

# Study on the Debt Repayment Ability of Real Estate Enterprises: Taking Jiangsu Tianyuan as an Example

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**Abstract:** With the changing economic situation in recent years, real estate companies, as the backbone of the industry in China, face increasingly fierce market environments. In order to ensure long-term survival, accurately predicting the future development and trends of the company is crucial. The ability to repay debts plays a vital role in this regard. This paper primarily analyzes and summarizes the debt repayment issues of Jiangsu Tianyuan Real Estate in its current operational development phase. Specifically, it addresses the problems of low financial leverage, unreasonable debt structure, and inadequate short-term debt repayment plans. To address these issues, recommendations are proposed, including increasing the company's financial leverage, planning the debt structure rationally, and developing reasonable short-term debt repayment plans. It is hoped that these suggestions can provide a theoretical basis for enhancing the debt repayment ability of real estate companies in the future.

**Keywords:** Real estate, Debt repayment ability, Financial statements.

## 1. Introduction

Throughout the years, Chinese enterprises have rationalized the use of debt in the existing market economy environment, which can accelerate the turnover rate of funds and profitability to a certain extent, thereby achieving savings in the amount of funds held. Enterprises need to allocate a large amount of funds for the procurement, storage, and circulation of various goods, which can result in a certain level of fund accumulation and low utilization of funds. This is also detrimental to the development of China's economy.

This article is based on literature research and mathematical statistics. It statistically organizes the asset-liability and owner's equity-related indicators of Jiangsu Tianyuan Real Estate and calculates long-term debt indicators such as the ownership ratio, debt-to-asset ratio, equity coefficient, and shareholder equity ratio of Tianyuan Company. It also calculates short-term debt indicators such as the current ratio, quick ratio, and cash ratio, in order to analyze the long-term debt-paying ability and short-term debt-paying ability of Tianyuan Company, identify issues, and provide measures to alleviate these problems. On one hand, it can explore the current debt status of real estate enterprises in the market economic system, providing a theoretical basis for related scholars' research. On the other hand, it can enhance the debt-paying ability of real estate enterprises and prevent operational risks[1].

### 1.1. Research background

The real estate industry, as a pillar industry supporting the development of China's national economy, has experienced rapid growth and made significant contributions to the country's economic expansion. This industry is characterized by strong industrial relevance, high financing demands, long development cycles, and strong policy orientation. It is also a capital-intensive industry. In the current challenging economic environment, the real estate industry is facing tremendous challenges. Industry professionals should remain vigilant and pay attention to various risks within the industry, particularly financial risks.

The solvency of a company is closely related to its financial risk. The quality of a company's solvency determines whether its financial condition is within a safe range. The ability of a company to repay its debts and the strength of its solvency are key factors in its survival and development in a highly competitive environment[2].

### 1.2. Research objective and significance.

Under the traditional heavy-asset operational system, real estate companies often face significant cash flow pressure and difficulties in financing. In the process of macroeconomic fluctuations and transformations, the era of high profits in the real estate industry is gradually fading away. The "high turnover, high leverage" model imposes strict requirements on cash flow circulation, posing severe challenges to the financial conditions of real estate enterprises[3]. This article takes Tianyuan Real Estate Development Co., Ltd. as an example. Through analyzing the debt-paying ability and financial indicators of Tianyuan Real Estate Development Co., Ltd., it aims to identify potential financial risks and analyze the causes of various financial risks. Furthermore, it conducts a financial risk assessment and proposes targeted risk control suggestions, aiming to provide theoretical support for the risk management work of Tianyuan Real Estate Development Co., Ltd., as well as offering reference for risk prevention and control in related real estate enterprises.

### 1.3. Research methods

This article summarizes and consolidates the risk assessment methods and empirical viewpoints adopted by scholars both domestically and internationally. It also combines the debt repayment capabilities of Tianyuan Real Estate Company with the selection of appropriate data.

The quantitative analysis method is a way of analyzing the quantitative characteristics, relationships, and changes of social phenomena. In this article, the main source of data is the financial statements of companies. The article comprehensively utilizes ratio analysis, trend analysis, structural analysis, inter-comparison method, and mathematical model method to process and analyze financial

data. The analysis results are used to make reasonable judgments about the debt-paying ability of the company.

## 2. Basic Overview of Jiangsu Tianyuan Real Estate and Current Debt Repayment Ability.

### 2.1. The basic overview of Jiangsu Tianyuan Real Estate

Jiangsu Tianyuan Real Estate is a real estate company primarily operating in Jiangsu province. Its main business scope includes development and construction, property management, and real estate design. Located in Suzhou, Jiangsu, Tianyuan Real Estate has gradually gained momentum in its operations with the rise of the real estate industry. Starting from small beginnings, the company has built its brand with high-end quality, fulfilling promises with strength, and creating a livable urban environment to establish

a desirable living standard. The property developments by Jiangsu Tianyuan Real Estate employ low-carbon and environmentally friendly technologies, offering relatively lower prices compared to many other real estate enterprises. The company has earned consumer trust through standardized operations. Therefore, this article selects Tianyuan Real Estate, a company with a certain representative position in the real estate industry, for an analysis of its debt-paying ability.

