China's System and Practices of Corporate Cost Management

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The Evolution of Cost Management in China

The Current Status of Cost Management in China

The Prospect of Further Work

1. The Evolution of Cost Management in China

Stage Three Stage One Stage Four Stage Two A boom in cost management practices IT tools were Internal responsibility Full costing method introduced in cost accounting focusing applied by state-A series of rules set a owned enterprises management on cost new scope of cost and The reform and introduce period Implemented cost The first cost opening-up of China expense accounting rule of in 1978 entailed a management system, despite only used with China — the Uniform commodity economy Full costing method stand alone method or Costing Code for The State-Owned was replaced by State-Owned **Enterprises Cost** tool manufacturing cost **Industrial Enterprises** Management method Moved to establish Regulation in 1984 The shift-group cost accounting The Costing Management accounting system accounting system for module in IT system accounting methods while the function of State-Owned and tools in western **Industrial Enterprises** cost management were countries' practices not enough in 1986 was introduced and incorporated into local practices

2. The Current Status of Cost Management in China

(1) Developed a Set of Corporate Product Cost Accounting Systems to Improve the Quality of Product Cost Information

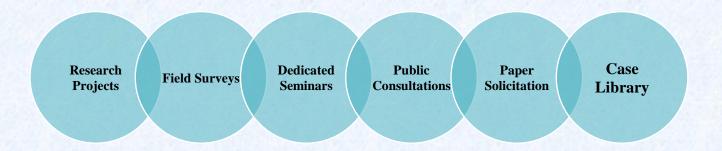
- The Product Cost accounting system for Enterprises (trial)
 issued in 2013
 effective in large and medium enterprises except for financial and insurance sector
 based on new requirements of accounting standards and the needs of social and economic development
 to improve the quality of corporate product cost information
- Industry-specific Costing Systems
 oil&gas, coal and grid
 cost information more comparable and cost benchmarking
 to promote to cut cost and to increase efficiency

2. The Current Status of Cost Management in China

- (2) Developing a Set of Management Accounting System with Chinese Characteristics, Including Improving Cost Management
- ◆ Guiding Opinion on Promoting the development of Management Accounting System
 - —— released in 2014
- ◆ The Management Accounting Application Guidelines with Chinese Characteristics
 - —— established at the end of 2018
 - —— one basic guideline, 34 application guidelines, and 54 cases
 - —— common management accounting tools and methods in each of 8 areas
 - one general guideline and 4 specific guidelines in cost management area
 - target costing, standard costing, variable costing and ABC

2. The Current Status of Cost Management in China

Facilitate the Application of Management Accounting in Practices



- —— The biggest share (20%) focused on cost management among over 660 cases
- —— Traditional tools and methods remain dominant
- —— Strategic cost management explored, extending to R&D and design phases

3. The Prospect of Further Work

- (1) Improve the Industry-specific Cost Accounting Systems
- ◆ Keep up-to-date the implementation of *the Product Costing System for Enterprises (trial)*
- Develop specific cost accounting systems for more sectors

3. The Prospect of Further Work

- (2) Facilitate Consolidating Companies' IT Systems to Achieve Data Sharing and Integration
- ◆ IT systems relatively isolated from each other
- ◆ Promote cost management IT System with financial system, management systems and operation systems
- ◆ Support Cost Management of Whole Value Chain Process

3. The Prospect of Further Work

- (3) Carry out Research and Distill More Cases into advanced Experiences and Best Practices for Sharing
- ◆ Encourage expert teams to delve into and distill companies' successful cases
- ◆ Encourage institutions to assemble platforms to share their experiences in applying management accounting to pursue innovation together and sharing results

Thank you!