

Application of Financial Management in Life Cycle Management of Engineering Project

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Keywords: Financial management, Engineering project, Management, Application

Abstract: For an enterprise, effective financial management is very important for its normal operation and operation, and it is also the key to keep the operation stable within the enterprise. For the engineering project, it is more necessary to attach great importance to the budget and control of funds because of the huge capital flow, so as to avoid the risk of capital waste, reduce capital expenditure and improve the overall income of the project. This paper analyzes the important role of financial management in engineering project management and its application strategies, it aims to provide basic guarantee for the smooth development of engineering projects, and provide certain reference for relevant people.

1. Introduction

With the deepening of economic globalization and the rapid progress of science and technology, the increasingly fierce competition makes enterprises constantly strengthen management and improve efficiency in order to remain invincible. The implementation of project financial management is an important part. In order to control the final cost in the project, it is necessary to start with financial management. Only strengthen the financial design management, implementation process supervision and later settlement in the initial stage of the project, so as to reduce unnecessary waste and create higher economic value for the project. The paper mainly analyzes the role of financial management in engineering projects, as well as the cost control and expenditure safety audit and implementation, and gives the application strategy in engineering project life cycle management, which can be used as a reference for engineering project construction.

2. Financial management plays an important role in project management

2.1. Effect on project fund budget management

For project management, the preparation of investment budget is one of the important work, and the financial management is involved in the process of investment budget. So it can make budget execution of the safeguard, get reasonable planning of funds and make the whole project construction start well when it prepare the investment budget combined with the thinking of financial management to measure the project benefit.

2.2. Effect on cost control and expenditure arrangement

For the specific operation of engineering projects, a very important link is the control of project cost. If the project plan changes in the intermediate stage, resulting in the change of cost uncertainty, at this time, it is necessary to use effective financial management methods to intervene which is through reasonable control and distribute the project funds redistributed due to cost changes. The staff who work in financial management should communicate and report frequently, strictly control the cost of project funds within a reasonable range, optimize the use and allocation of project funds, and maximize the profit margin of the project.

2.3. Impact on contract review and execution

For the signing of the contract, financial personnel must carry out a strict review before signing. The main contents involved in the audit include whether the procedures, tax issues and the contract are compliant, and whether the basic information of the project unit and the receiving and payment information are accurate. For example, whether the important information such as the taxpayer identification number, the bank account number for receiving and paying and the enterprise name are correct; Whether the method and time of payment required in the contract are correct. And the types of invoices and appropriate tax rates involved in the project shall be clearly listed with and without tax, so as to prevent legal disputes arising from tax-related issues. Similarly, it needs to timely forecast and control the tax and financial risks involved in the contract. In the enterprise business, the first thing to do is to sign the contract, which is closely related to the final financial income of the enterprise.

2.4. Impact on tax

Tax issues are very important for enterprise project management. In the process of project management, the enterprises should use effective financial management methods to make reasonable and legal planning of tax law. The tax risk can be reasonably prevented and controlled through the methods of risk identification, supervision and management and target planning, so that the tax resources can be rationally allocated. In the financial management, it is necessary to reasonably improve the financial accounting system. So it can reflect all kinds of tax-related economic activities in enterprises through timely, complete, real and effective accounting, and make the tax declaration timely and effectively. In project management of enterprise, it can improve the overall level of tax management by doing a good job in avoiding tax risks.

3. The Application strategy of financial management in life cycle management of engineering project

3.1. Build an effective project financial management organization or team

It is necessary to build a reasonable and effective financial management organization or team in order to control financial management in the work project effectively. Enterprises should fully combine their own current development situation with specific characteristics of engineering projects to formulate the most scientific and reasonable financial management measures. At same time, it needs to strengthen the daily professional training and education of finance management personnel. Through training, they can improve their comprehensive quality, and then they will better serve the financial management work and play a greater value in their own jobs. It can carry out engineering projects smoothly only by creating our own professional team. In addition, in order to make the financial management work of the project efficient and orderly, we can also appoint personnel with strong financial expertise, strong management ability and high professional ethics to serve as the financial director of the project, so as to realize the financial director appointment system. Through their effective supervision of capital operation, capital operation, financial status and material procurement in engineering projects, they can achieve efficient operation of the project. At the same time, it is necessary to implement the assessment mechanism for the financial person in charge, so that they can play their due role in the financial management of the project.

3.2. Strengthen project financial budget

In the process of engineering project management, budget work plays a very key role in the effective improvement of financial management quality. Through monitoring and analyzing the implementation of the project budget, scientific and reasonable allocation of project funds and other resources, and reasonable adjustment of the project management activities, so that the overall economic activities of the project can be effectively achieved. When strengthening budget management, the following methods can be used to achieve this: First of all, the project budget can be reasonably prepared combined with the company's strategy, and the project budget can be approved by approval decision and then the budget can be handed down. Secondly, the overall

budget target should be broken down into multiple small objectives, and each of which should be carefully implemented in each construction link of the project. And the specific responsibilities in financial management should be clarified to individuals to avoid the problem of buck-passing in the later stage. Third, in the process of project construction, the implementation of project budget should be carried out in a timely manner. In the meantime, the implementation of the budget should be regularly analyzed, and when problems are found, it needs to communicate and handle timely and effectively, so that the budget objectives can be effectively achieved. Finally, the regime is used to regularly assess the implementation results of budget objectives, so that the quality of engineering projects can be effectively guaranteed.