### 2.2. The current debt repayment ability of Jiangsu Tianyuan Real Estate

#### 2.2.1. The indicator of long-term solvency

The main indicators for measuring the strength or weakness of long-term solvency are: asset-liability ratio, shareholders' equity ratio, and equity multiplier, among others. The long-term solvency indicators for Jiangsu Tianyuan Real Estate from 2017 to 2021 are shown in Table 1.

**Table 1.** Jiangsu Tianyuan Real Estate Long-Term Solvency Indicators.

	2017	2018	2019	2020	2021
equity ratio (%)	9.59	9.94	7.35	12.88	17.78
Asset-liability ratio (%)	9.06	9.38	7.17	11.72	16.05
equity multiplier	1.1	1.1	1.08	1.11	1.17
shareholders' equity ratio (%)	90.93	90.61	92.83	88.28	83.94

Data Source: Financial Statements of Jiangsu Tianyuan Real Estate from 2017 to 2021.

According to the analysis and compilation of Tianyuan Company's long-term debt indicators, it can be observed that the company's equity ratio has shown a growth trend from 9.59% in 2017 to 17.78% in 2021. On the other hand, the debt-to-assets ratio has increased by 16.05% from 9.06% in 2017 to 2021. The equity index of Tianyuan Company remained stable from 2017 to 2021, but the shareholder equity ratio decreased from 90.3% in 2017 to 83.94% in 2021.

### 2.3. Short-term solvency ratios

Short-term solvency analysis includes current ratio, quick ratio, and cash ratio. The analysis is presented in the Short-term Solvency Analysis Table. The short-term solvency indicators for Tianyuan Company from 2017 to 2021 are shown in Table 2.

**Table 2.** Various Short-term Solvency Ratios of Jiangsu Tianyuan Real Estate

Unit: ten thousand yuan.

Date	2017	2018	2019	2020	2021
current assets	171,453	191,222	313,511	241,262	320,764
current liabilities	20,375	24,336	33,479	33,132	44,806
quick assets	154,646	168,405	282,563	158,040	178,328
cash and cash equivalents	141,627	153,704	144,364	103,343	148,856
current ratio	8.68	7.86	9.36	5.33	4.45
quick ratio	7.59	6.92	8.44	4.77	3.98
cash ratio	0.71	0.63	0.43	0.33	0.29

Data Source: Financial Statements of Jiangsu Tianyuan Real Estate.

Through the analysis of Jiangsu Tianyuan Real Estate's short-term solvency indicators from 2017 to 2021, we found that during this period, current assets, current liabilities, quick assets, and cash and cash equivalents all showed an upward trend. However, these indicators experienced a short-term decline in 2019-2020. The current ratio and quick ratio of the company showed a declining trend from 2017 to 2018, and both indicators reached their highest points in 2019 before experiencing a downward trend in the period of 2020-2021. The cash ratio of the company has been decreasing annually from 2017 to 2021.

## 3. The Problems with The Debt Repayment Ability of Jiangsu Tianyuan Real Estate.

### 3.1. Low financial leverage effect.

Based on the analysis of various indicators of long-term debt repayment, we can know that the enterprise has relatively low long-term debt repayment ability, but the quality of indicators is not within a relatively reasonable range, either too high or too low, reflecting that Tianyuan Company has not effectively utilized the role of financial leverage, leading to

the enterprise not utilizing financial leverage reasonably to develop the enterprise.

### 3.2. Unreasonable debt repayment structure

Through the analysis of the long-term debt repayment index of Jiangsu Tianyuan Real estate, we can find that the enterprise pays more attention to the long-term debt repayment, but the enterprise pays only the long-term debt and pays less attention to the short-term debt repayment, resulting in a huge increase in the proportion of current liabilities of the enterprise. This kind of repayment method will increase the risk of debt operation of the enterprise, which is often unreasonable in operation. And paying off the debt in this way will lead to the operation of the enterprise can not develop actively and healthily. However, the large amount of short-term current liabilities of enterprises will lead to enterprises' inability to avoid risks in time, which will have a negative impact on long-term development.

### 3.3. Short term debt repayment plan is not reasonable

From the perspective of the current basic management mode of Jiangsu Tianyuan Real estate, during the operation and development process of Tianyuan company, the

managers' allocation of short-term debt repayment plan is not reasonable, which is the key factor leading to the problem of enterprise debt paying ability. From the current situation of the operation and development of Tianyuan company, the managers of Tianyuan company have not paid attention to the analysis of the proportion of current assets and current liabilities in the process of formulating the basic development plan of the company. Under such a background, the income from the operation and development of enterprises and the debt level of enterprises show a trend of not obviously matching, resulting in the short-term solvency of enterprises being affected.

