



# The Application of Management Accounting in Cost Management of Industrial Enterprises

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**Abstract.** This article explores the application of management accounting in cost management of industrial enterprises. Management accounting is a discipline that provides information and data support for enterprise management and decision-making. This article first introduces the basic concepts and characteristics of management accounting, then analyzes the importance of management accounting in industrial enterprise cost management, and focuses on discussing the specific applications of management accounting in industrial enterprise cost management, including cost control, cost accounting, cost analysis, and cost prediction. Finally, this article summarizes the advantages and challenges of management accounting in cost management of industrial enterprises, and proposes suggestions for further improving the application level of management accounting.

**Keywords:** management accounting, industrial enterprises, cost management, cost control, cost accounting

## 1 Introduction

In a fiercely competitive market environment, industrial enterprises need to continuously improve production efficiency and reduce costs to maintain a competitive advantage<sup>[1]</sup>. Cost management is one of the important means to achieve this goal. Management accounting, as a discipline that provides information and data support for enterprise management and decision-making, has the potential to play an important role in cost management.

## 2 Overview of Management Accounting

As an important branch of accounting discipline, management accounting has important practical value and practical significance. Traditional financial accounting mainly focuses on the financial condition and financial statements of enterprises, focusing on reflecting past transactions and economic activities. Management accounting, on the other hand, focuses more on providing information and data support for internal management and decision-making, focusing on internal business and management issues, and helping enterprises achieve future goals and plans.

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Z. Wang et al. (eds.), *Proceedings of the 2023 2nd International Conference on Public Service, Economic Management and Sustainable Development (PESD 2023)*, Advances in Economics, Business and Management Research 273,

[https://doi.org/10.2991/978-94-6463-344-3\\_63](https://doi.org/10.2991/978-94-6463-344-3_63)

In the application of management accounting, cost, efficiency, and performance are important core contents. Through cost analysis and accounting, management accounting helps enterprises understand the cost composition of products and services, help enterprises determine reasonable Pricing, and thus improve their profitability [2]. At the same time, management accounting also focuses on the efficiency and performance of enterprises. By developing performance evaluation indicators and conducting performance evaluations, it helps enterprises evaluate performance, identify problems, and take corresponding measures for improvement.

Management accounting also assists business leaders in effective planning, control, and decision-making through various tools and technologies. For example, budgeting is one of the commonly used tools in management accounting, which helps business leaders make targeted decisions and controls in the business process by formulating budgets in advance, clarifying the goals and plans of the enterprise. In addition, management accounting can also use techniques such as cost-benefit analysis and investment evaluation to assist enterprises in project evaluation and investment decision-making, reduce risks, and improve investment returns.

### **3 The importance of management accounting in cost management of industrial enterprises**

In today's fierce market competition, cost management has become one of the key factors for enterprises to gain competitive advantages. Management accounting helps enterprises control, optimize, and make decisions by providing accurate and comprehensive cost information, thereby improving their profitability and market competitiveness.

Firstly, management accounting plays a crucial role in cost control. Through cost control, enterprises can reduce costs in production and business processes, improve product competitiveness and profit margins. Management accounting can establish budgets and cost targets, monitor the occurrence and expenditure of costs, promptly identify cost overruns, and take corresponding measures to control them. By finely controlling costs, enterprises can achieve efficient utilization of resources, reduce production costs, improve product cost-effectiveness, and thus occupy an advantageous position in market competition.

Secondly, management accounting is of great significance in cost accounting. Cost accounting is the basic work of accurately allocating various costs of an enterprise to various cost centers and cost objects, providing accurate cost data for enterprise decision-making. Management accounting can use different accounting methods, such as Activity-based costing, process costing and standard costing, to apportion and allocate costs carefully according to the production characteristics and business model of the enterprise. Through cost accounting, enterprises can understand the cost composition of different products or services, identify the main sources and influencing factors of costs, and provide scientific basis for formulating pricing and product strategies.

Thirdly, management accounting has important functions in cost analysis. Cost analysis is a means to gain a deeper understanding of cost composition and changes, which

can help enterprises identify potential cost optimization and savings. Management accounting can use different analysis methods, such as Variable cost analysis, Marginal cost analysis and activity cost analysis, to analyze costs from different dimensions and perspectives according to the needs and conditions of enterprises. Through cost analysis, enterprises can understand which costs are Fixed cost and which are variable costs, so as to carry out targeted management in cost control and decision-making.

Finally, management accounting plays an important role in cost forecasting. Cost prediction is a reasonable expectation of future cost changes, providing reference for enterprise decision-making. Management accounting can use historical data analysis, trend prediction, and statistical methods to predict and simulate future costs. Through cost forecasting, enterprises can formulate corresponding plans and measures, take effective response measures, reduce risks, and improve operational efficiency. Cost forecasting is a crucial reference for long-term investment decisions and strategic planning.