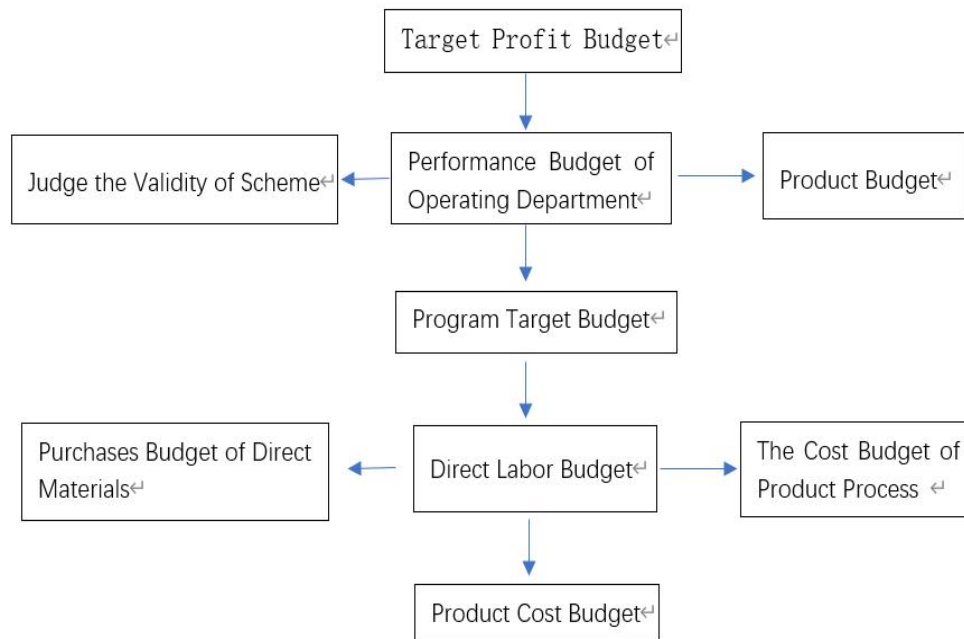


Figure 1 The optimization diagram of cost budgeting process

3.3. Construct control measures of project cost

The cost control of engineering projects mainly includes cost prediction, analysis, accounting, decision-making and assessment, etc. At the same time, the management mechanism of market operation needs to be considered comprehensively. Based on the three aspects of ex ante, interim and ex post, it should strengthen the cost control measures of project and focus on the cost pressure reduction of each link of the project. The main content of ex ante cost management is to conduct a detailed investigation and analysis of the market and predict the cost expenditure and scale of the project scientifically and reasonably in combination with the future development trend. Meanwhile, the project cost expenditure can be controlled and constrained by using cost planning in project operation. The interim cost management mainly refers to the strict regulation and control of various cost of aspects in the process of project construction. By effectively encouraging and restricting cost managers, and then using them to affect the various factors when costs occur, the cost is controlled in a reasonable budget range, so as to minimize the probability of operational risk events. Ex post cost management aims to maximize the economic benefits of the project by calculating and assessing the project cost, and specifically implementing the assessment results.

3.4. Improve the use efficiency of project funds

First of all, the project funds should be able to effectively match the construction schedule, size and cost of the project when they are configured, so as to avoid a large amount of idle funds and improve the utilization rate of funds. Secondly, the fund management system and payment approval process of engineering projects need to be designed in a rigorous and reasonable way. In the process of using funds, it is necessary to approve at all level according to the principle of

collecting and determining expenditure. A reasonable financial approval system and process should be established to avoid irregularities such as favoritism and embezzlement. Thirdly, in the process of using project funds, the project budget should be taken into account, the limited funds should be rationally planned, and the whole process of using funds should be tracked. When the amount of capital is large, it is necessary to ensure a good fit between major funds and projects through scientific demonstration. In addition, the fund approval system is improved, and the auditing department is used to further strengthen the standard use of funds. Finally, the management of receivables of engineering projects should be strengthened so that the target results of receivables can be rewarded and punished effectively, and the project funds can be collected in time, the risk of bad debts of receivables can be reduced as much as possible, and then the fund turnover can be improved.

4. Conclusion

In conclusion, financial management is not only related to the economic benefits of engineering projects, but also closely related to the future development of enterprises. It is necessary and important to integrate financial management into the life cycle management of engineering projects. Relevant staff must attach great importance to financial management. They should combine with the current development situation of enterprise and the specific situation of the project to make scientific management target, perfect the financial management system and improve the financial management personnel's professional skills, so as to promote the improving of the quality of financial management and further promote the enterprise in the fierce market competition to occupy more advantageous position.

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