

New mode of cost management based on ERP system-- Take China Tobacco Company A as an example

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Abstract: The report to the 20th National Congress of the Communist Party of China stressed that we should accelerate the construction of a new development pattern and strive to promote high-quality development. At the same time, the 14th Five-Year Plan of the tobacco industry will “build a modern financial management system” as one of the measures to promote efficient governance and support high-quality development, while cost control is an important part of the company’s high-quality development. Taking A China Tobacco Company as an example, this paper aims to explore the use of standard management methods to strengthen cost control, actively promote target cost management, refine cost quota standards, strengthen standard management, carry out multi-dimensional and multi-level cost driver analysis, strengthen assessment and evaluation, and continue to promote cost reduction and efficiency.

Key words: tobacco enterprises; Cost control

Under the background of the current digital transformation and upgrading of the industry, as well as the development of the “1575” financial strategy proposed by the National Bureau at the beginning of the year, in order to comprehensively analyze the current cost management mode of A China Tobacco, it focuses on the shortcomings of the management process and information construction after the ERP system is launched. According to the annual management promotion work arrangement, Company A carries out the benchmarking work of “around the new model of cost management based on ERP system”. Through benchmarking analysis with outstanding brother units in the industry, the current situation of cost control of the company was analyzed and judged, problems were identified, suggestions were put forward, and A new mode of cost management in line with the cost management of China Tobacco A was explored, so as to further improve the company’s comprehensive cost management level and promote the company’s high-quality development to a higher level.

I. There are shortcomings in the company’s cost management

In recent years, under the strong leadership of the Party group of the company, the company’s cost control has achieved good results, the company’s cumulative savings of more than 100 million yuan, the amount of cost reduction and efficiency is in the forefront of the industry, and the gap between the cost profit margin and the industry has narrowed, but behind the good results, the company’s cost management is still insufficient, and the industry lean cost management requirements there is still a certain gap. The details are as follows:

1.Collaborative management underpins lean costs

In recent years, the company has gradually established a coordinated management mechanism of “production, supply, research and marketing”. For new product research and development, it also carries out R&D and design in strict accordance with the requirements of industry cost control. However, the target cost assessment is insufficient, the annual fixed cost (target cost) is not maintained in place, and the fixed cost project is not refined in place. For example, when a specification cigarette changes the leaf formula design or material design, the fixed cost data is not revised in time, resulting in the cost changes can not be implemented to the specific departments and units, and the scientific support for the assessment is not enough, resulting in the assessment and evaluation is not in place.

2.Cost analysis to support lean cost is insufficient

In recent years, the company has gradually increased the cost evaluation and benchmarking analysis, mainly according to the industry volume, cost and profit report and the industry competitiveness data report, cost benchmarking, for the company’s cost weakness, the corresponding topic research, thematic research, etc., in order to reduce costs. However, due to the small dimension of benchmarking, insufficient access to information, and the inability to benchmark the industry and the company’s similar scale of enterprises, resulting in the company’s lack of targeted cost reduction, can not find a suitable path to help the company’s cost optimization.

3.The integration of industry and finance to support lean cost is insufficient

At present, the integration of financial department and business department is not close enough, and there is a lack of effective interconnection mechanism. Although the company has begun to promote the industry financial integration model, the responsibility allocation and specific content of financial personnel are not clear enough, and the participation in business activities is not deep enough. For example, in the material bidding negotiation, the financial department often participates in the final price negotiation, but it lacks actual investigation on the material selection and price analysis of suppliers in the early stage, resulting in weak bargaining power in the bidding.