## **4 Application of Management Accounting in Cost Management of Industrial Enterprises**

### **4.1 Cost Control**

Cost control is a crucial aspect of cost management in industrial enterprises. In a fiercely competitive market environment, effective cost control can enable enterprises to maintain advantages in price and profit, and improve their profitability and competitiveness. Management accounting plays an important role in cost control, helping enterprises reduce costs and achieve efficient operations through various means and tools.

Firstly, budget control is one of the core aspects of cost control. By formulating a budget, enterprises can clarify cost targets and expected benefits, thereby planning cost expenditures reasonably in the production and business process [3]. Budget control not only covers the planning and allocation of costs, but also includes monitoring and adjustment during the cost execution process. Management accounting can regularly compare the differences between actual costs and budgeted costs, timely identify cost overruns or below budget situations, and help enterprises take corresponding measures to make adjustments. For example, a certain industrial enterprise has formulated a monthly production cost budget, and the management accountant adjusts the budget based on the actual production situation. It is found that the cost of a certain production link is relatively high, and after analysis, it is found that it is due to the excessive waste of raw materials. Therefore, the enterprise took measures to optimize the procurement and use of raw materials, strengthen the management of raw materials, thereby reducing costs and improving profitability.

Secondly, performance evaluation and incentive mechanisms are important means of cost control. Management accounting can evaluate the performance of employees and departments by establishing corresponding performance indicators, reward those with excellent performance, and supervise and improve those with poor performance. This can motivate employees to improve work efficiency and quality, and reduce costs. For example, a manufacturing enterprise regards cost control as one of the important

indicators of performance evaluation, providing incentives such as bonuses and promotion opportunities to outstanding employees, effectively reducing production costs and improving the competitiveness of the enterprise.

In addition, technological innovation and automation are also important means of cost control. With the development of technology, new production technologies and automation equipment are constantly emerging, which can greatly improve production efficiency and reduce labor costs. Management accounting can provide scientific basis for enterprise decision-making by analyzing the return on investment and cost-effectiveness. For example, a certain electronic equipment manufacturing enterprise has introduced robot automation on the production line, greatly improving production efficiency and quality stability, reducing labor costs and generated waste, thereby reducing overall costs.

## 4.2 Cost accounting

Cost accounting is the foundation of cost management in industrial enterprises. It involves accurately allocating the costs of an enterprise to various cost centers and cost objects, providing accurate cost information for enterprise decision-making<sup>[4]</sup>. Management accounting uses cost accounting to classify and allocate various costs such as direct materials, direct labor, manufacturing expenses, etc. according to their occurrence and nature, helping enterprises understand the true cost of products and services, and guiding pricing and production decisions of enterprises.

Activity-based costing is a commonly used cost accounting method, which is applicable to enterprises with obvious links and activities in the production process. This method divides the production process into several tasks, and then allocates costs to each task based on the cost characteristics of each task. For example, an automobile manufacturing enterprise uses the Activity-based costing method to conduct cost accounting, and divides the production process into multiple activities such as engine manufacturing and body assembly. Then, according to the cost characteristics of each activity, the cost is allocated to the corresponding activities, so as to calculate the cost of each product, providing a basis for pricing and product structure adjustment.

In addition, the standard cost method is another commonly used cost accounting method, suitable for enterprises with clear standards and norms in the production process. This method calculates the cost difference by establishing standard costs and comparing them with actual costs, in order to understand the efficiency and cost control situation in the production process. For example, a certain electronic equipment manufacturing enterprise adopts the standard cost method for cost accounting. Based on the set standards, the standard cost of each product is calculated, and then compared with the actual cost. It is found that the actual cost of a certain product is higher. After analysis, it is found that there are unreasonable links and waste in the production process. Therefore, measures are taken to improve, reduce costs, and improve efficiency.

### 4.3 Cost Analysis

Cost analysis is an important means of cost management in industrial enterprises. Through cost analysis, enterprises can understand the composition and changes of costs, identify cost optimization and savings space. Management accounting can adopt different methods according to different cost types and cost objects, such as Variable cost analysis, Marginal cost analysis and activity cost analysis, to help enterprises understand the nature and influencing factors of costs in depth.

Variable cost analysis is a common cost analysis method, which is used to understand the relationship between cost and output. By calculating the change of Variable cost and output, enterprises can understand the cost composition under different output levels and find out the law of cost change. For example, an iron and steel enterprise adopts Variable cost analysis, and finds that when the output is high, the increase of Variable cost is small, indicating that the production scale effect plays well and the cost is relatively stable. When the output is low, the increase of Variable cost is large, indicating that there is a certain degree of waste, and measures need to be taken to improve and reduce cost <sup>[5]</sup>.

