

# Analysis of the Application and Development of Enterprise Accounting Financial Tools

**Liu AnMeng**

*Jiahua College of Beijing Business University, Beijing 101118, China*

**ABSTRACT.** *Wto Affects the Development Trend of the Global Economy. after China's Accession to the Wto, China Implements a Comprehensive Policy of Opening Up to the Outside World. Foreign Financial Instruments Flock to It and Are Widely Promoted Across the Border. Corporate Accounting and Financial Tools Have Promoted the Improvement of Corporate Economy and Effectively Reduced the Financial Risks of Corporate Operations. However, There Are Still a Lot of Potential Problems That Require in-Depth Research by Experts. in This Article, the Author Starts with Corporate Accounting and Financial Instruments, Summarizes the Practical Role and Impact of Corporate Accounting and Financial Instruments, and Then Puts Forward the Development Direction of Corporate Accounting and Financial Instruments to Ensure the Improvement of China's Corporate Economy.*

**KEYWORDS:** *Financial instruments, Accounting applications, Economic development*

## 1. Introduction

China does not attach importance to the research of corporate accounting and financial instruments, and has a relatively short development time. It is still in its infancy. At present, China's corporate accounting and financial instruments lack a scientific theoretical system, which is mainly manifested in the lack of practical perspectives. In addition, China's accounting standards system is not perfect, and can not achieve reasonable supervision of corporate accounting financial instruments. To this end, this article analyzes the application and development of corporate accounting financial instruments, the study is as follows.

## 2. Introduction to Corporate Accounting and Financial Instruments

### 2.1 The Concept of Financial Instruments

The nature of financial instruments includes three elements: first, financial assets; second, financial liabilities; and third, equity instruments. In the new accounting standards, it defines a financial instrument as an enterprise contract, which specifies the source of the enterprise assets and specifies the liabilities or equity of the enterprise assets.

### 2.2 Characteristics of Financial Instruments

(1) Derivative. This attribute is derived from biology, and believes that financial instruments are of no value in themselves, but have evolved through continuous development. For example, a stock option is a financial instrument that is worthless in itself but can be valued as the stock price changes.

(2) Leverage. This attribute is a prominent feature of financial instruments and an effective means to achieve asset control, that is, to ensure the validity of the contract through a small amount of funds. This method can increase the rate of return of investors, and promote the development of enterprises and obtain high economic benefits.

(3) Risky. This attribute corresponds to security. In simple terms, the economic development of an enterprise will inevitably involve risks. What enterprises need to do is to reduce economic risks and achieve economic security. If investors can accurately determine the direction of economic development, they can get high profits from it. Of course, if investors make mistakes, they will also cause serious economic losses. The risk of such investments is inevitable.

### **3. The Practical Role and Impact of Corporate Accounting and Financial Instruments**

#### ***3.1 The Practical Role of Corporate Accounting Financial Instruments***

The practical role of financial instruments for the economic development of enterprises cannot be ignored. There are four main aspects: the first is hedge and hedging; the second is speculation; the third is price determination; the fourth is to reduce transaction costs.

1) Hedging. Generally speaking, the core role of financial instruments is to hedge. With the help of financial instruments, enterprises and investors understand the relevant content of economic risks, and implement scientific allocation of assets. If necessary, they can also customize private products according to their own needs, and ultimately realize the hedging and hedging of products.

2) Speculation. We know that financial instruments have the characteristics of leverage, which has led many speculators to “think big and small”, so they choose to use higher risks to win high profits. It can be seen that economic profits and economic risks coexist. If the speculators succeed, they can develop rapidly. If the speculators fail, they will have nothing and can be described as extremely risky.

3) Price determination. The determination of the economic price is not arbitrary, it needs to be provided by both parties at the same time, and finally determined after multiple links of competition. It should be noted that economic prices represent a balanced relationship in the market and have the function of indicator lights. Other supply and demand personnel can use this as a basis for pricing.

4) Reduce transaction costs. The study found that scientific financial instruments can effectively reduce the risk of transactions. This is also the main reason why speculators have been studying financial instruments, ensuring the value of the economy and promoting the improvement of the economy.

#### ***3.2 The Practical Impact of Corporate Accounting Financial Instruments***

For our country's enterprises, accounting and financial instruments have undergone multiple angles of innovation, manifested in three aspects: first, the definition of accounting elements has been achieved by financial instruments; second, financial instruments have strengthened the recognition of corporate elements; third, Financial instruments facilitate the measurement of corporate factors.

1) Financial instruments implement the definition of accounting elements. With the development of science and technology, financial instruments have been widely promoted throughout the country, which has a serious impact on assets and liabilities in accounting elements. The accounting element is no longer a traditional corporate transaction, but has become the economic benefits brought by corporate assets, realizing the reform of the accounting model and the rapid development of the enterprise.

2) Financial instruments strengthen the recognition of corporate elements. In traditional accounting, the emphasis is on the confirmation of ongoing transactions. The reason is that the traditional model needs to be based on accrual and payment realization systems, and does not deal with future transactions. This method is extremely valuable. Strong one-sidedness is unreasonable. In financial instruments, the confirmation of accounting elements includes two aspects: the first is ongoing trading activities; the second is future trading activities. This means that no matter whether the economic benefits of the company increase or decrease in the future, it will need to be confirmed twice.

3) Financial instruments promote the measurement of corporate factors. In traditional accounting, the measurement method of enterprise elements is cost measurement. Regardless of the type of economic transaction of an enterprise, it is necessary to determine the cost of the company. Once it is determined, it cannot be modified. The main disadvantage of this form is poor flexibility, which increases the number of measurement personnel Work stress. In financial instruments, the measurement of corporate elements is performed by both parties at the same time, and the virtual contract no longer costs, and there is no need to record.

### **4. The Development Direction of Corporate Accounting and Financial Instruments**

#### ***4.1 Definition of Accounting Elements***

The definition of the accounting elements of financial instruments has been comprehensively determined, and its content has been greatly extended. In particular, future events will be included in it, which effectively

reduces disputes over accounting issues.

#### ***4.2 Confirmation of Accounting Elements***

The financial instrument transaction process shows significant risks and rewards. In order to protect the profits of investors as much as possible, it must do two things in the first confirmation of the accounting elements: first, the transfer of debt and assets, That is, it is transferred to the company to reduce economic risks. Second, asset measurement, which uses scientific methods to measure the assets of the enterprise, lays the foundation for the determination of subsequent contracts.

The determination of the contract is not arbitrary. It needs to choose the following two points: first, although the company's debt and assets have been transferred, it must be measured; second, the unnecessary policies or rights are lifted.

#### ***4.3 Measurement of Accounting Elements***

Financial markets are places where financial instruments exert value, and their measurement factors must also consider market factors. Corporate accounting and financial tools have effectively solved the issue of fair value, provided real-time financial information to relevant units, and facilitated people's access to information.

### **5. Conclusion**

To sum up, China's economic development is rapid, and the number of financial instruments in particular continues to increase, affecting the entire market economy. Over time, several problems have emerged in corporate accounting financial instruments. Therefore, if we want to realize the development of China's corporate economy, we must attach importance to the study of financial instruments, determine scientific accounting standards, and ensure the smooth development of China's financial instrument accounting.

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