## 4. Reasons for the Problems in The Debt Repayment Ability of Jiangsu Tianyuan Real Estate

### 4.1. The financial leverage coefficient of enterprises is relatively small

According to the financial report disclosed by Tianyuan Real Estate, the financial leverage coefficient of the enterprise between 2017 and 2021 was calculated, and the following data was obtained. (Table3)

**Table 3.** Financial leverage coefficient of Jiangsu Tianyuan Real Estate from 2017 to 2021

	2017	2018	2019	2020	2021	Industry average
Equity multiplier	1.1	1.1	1.08	1.11	1.17	1.56

Data source: Financial statements of Jiangsu Tianyuan Real Estate

In general, the equity multiplier of a company reflects the size of its financial leverage. The larger the equity multiplier, the greater the financial leverage, and the more significant the role of financial leverage in the company's operations. However, the financial leverage coefficient is not too high and should be maintained at around 1.5, which is more appropriate. From Table 8, it can be seen that the financial leverage coefficient of Jiangsu Tianyuan Real Estate remained around 1.1 from 2017 to 2021, which is lower than the industry average. This also indicates that the company's financial leverage is relatively small and its role in operation is limited.

### 4.2. Uneven ratio between long-term debt repayment and short-term debt repayment

According to the data of the financial statements of Tianyuan Real Estate Development Co., Ltd. from 2017 to 2021, the Current liability of the enterprise during this period were far more than those of non Current liability, and the middle difference was huge. The proportion between the two was uneven. The proportion of the enterprise's non Current liability, that is, Long-term liabilities, is very small, which indicates that the enterprise prefers to use Current liability when choosing to borrow money for operation, and the total amount of the enterprise's non Current liability is declining year by year and the decline is large, which also indicates that Tian Yuan gives priority to repaying non Current liability when repaying debts, This has also resulted in an uneven ratio between long-term debt repayment and short-term debt repayment.

### 4.3. Imbalance of short-term debt ratio

According to the above research, the short-term debt of Jiangsu Tianyuan Real Estate far exceeds long-term debt,

with zero interest bearing debt in the short-term debt. Other payables and accounts payable are the main short-term debt, and they also include advance payments and employee compensation payable. Among them, the decrease in employee compensation payable is more significant, indicating that enterprises prioritize paying employee salaries. However, the decline in other types of short-term liabilities in enterprises is not significant. And in the analysis of short-term debt repayment ability of Jiangsu Tianyuan Real Estate, it can be seen that the enterprise has good short-term debt repayment ability, but the enterprise does not prioritize short-term debt repayment. This also indicates that there is a significant gap in various indicators of short-term debt among enterprises, and the proportion of short-term debt is imbalanced.

## 5. Countermeasures for Improving the Debt Repayment Ability of Jiangsu Tianyuan Real Estate

### 5.1. Fully leverage the role of financial leverage

Reducing financial leverage may have a short-term impact on a company's operations, but there are two main reasons for the lack of solvency: firstly, the company lacks profitability and cannot find its own profit model, resulting in the loss of hematopoietic capacity and the inability to repay the debts it has undertaken. Secondly, the financial leverage of the enterprise is too high, and the profitability of the enterprise cannot bear the excessive leverage, leading to the rupture of the enterprise's capital chain. Therefore, reducing financial leverage to control the expansion speed of enterprises can effectively address the risk of insufficient solvency[4].

## 5.2. Reasonable planning of debt repayment ratio

In the analysis of the debt paying ability of Jiangsu Tianyuan Real Estate, it is found that the enterprise has an unreasonable debt paying structure. It attaches too much importance to the repayment of long-term loans, and the lack of repayment of short-term loans will lead to excessive Current liability. The enterprise cannot effectively avoid risks in the business process, which is not conducive to the sustainable development of the enterprise. Therefore, in response to this issue, Jiangsu Tianyuan Real Estate should determine a reasonable debt repayment structure during operation, and achieve moderate debt repayment operation. When repaying debts, enterprises can analyze based on the financial indicators of the current year, and choose the proportion of long-term and short-term loans to be repaid through reasonable allocation, so as to maintain the two at an appropriate level. Maintaining a stable and appropriate ratio between the two levels can contribute to the stable growth of the company's asset utilization rate, cash flow, and actual operations, thereby increasing the company's revenue generation and promoting the long-term healthy development of Jiangsu Tianyuan Real Estate.

## 5.3. Scientifically formulate short-term debt repayment plans

If we want to ensure that enterprises can meet short-term debt repayment requirements and fully leverage the role of current assets in profitability, we should develop a scientific short-term debt repayment plan. For Tianyuan Company, if it wants to complete the formulation of the plan, the following work needs to be done well: enterprise management personnel should attach great importance to the short-term debt repayment plan, recognize the role of the short-term debt

repayment plan, so that the company can use its current assets reasonably according to its own development direction and other aspects, and also ensure that it has good debt repayment ability according to the short-term debt repayment plan.

## 6. Conclusion

In summary, this article mainly analyzes and summarizes the current financial solvency of Tianyuan Company in response to various issues in the formulation of financial indicators and financial operations. After the analysis of this article, it is found that Tianyuan Company has certain problems in both short-term and long-term solvency in its current business process. In response to this, Tianyuan Company needs to use reasonable financial leverage. Starting with the establishment of various financial indicators and the planning of short-term solvency, enterprises can fully enhance their financial capabilities in the future development process, providing necessary guarantees for their ability to cope with risks and enhance their capabilities.

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