

Specialty Accounting, Analysis and Audit

Financial Accounting Risks and their preventives

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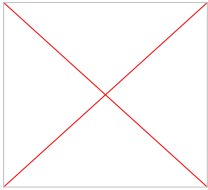
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Chapter One

Introduction

- 1-1 Background of the topic
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1 Background and significance of topic selection

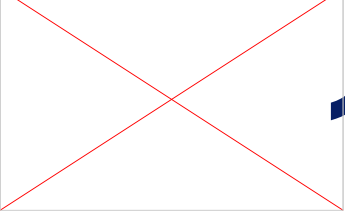
1.1 Background of topic selection

As the backbone of Chinese financial industry, commercial banks have made great contributions to promoting the financial industry and Chinese economic development. However, with the complex and changeable economic environment, bank risks are showing a trend of diversification and expansion.

1.2 Literature review at home and abroad

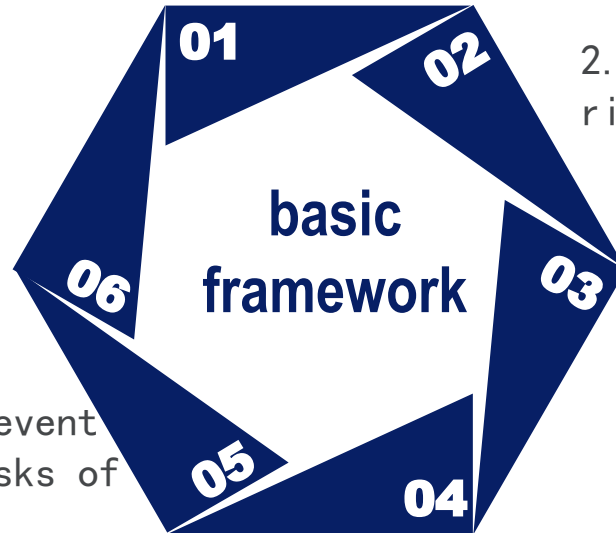
The early foreign research on financial accounting risk mainly focused on the concept of accounting risk. "Accounting risk" is a combination of the terms "accounting" and "risk". Chinese research on accounting risks is relatively late, and mainly focuses on the discussion of the classification, identification and avoidance of financial accounting risks.

1.3 The basic framework of the paper



1. Introduction

6. Summary



2. Overview of the financial accounting risks of commercial banks

3. Problems and reasons in the accounting risk control of commercial banks)

5. Countermeasures to prevent financial accounting risks of commercial banks

4. Reflection and Enlightenment of Societe Generale Bank Incident on Accounting Risk Prevention

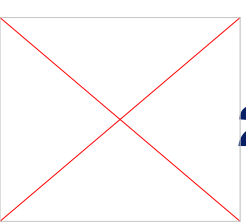




Chapter two

Overview of the financial accounting risks of commercial banks

- 2.1 The meaning of financial accounting risk of commercial banks
- 2.2 Classification of financial accounting risks of commercial banks
- 2.3 Principles of Accounting Risk Control of Commercial Banks
- 2.4 Theoretical basis of financial accounting risk control of commercial banks



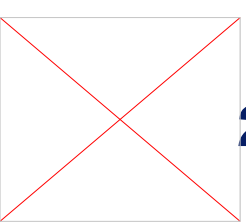
2 Overview of the financial accounting risks of commercial banks

2.1 Financial accounting risk characteristics of commercial banks

- 1) Objectivity of risk
- 2) Concealment of risk
- 3) Complexity of risk
- 4) The suddenness of risk

2.2 Classification of financial accounting risks of commercial banks

- 1) Financial accounting information risk
- 2) Financial accounting risk
- 3) Financial accounting supervision risk
- 4) Risks of financial accounting personnel



2 Overview of the financial accounting risks of commercial banks

2.3

Principles of Accounting Risk Control of Commercial Banks

- 1) Timeliness criteria
- 2) Moderation criterion
- 3) Materiality criterion

2.4

Theoretical basis of financial accounting risk control of commercial banks

1) principal-agent theory

At the end of the 1930s, the principal-agent theory came into being. It was formed in the 1970s as a theory developed due to the separation of corporate ownership and control

2) risk control theory

The organizational structure of commercial banks has always been an administrative system



