Discussion About the Problems and Countermeasures of Small and Medium Manufacturing Enterprises in Cost Management

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Abstract. With the further deepening of reform and opening up, the traditional low-cost competitive strategy has lost its original utility. Instead, it has become a bottleneck that restricts the sustainable development of small and medium manufacturing enterprises. Based on the current situation of cost management of small and medium manufacturing enterprises in Dongguan, the paper deeply analyzes cost management problems of small and medium enterprises in Dongguan, such as imperfectness of cost control institutional system and overly solidified cost accounting method, and draws on the advanced experienced of cost management and thus puts forward some suggestions on improving cost management of small and medium manufacturing enterprises in Dongguan.

Introduction

Dongguan is an important field implementing the policy of reform and opening up. Its manufacturing industry is an important part of China’s manufacturing system. So Dongguan has the reputation of world factory. However, with the further development of reform and opening up and the gradually optimized development of the mode of the socialist market economy system, although small and medium manufacturing enterprises in Dongguan encounter the opportunity of the implementation of industrial transformation and upgrading policy, they also fall into difficult circumstances that the price of raw materials is soaring; the price of labor is rising; the cost of land increases. Therefore, it has obvious theoretical significance on the formation and sublimation development of modern cost management theory system of small and medium manufacturing enterprises in Dongguan to comprehensively analyze the current cost management mode of small and medium manufacturing enterprises in Dongguan and profoundly discuss the cost management operation mode of small and medium manufacturing enterprises in Dongguan based on the theory of cost management at home and abroad and successful industrial experience and the extracted relevant main points of accounting theory.

Significance of Strengthening Cost Management

Help companies implement efficient management

An enterprise management system with the characteristics of modern development undoubtedly includes a complete and innovative cost management system. [1] It is an indispensible method for enterprises to implement efficient management to accurately introduce and use cost management concept with the characteristics of modernization in the current era. For the modernized enterprise management system, cost management plays a role that cannot be ignored. After all, it breaks the cost operation mode that the old cost management system confines cost reduction to the production phase and shifts focus to the operation system of comprehensive cost management. It pays special attention to technology, procurement, accounting and cost analysis of the competitors in the industry. It helps enterprises carry out the correct business forecasting and decision-making, choose the optimal business strategy as far as possible, handle a relationship well between sustainable development and modern cost management implementation, and promote the implementation of effective and even high-efficient production and management.
Help companies carry out reasonable resource allocation

Cost is an economic index to measure comprehensive labor loss and production quality standard of a company. Any resource consumption in the production management process can be scientifically collected and measured by cost management and directly or indirectly reflected in the form of data. Therefore, to strengthen cost management can play the role of cost in controlling resource loss in every link of production and operation. Moreover, all the losses and wastes generated by enterprises in the implementation of production management also can be objectively reflected by cost management. Therefore, enterprise can improve the utilization of resources, appropriately optimize internal and external resource allocation, and reduce the waste of resources by taking appropriate ways to improve cost management.

Help companies improve market competitiveness

Generally speaking, the main tools for enterprises to break through internal and external pressures include product design innovation, product quality improvement, commodity cost reduction and sales volume increase. Among them, commodity cost reduction is generally regarded as the key way. After all, to implement cost management of self produced products and reduce product cost can reduce the distribution price of products and avoid the situation that suppliers and dealers are induced to raise price and increase the corresponding tax burden to a moderate degree. In this way, enterprises can improve the margin ratio of safety and strengthen the sales ability of products, and thus improve the market share of products and market competitive advantage, and rapidly adapt and survive when the market environment is abrupt. Moreover, cost management of self-produced products is an important method for enterprises to obtain economic benefits. Therefore, modern cost management can help companies lift the overall quality of self management to the level of the advanced enterprises in the industry, maintain higher profitability, improve the influence on the market, and thus strengthen market competitive advantage.

Problems in the Cost Management of Small and Medium Manufacturing Enterprises in Dongguan

Imperfect cost control institutional system

Although small and medium manufacturing enterprises in Dongguan have established a framework of cost management system, they still lack a comprehensive and scientific cost control system. Affected deeply by macro socialist economic model, in the process of cost management, small and medium manufacturing enterprises in Dongguan generally only focus on controlling product cost and ignore product cost management at the stage of supply and distribution and others. They fail to realize the situation that cost control of product research and development and market development is an important component of corporate cost management, and do not consider cost control stage in all aspects and have no awareness of running cost management through every link of the product lifecycle. Moreover, in the process of cost management, small and medium enterprises only consider the accounting control of internal cost, direct cost, short-term cost and subjective cost, and ignore the analysis control of external cost, indirect cost, strategic cost, long-term cost and opportunity cost. In this way, the enterprises often run into some avoidable problems due to inefficient or invalid cost control.

