

The internal control system runs through all departments of financial institutions for strengthening the internal control system and staff assessment system as well as constantly strengthening the internal control consciousness of management personnel and the awareness of laws and regulations, risk prevention and so on. It is of necessity to enable employees to actively participate in the establishment and improvement of the internal control system, and lead employees to learn financial laws and regulations, so that the internal control system plays its own role. In addition, according to different employees' understanding of the internal control system, it is possible to carry out targeted internal control system education to deepen their understanding of internal control. In order to prevent internal control from being superficially regarded as a general system or classified as a financial system, the position of internal control departments should be strengthened, and their position, functions and responsibilities should be clearly stated in the relevant systems or regulations<sup>[3]</sup>. Financial institutions and commercial banks must strictly establish internal control system in accordance with reasonable and legal provisions. All departments and their institutions must strictly abide by the relevant regulations to work. Only in this way can we realize the trend of upward development of the overall economic interests.

### 6. Conclusion

With the development of economic globalization, the financial environment has also changed. China's commercial banks are facing enormous challenges and opportunities. In order to better enable commercial banks to stand firm in a changing financial environment and better achieve the goal of common development, it is necessary to improve the internal control of commercial banks. Financial accounting risk is an indispensable part. It is of great significance to maximize the interests of banks and promote the sustainable development of commercial banks.

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