II. The benchmarking enterprise excellent practice analysis

In order to comprehensively improve the company’s cost control level, Company A formed a special research group on cost management, and went to China Tobacco Company B to carry out a special study on the standard, and during the investigation, went to the subordinate cigarette factory of Company B for field understanding. Through the study and discussion with the relevant comrades of B China Tobacco Company on the cost management work ideas, system construction, management process, etc., the thinking was inspired,

the thinking was expanded, and the experience was gained. B China Tobacco has good experience in cost management and control, which is worth learning from as follows:

1. In the construction of cost quota standard system

To refine the cost control, optimize the accounting process as the starting point, combined with the actual production and equipment operation of enterprises, on the basis of the establishment of raw and auxiliary materials price fluctuation reflection mechanism, formulate the cost quota system. On the one hand, the cost quota system is applied to the workshop consumption management, through the implementation of monthly cost deviation analysis, financial management to the actual business further in-depth, according to the conclusion of financial summary analysis more accurately focus and sniper problem nodes, open up the management vein, to achieve the double effect of production consumption management and financial management, cost expenditure process management is more scientific and effective; On the other hand, it is applied to the enterprise cost and expense budgeting management, combining the quota management with the workshop monthly closing, standardizing the production closing report of the silk making workshop and the wrapping workshop, increasing the early warning and analysis functions, identifying the reasons for the consumption fluctuation rate of more than 2%, conducting difference analysis, and putting forward improvement suggestions.

2. In the use of information system to strengthen the cost analysis

In terms of cost and expense analysis, China Tobacco mainly analyzes the fluctuations of cost and expense from the perspectives of consumption, raw material price and cost allocation by means of volume and profit statements, financial letters, comparison of production cost per box and comparison of financial indicators. The practice is to import the economic operation system after the completion of the monthly volume and profit report, and generate a series of tables for the financial analysis of the enterprise situation, including the financial index table of each brand, each brand and each price category of cigarettes, the production cost comparison table, the raw materials, the main materials comparison table, the key brand financial index table, etc. The series of tables generated according to the volume and cost can be analyzed from multiple dimensions of financial indicators and costs. At present, the application of cost management informatization focuses on business processing and accounting processing, and the management and control mainly rely on functional departments to manage production consumption, cost quota and expense execution. In the future, the informatization integration of the whole process will be built to improve the depth and breadth of cost analysis.

3. In the promotion of cost control and efficiency management

First, pay attention to the scientific use of quota management tools. Build a cost quota framework with “business thinking”, combine the actual production and equipment operation of enterprises, and formulate a cost quota system on the basis of establishing a price fluctuation reflection mechanism for raw and auxiliary materials. On the one hand, the production workshop can not only use the quota standard of each cost factor to scientifically control the actual consumption of production; On the other hand, it can be applied to enterprise cost and expense budgeting management to further optimize the efficiency of enterprise resource allocation and improve the rationality and accuracy of budget preparation. The second is to refine the cost control, optimize the accounting process as the starting point. Systematically carry out the work of improving quality and efficiency, adhere to the idea of integrating industry and finance, clarify management needs, and set up a research group to comprehensively visit business process posts at key nodes to conduct research, collect feedback on problems, and formulate response plans, which has carried out beneficial exploration for systematically promoting management and reducing consumption and realizing efficient financial governance. In the future, information technology will be used to advance the material distribution function in the system, introduce the cost quota index into the information system, strengthen the monitoring of the workshop cost process, promote the application of cost quota in the monthly closing of the workshop, so as to timely find problems, analyze problems and solve problems, and further improve the level of cost management control. The third is to continue to promote the “two transfers” work ideas of cost control. That is, from the previous focus on the main raw materials such as tobacco leaf, box leather and tissue paper to the focus on the detailed materials such as loading paper and inner lining paper, from the previous focus on the quantity and consumption of raw materials to the value management transfer.