At the same time, although small and medium manufacturing enterprises in Dongguan have a clear cost management target, they lack a specific cost control method to strengthen and implement the target. They lack the target of practical value. When they need to adjust the content of economic benefits, they curl up their target and fail to play a role of cost control, which highlights the imperfectness of cost control institutional system. From the perspective of the content of the current cost control system, small and medium manufacturing enterprises in Dongguan generally only emphasize the distribution of ordering employees and departments at a macro level in institutional construction rather than regulations of specific cost control measures. And from the perspective of the executive force of cost control system, small and medium manufacturing enterprises in
Dongguan generally unilaterally emphasize the requirements of cost control of the general production and operation personnel and ignore the supervision of the leadership of department heads, which increases corporate cost expenses and seriously wastes the leadership.

**Overly solidified cost accounting method**

Small and medium manufacturing enterprises in Dongguan generally carry out cost accounting by the mode of semi computerization. Theoretically, the mode of semi computerization is a way that some data are manually input, then business operators make a computerization operation based on the input data and make a report according to the financial needs. The mode has the shortcomings of brief accounting steps and uncertain accounting process, which leads to the situation that its accounting result fails to objectively reflect corporate product cost.

At the same time, small and medium manufacturing enterprises in Dongguan generally carry out product cost accounting by the quota cost method. The quota cost method is only specific to the most refined classification of product cost at the level of product type. Therefore, when non-standard customers change needs, product cost increased by the enterprises will be collected and measured to product type. In particular, when the enterprises have larger requirements of transformation configuration, the finally measured result is only the sum of cost of product types rather than the cost of the product produced by the actual production. Therefore, from the essence of the quota cost method, the implementation of cost accounting only completes the task registered in corporate financial statement account and fails to provide accurate data analysis with reference value in assisting enterprises in implementing scientific management decision making.

**Large fluctuation range of periodic cost, difficult to determine target cost**

Most of smaller manufacturing enterprises in Dongguan unilaterally limit the role of cost management to the aspects of money saving and cost reducing. The traditional small and medium manufacturing enterprises in Dongguan are affected by the situation that their products excessively depend on external demand. If the enterprises sell more products or reduce cost, they will relax cost management and control. However, if the enterprises run into bad sales situation or obtain fewer profits, they will strengthen cost management. Small and medium manufacturing enterprises in Dongguan generally only regard cost management as a short-term exercise rather than a systematic and ongoing activity and also ignore the position of cost management as an important part of their daily activities, which leads to the situation that the enterprises face larger fluctuation range of corporate periodic cost and fail to determine target cost and makes the results of periodic cost accounting and control do not provide accurate cost planning service for their future development. At the same time, if the enterprises make such a continuous cost management for a long time, they cannot keep their own cost level at a lower level, which is not conducive to the improvement of their own economic benefits and hinders the improvement of their own long-term competitiveness.

[2]

**Employees lack professional skills and are with old management concepts**

Most of cost managers in small and medium manufacturing enterprises are with lower comprehensive quality, which is mainly shown in the following aspects:

Firstly, they are with lower professional judgment level and professional ethics and lack professional cost information management and application skills. During the process of cost budgeting and cost analysis, cost managers usually only choose single or traditional cost management methods and ignore multiple and advanced cost management methods due to the limitation of professional judgment level.

Secondly, they are with traditional and backward cost management concepts. Most employees from small and medium manufacturing enterprises consider that cost management is only the responsibility of mangers and financial staff and the corresponding cost effectiveness is also only the responsibility of mangers and financial staff. In this way, they tend to ignore their own responsibility that what costs they should control and how they should control costs and fall into the wrong area of replacing management with calculation. In addition, some leaders of small and
medium manufacturing enterprises in Dongguan still unilaterally regard human resources as an important tool to develop. But they also try every means to reduce employees’ welfare in order to reduce the cost of production and increase their profits. In this way, the employees lack the enthusiasm of cost management and are bound by backward and old cost management concepts.

**Suggestions on Strengthening Cost Management of Small and Medium Manufacturing Enterprises in Dongguan**

**Perfect cost control system and take into account the overall situation**

The cost of any products usually includes manufacturing cost as well as any expenditure and consumption produced in the whole production cycle. [3] A perfect cost control system plays a positive role in the whole process of modern corporate cost management activities rather than just control rather than only control the product production stage. In the face of the market that changes at any time, if small and medium manufacturing enterprises in Dongguan want to win the developmental advantage in the fierce market competition, their cost control system should carefully divide the contents of various costs, expand the current cost control stage, and take into account the overall situation of cost management rather than unilaterally regard product production process as the overall process of cost management.