Chapter three

Problems and reasons in the accounting risk control of commercial banks

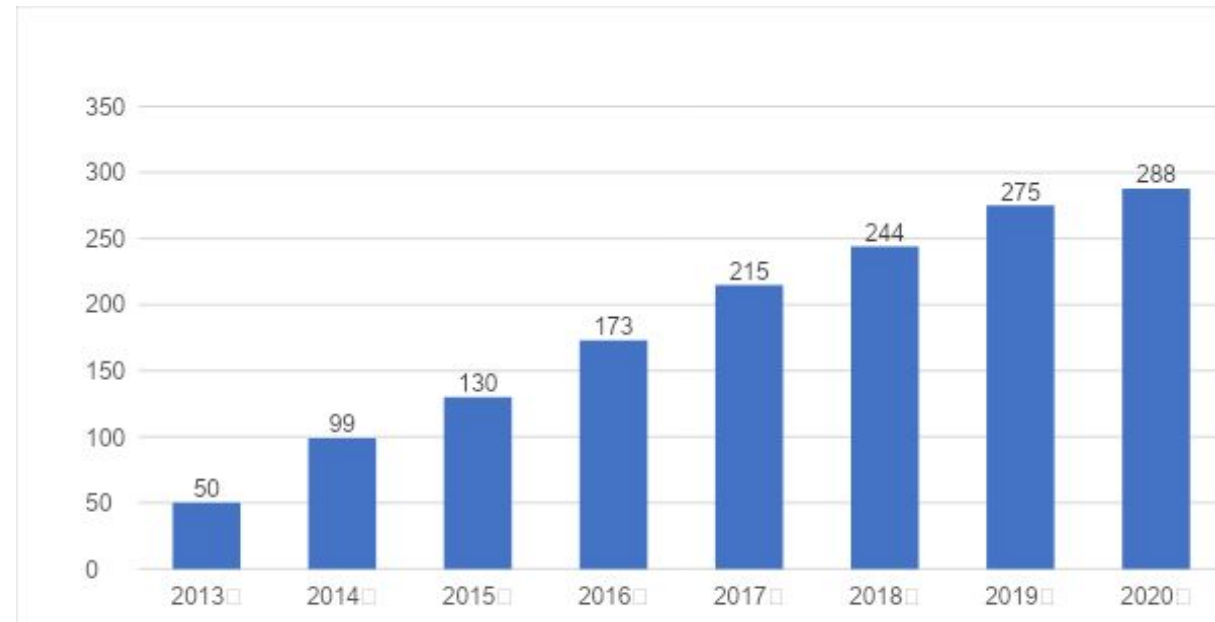
- 3.1 Problems in financial accounting risk control of commercial banks
- 3.2 Reasons for accounting risks of commercial banks

3 Problems in financial accounting risk control of commercial banks

□ 3.1 Problems in financial accounting risk control of commercial banks

1) Distortion of financial accounting information is serious

It shows that chinese 288 commercial banks have achieved capital adequacy ratios above 8% by the end of 2020. As of the end of June 2020, the capital adequacy ratios of Chinese Bank ,Construction Bank, Industrial and Commercial Chinese Bank and Bank of Communications were 11.37%, 11.68%, 11.34% and 12.17% respectively.



The capital adequacy ratio of chinese commercial banks reached 8% at the end of 2020

3 Problems in financial accounting risk control of commercial banks

□ 3.1 Problems in financial accounting risk control of commercial banks

2) There are illegal operations in financial accounting

In actual work, there are mainly the following phenomena of illegal accounting operations: bank accounts are not opened according to regulations, and accounting subjects cannot be used correctly; if the seals are not checked carefully.

3)The lack of independence of financial accounting risk supervision

4)The setting of financial accounting positions lacks due mutual restriction

5) Financial accounting personnel have weak risk awareness

3.2 Reasons for accounting risks of commercial banks

01

1) Lack of a sound bank management model

02

2) The accounting information reflection function of the bank's financial accounting system is not sound enough

03

3) The accounting procedures have not formed rigid constraints, and there are weak links

04

4) Financial accounting supervision administrative management function confusion risk and



Chapter four

Reflection and Enlightenment of Societe Generale Bank Incident on Accounting Risk Prevention