Marginal cost analysis is another common cost analysis method, which is used to understand the cost of each unit of production. By calculating the Marginal cost, enterprises can find out the bottleneck in the production process and the direction of cost optimization. For example, an electronic equipment manufacturing enterprise uses Marginal cost analysis, and finds that Marginal cost gradually increases with the increase of output, indicating that there is a certain bottleneck in the production process, and measures need to be taken to improve production efficiency and reduce Marginal cost.

Activity cost analysis is a relatively complex cost analysis method used to understand the impact of different activities on costs. By linking costs to different activities, companies can identify the main sources and influencing factors of costs. For example, a certain automobile manufacturing enterprise adopts activity cost analysis to associate costs with different production and product design activities. It is found that the cost of a certain product is relatively high. After analysis, it is found that there are redundant functions and complex production processes in the design stage. Therefore, measures are taken to optimize the design and process, thereby reducing costs.

### 4.4 Cost Forecast

Cost forecasting is an important aspect of cost management in industrial enterprises. Through cost forecasting, enterprises can reasonably anticipate future cost changes and provide reference for decision-making. Cost forecasting can be based on historical data and trend analysis, as well as using statistical methods and models for forecasting.

Historical data analysis is a commonly used cost prediction method that predicts future cost trends by analyzing cost changes over a period of time. For example, a manufacturing enterprise found through cost forecasting in management accounting that raw material prices have shown an upward trend in the past few years, and predicted that raw material prices may continue to rise in the next year. The enterprise can take

measures such as early procurement and hoarding to reduce the impact of cost increases.

Statistical methods and models are another commonly used cost prediction method, which uses mathematical models to predict future cost changes based on historical data and external factors. For example, an industrial enterprise uses time series analysis to establish a time series model based on cost data from the past few years, predict future cost fluctuations and trends, and provide reference for production and business decisions of the enterprise.

Cost forecasting is very important for enterprise decision-making. By reasonably and accurately predicting costs, enterprises can formulate corresponding plans and measures, take effective response measures, reduce risks, and improve operational efficiency. For example, a retail enterprise predicts that future seasonal promotional activities will lead to an increase in sales through cost forecasting in management accounting. Therefore, corresponding measures are taken to increase inventory and ensure product supply, thereby increasing sales and market share.

## **5 Conclusion and outlook**

The application of management accounting in cost management of industrial enterprises is of great significance. Through the application of cost control, cost accounting, cost analysis, and cost prediction, management accounting helps enterprises effectively reduce costs, improve efficiency, and enhance their competitiveness. However, management accounting applications also face some challenges, such as the difficulty of data collection and processing, and the timeliness of decision-making information. Therefore, enterprises need to further strengthen the application level of management accounting, improve data collection and processing systems, and improve the professional quality of management accounting personnel in order to better apply management accounting to provide support and guidance for enterprise development. Only in the process of comprehensively promoting the application of management accounting can industrial enterprises achieve continuous improvement and optimization of cost management, thereby achieving more sustainable development.

Firstly, cost control will be more refined and intelligent. With the progress of science and technology, management accounting can use Big data, artificial intelligence, the Internet of Things and other technical means to monitor the cost in the production and operation process in real time, find abnormalities and problems in time, and take corresponding measures to adjust. At the same time, management accounting can also use artificial intelligence algorithms to predict and optimize cost data, providing more accurate and reliable cost control solutions.

Secondly, cost accounting will be more systematic and detailed. As the scale and complexity of enterprises continue to increase, cost accounting needs to allocate costs more comprehensively and accurately to various cost centers and cost objects. Management accounting can introduce advanced accounting methods and models, categorizing and allocating various costs such as direct materials, direct labor, manufacturing ex-

penses, etc. in detail according to their occurrence and nature. This will provide enterprises with more accurate and comprehensive cost information, which will help them formulate more targeted cost control measures and decisions.

Thirdly, cost analysis will be more in-depth and multidimensional. In the future competitive environment, enterprises need to have a deeper understanding of the composition and influencing factors of costs, and identify potential optimization opportunities for costs. Management accounting can use different cost analysis methods, such as Variable cost analysis, Marginal cost analysis and activity cost analysis, in combination with business processes and value chains, to help enterprises fully understand the sources and changes of costs.

Fourthly, cost control will be more integrated into the strategic management and sustainable development of enterprises. In the future, cost control will not only be limited to reducing costs and improving profits, but also need to pay more attention to the strategic goals and social responsibility of enterprises. Management accounting can comprehensively consider cost control and enterprise strategic objectives, customer satisfaction, Employee benefits and environmental protection by formulating comprehensive performance evaluation indicators.

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