First of all, the enterprises should establish an all-around cost control system and extend control perspective profoundly to the various levels of product sales market. And they also must control all the expenses produced in product research and development and after-sales service and other activities. Secondly, the enterprises should not only focus on cost control of tangible materials such as raw materials and finished products in the process of cost control, but pay attention to cost control of non materials such as market environment and labor force or intangible products. At the same time, in the process of perfecting the cost control institutional system, when the enterprises revise the content of the institutional system, they should clearly revise the regulations of the specific measures necessary to cost control, mobilize the enthusiasm of accurate cost control, and carry out the goal of realizing cost control.

**Analyze internal and external environment and timely upgrade cost accounting system**

Cost accounting is an important work in modern cost management activities and a key link to determine modern cost management efficiency. Therefore, the enterprises first should complete the objective record of the original cost accounting data, which directly reveals the initial registration data of corporate production and management process and is also an objective basis for the enterprises to make scientific cost planning compilation and accurate cost accounting. Therefore, in view of the original data records in the relevant cost accounting level, the relevant financial staff must carefully and objectively complete registration and achieve the situation that there must be an objective data registration for production and management activities. Moreover, the enterprises must perfect the formulation of internal property and material management system, objectively and strictly calculate the receipt and dispatching of all the corporate resources, and inspect and deal with the formalities stipulated in the corresponding system. In addition, the enterprises must start from their own specific conditions according to the internal and external environment analysis, regularly or irregularly check all their own resources, formulate the resource consumption quota meeting the needs of corporate development, and regard it as the basis for cost accounting.

At the same time, with the continuous development and popularity of electronic technology and Internet, small and medium manufacturing enterprises in Dongguan must establish a modern and efficient cost accounting system with the comprehensive computerization as the center. Based on the system, the enterprises can give full play to the fast data processing speed, huge information reserves and convenient use of the electronic computer and achieve the goal of dealing with in batches and timely dealing with cost accounting data.
Strengthen industrial exchanges and formulate clear cost plans

If the enterprises want to improve their own economic efficiency and strengthen their own market competitiveness through the process of modern cost management, they must strengthen the exchanges in the industry or between industries, make an objective cost budget and decision making, formulate specific and clear cost plans, and stabilize their cycle target cost.

First of all, the enterprises must investigate small and medium enterprises with advanced cost management level in the industry or between industries, grasp the advanced means of cost planning, formulate various cost plans that regard cost target and cost level in the planning cycle as the core and can analyze and compare and implement cost target to carry out cost budget, control and understand their own future cost level and its changing situation, reduce low efficient and even invalid cost decision probability, and play an important role of cost budget and cost planning in modern cost management.

Secondly, the enterprises must plan cost in an all-round way. In other words, the enterprises must strengthen cost planning in the process of production and management, including the planning of budget consumed by various departments of production and management at various stages. The enterprises should mainly strengthen the planning of material, work and fee consumption in the process of improving cost planning, formulate the comprehensive, specific and clear cost planning, and stabilize the fluctuation range of cycle cost.

Finally, the enterprises must carry out the analysis of periodic cost data, find the key factors affecting large fluctuation range of periodic cost from the comparison of their own historical data and comparison with data of the industrial enterprises with advanced cost management, formulate scientific and reasonable cost planning, and make clear and stabilize their own periodic target cost.

Carry out skill training and perfect post training system

If the enterprises intend to manage cost effectively, they must focus on improving the comprehensive quality of the financial staff.

First of all, the foreign enterprises must strengthen the introduction of the talents with professional cost management skills, and the domestic enterprises must focus on training knowledge and skills related to financial accounting management and accounting standards of cost managers, strengthen the work skills of cost managers and innovate the management concept of the relevant staff.

Secondly, the enterprises also should actively strengthen the modern management consciousness of their own cost managers and mobilize the enthusiasm of all the employees in cost management. In the process of modern cost management, the enterprises must establish a people-oriented management concept, give full play to the intellectual ability of cost mangers, target to mobilize and train the subjective active initiative of all the employees, motivate each employee’s sense of responsibility to manage cost in an all-round way, make clear the key actual value of improving the work efficiency of the current cost mangers and achieving modern management target.

Finally, in order to conform to the requirements of the era when science and technology are the first productivity, the enterprises also should continue to strengthen the ability of cost mangers in management technological innovation and sound staff training system through the form of management technological innovation training.

Conclusion

With the continuous development and growth of the socialist market economic model, corporate modern cost management has increasingly become an important driving force for the enterprises to strengthen market competitiveness and maintain the sustainable developmental state. Under this background, the paper discusses the current cost management situation of small and medium manufacturing enterprises in Dongguan, understands the cost management problems commonly existing in small and medium manufacturing enterprises in Dongguan from the specific level, puts forward some meaningful and valuable suggestions according to practice investigation and analysis
of theoretical knowledge, and helps the enterprises better respond to the challenge of continuous change of market environment.

References