III. The main harvest and improvement suggestions on the target

Through in-depth cost management of standard B, based on the actual situation of the company, in-depth thinking, further clarify the optimization ideas of cost control under the ERP system, and further clarify the direction of cost management of China Tobacco A. And on this basis, formed the company’s cost management model work suggestions:

1. In the optimization and improvement of the cost quota standard system construction

To actively explore the establishment of research and development, supply, raw materials, production, marketing, finance, information and other departments to participate in the cross-departmental team, form an effective cost control force, gradually improve the establishment of the company’s quota cost management system, to achieve lean coordination in the company’s cost management. At present, the company’s consumption quota standard only covers “tobacco leaf” and “three paper and one bar” (issued by the production and manufacturing center), and other auxiliary materials with relatively small value amount are not included. It is suggested that in order to refine cost control and further strengthen cost management and control, the company’s consumption quota standard should fully cover cost items. Scientifically and reasonably develop the consumption quota standard of the full-cost items in the production specifications of cigarettes, from the previous focus on key cost items to the “key and detailed materials” transfer, at the same time, the quota standard and the workshop production cost report combined to facilitate the production workshop and relevant departments to carry out cost analysis. In

the optimization and improvement of the cost quota standard system, the financial department should strengthen the communication with the manufacturing center, gradually maintain the same cost caliber of each project, ensure that the data source is “one door”, and the data application is more convenient. For example, the financial Department used to calculate the comparable cost by coding cigarette output, and will gradually consider using the actual cigarette output in the future. So that the comparable cost of finance is consistent with the comparable cost of business departments. At the same time, the deviation degree of the company’s annual tax profit realization has become a key project of the assessment of the National Bureau. Therefore, improving the cost quota system is helpful for the company’s tax profit calculation, taking the annual tax profit target as the leading, actively planning and acting ahead, effectively controlling the rhythm of production and operation, reasonably controlling the implementation progress, and ensuring the smooth realization of the annual tax profit target.

In digital enabling to enhance the intelligent cost management of enterprises

It is necessary to improve the intelligent cost management of enterprises with the help of digital empowerment, realize the comprehensive structuring and digitization of data, and lay the data support foundation for the company’s key cost assessment. The “future-oriented combination” proposed in this year’s financial audit work meeting puts forward new requirements for information support financial work. In order to achieve financial model reform, it is necessary to introduce new technologies, play cloud technology, middle platform technology, and multi-end application scenarios, and break the original “operation” space limitation and “credential” physical constraints. To achieve financial applications truly on the cloud, data comprehensive structuring and digitization, so that cloud technology can enable the transformation and upgrading of financial management. Enterprises should vigorously promote the construction of financial information, build an integrated operation platform for financial management and control, highlight data empowerment, reduce human intervention, strengthen the integration of industry and finance, improve work efficiency, so that data can support business and support decision-making, and at the same time, provide strong support and strategic planning for the improvement of the comprehensive management ability of financial managers, so as to achieve “intelligent” synchronous improvement.

3. In opening up the integration of industry and finance to strengthen cost analysis

It is necessary to deeply open up the integration of industry and finance of the company, strengthen the whole process analysis mode of cost before and after, especially the post-cost analysis and evaluation, to ensure that the process is clear, and ultimately reduce the overall cost expenditure and maximize the economic benefits of the enterprise. Financial digital transformation is bound to improve data quality by standardization, improve efficiency by integrated application, and achieve financial management transformation by integrating industry and finance, so as to achieve high-quality financial source data. In this technology, in particular, it is necessary to change the traditional accounting elements from paper to digital accounting elements, such as the digitalization of key elements of the contract structure, the digitalization of invoices, the digitalization of input and exit orders, the digitalization of acceptance orders, and the digitalization of approval orders, so as to reduce the possibility of errors in manual entry of documents. At the same time, it is suggested to further strengthen the cost analysis before and during the event. At present, the company has more post-event cost analysis and evaluation, but the time of monthly financial settlement is urgent. Once the data is wrong, the traceability adjustment is not timely enough, which affects the cost accuracy. Therefore, it is necessary to strengthen the monitoring of the accuracy of the price in the process of material procurement and settlement, and directly adopt the settlement price from the contract with the help of the information system to ensure that the price of the contract, order and receipt of documents is consistent, and improve the pre-control level of cost management; At the same time, it is necessary to strengthen the monitoring of the workshop cost process, promote the application of cost quota in the workshop monthly settlement, ensure that problems can be found in time, and improve the control level of cost management.

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