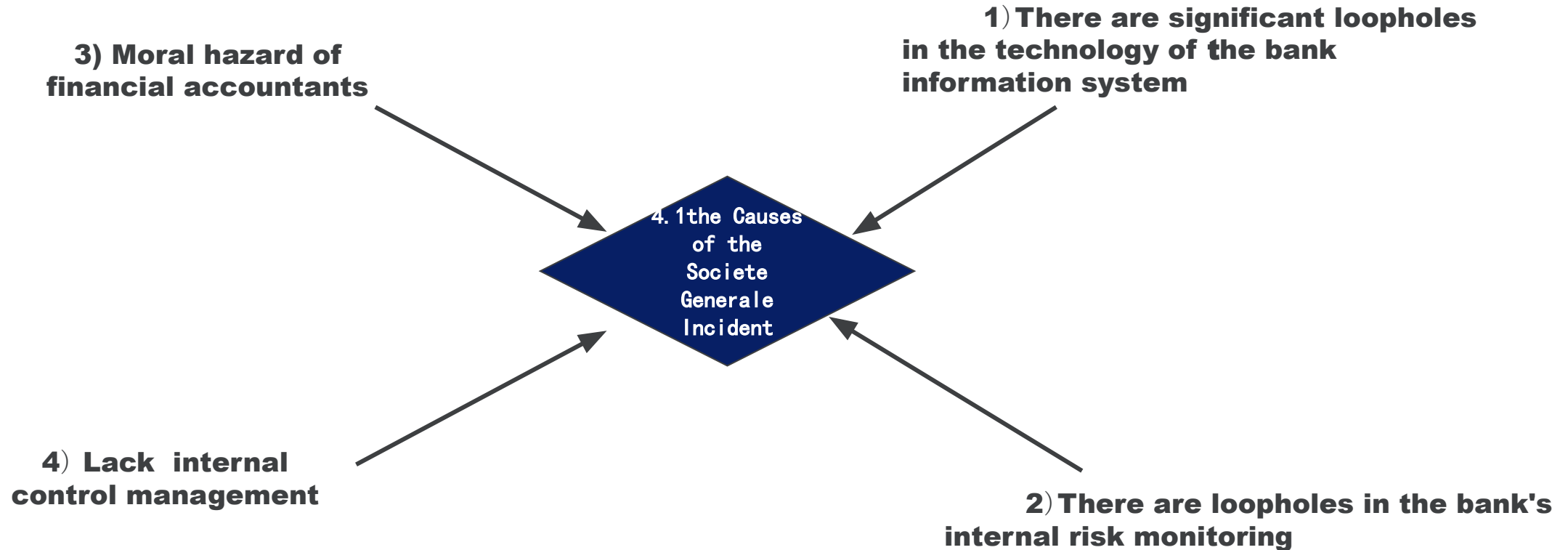
4.1 Societe Generale Incident

4.2 Analysis of the Causes of the Societe Generale Incident

4.3 The Enlightenment of the Societe Generale Incident on the Prevention of Financial Accounting Risks

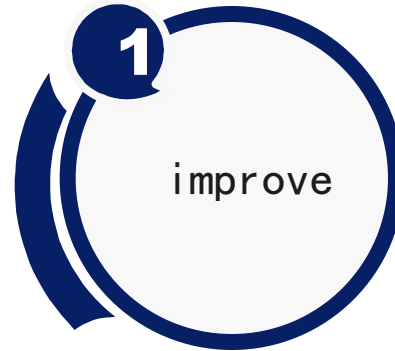
4 Reflection and Enlightenment of Societe Generale Bank Incident on Accounting Risk Prevention

Societe Generale is one of the largest commercial banking groups and a pillar of the French financial industry. It has a long history of more than 150 years and is also one of the most profitable banks in Europe. But this famous bank with a long history lost 4.9 billion Euros, or about 7.2 billion U.S. dollars, overnight, and the reason was only due to the illegal operation of a trader inside the bank.

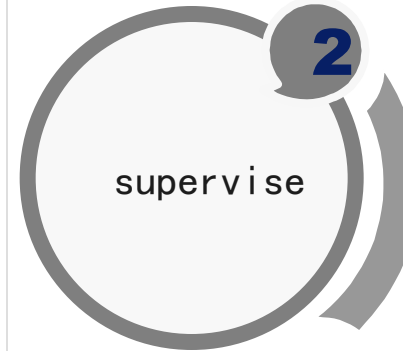


4.2 The Enlightenment of the Societe Generale Incident on the Prevention of Financial Accounting Risks

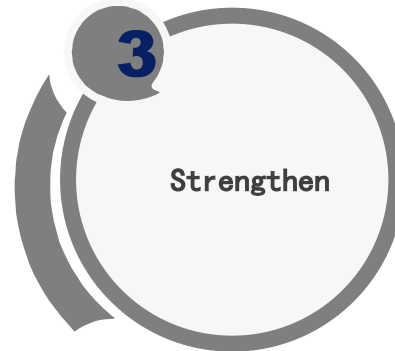
1) Improve the organizational system and improve internal control management



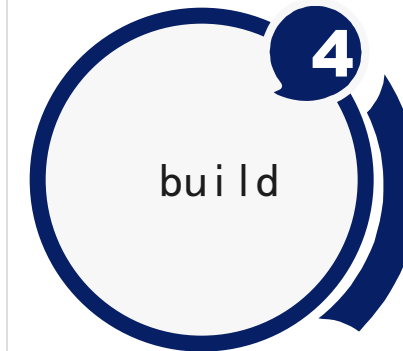
2) Reasonably set up positions and strengthen supervision functions



3) Strengthen personnel training and improve the quality of the financial accounting team



4) Build a strict financial accounting risk management framework





Chapter five

Countermeasures to prevent financial accounting risks
of commercial banks

5 Countermeasures to prevent financial accounting risks of commercial banks

- **5.1 Establish a sound financial accounting standard system**
- **5.2 Improve the disclosure and disclosure system of financial accounting information**
- **5.3 Establish and improve the financial accounting management system of commercial banks**
- **5.4 Establish a complete internal control system**
- **5.5 Improve the supervision system of bank financial accounting risk**
- **5.6 Strict accountability system**
- **5.7 Improve the risk prevention awareness and professional quality of financial accounting personnel**



**Thanks for
attention**