



中华人民共和国财政部

Ministry of Finance of the People's Republic of China

China's System and Practices of Corporate Cost Management

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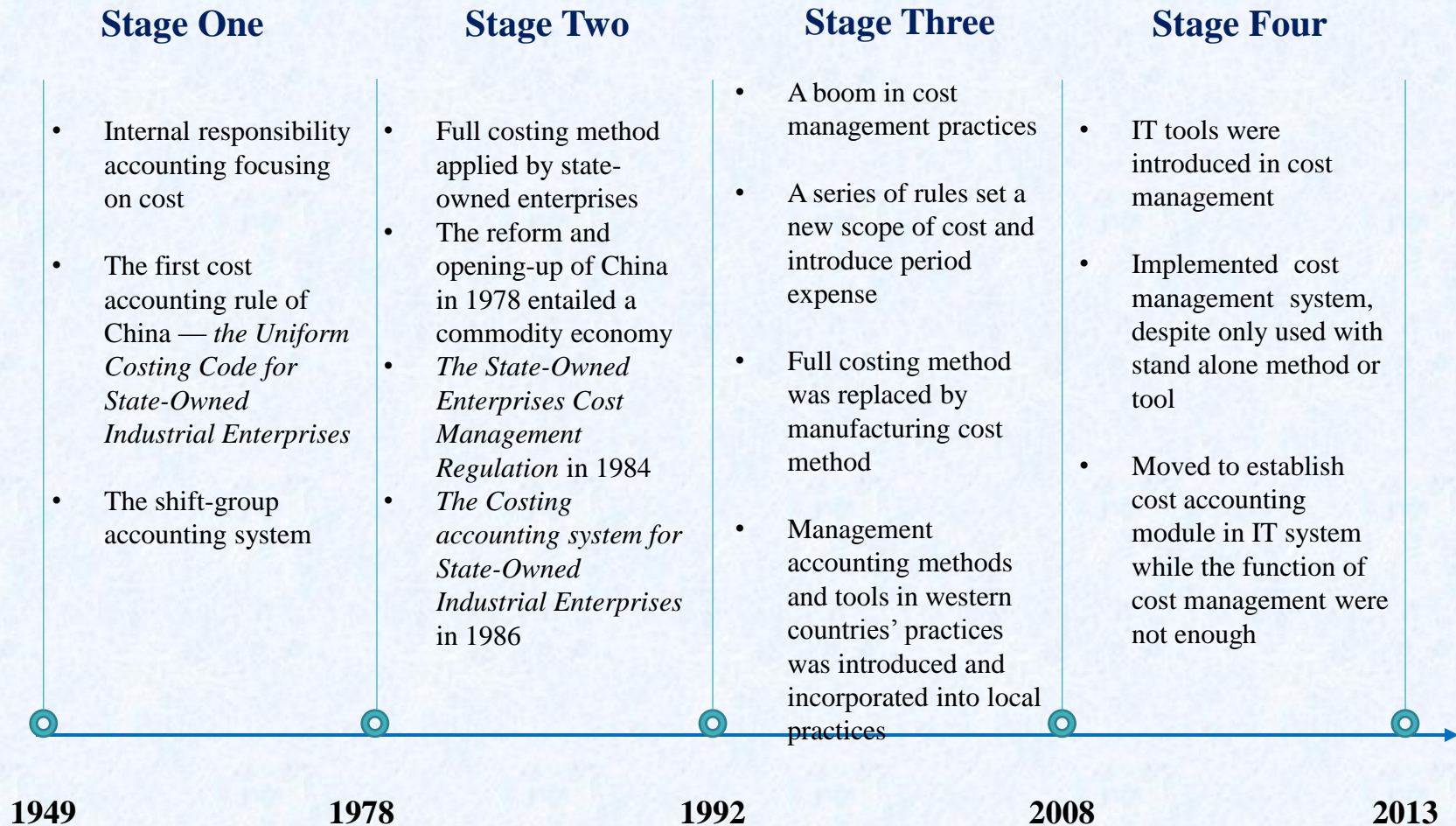
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1. The Evolution of Cost Management in China



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

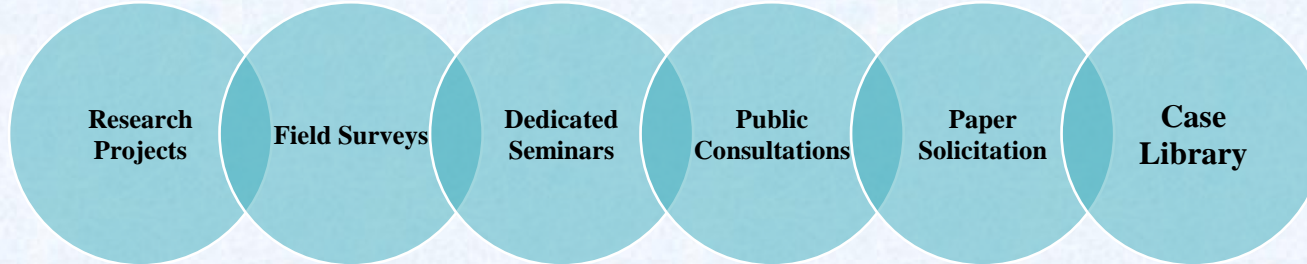
(2) Developing a Set of Management Accounting System with Chinese Characteristics, Including Improving Cost Management

- ◆ *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!