

# ***The Establishment of Modern Enterprise Budget Based on ERP Control System: The Evidence from Dongfeng Yueda Kia***

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**Abstract**—Corporate Finance budget as an important part of the work of that enterprise normal operations guarantee. In every enterprise, the budget should be attached great importance to the work. This article is an in-depth understanding of corporate control of the budget process, the meta-analysis presented in the information economy, it should make full use of the information network technology advantages, and actively use our enterprise budget control, real-time control of the budget increase, effectiveness, timeliness improve the operations of enterprises, improve the operating efficiency of funds, and promote sustained and healthy development of enterprises.

**Keywords**—*real-time control; business plan; SAP; discretionary budget*

## I. INTRODUCTION

As an important duty of the corporate finance department, budget work plays the role of pre-control and post-control and supervision. Whether a company's budget Planning is reasonably in place directly affects the expenses of the next year and the capital arrangement of investment projects, and the business management of the enterprise will be subject to greater constraints and normal and orderly operations.

A reasonable and efficient budget plan will enable the company's leadership decision-makers to clearly predict the future business situation of the company, make predictive arrangements and adjustments to the various businesses, scientifically dispatch resources, and rationally allocate funds [1]. With rising, we will ensure the healthy operation of the company's business conditions to the maximum extent. Therefore, for modern enterprises, budgeting and planning are of paramount importance. Let's take Dongfeng Yueda Kia Motors Co., Ltd. (hereinafter referred to as DYK) as an example to analyze its financial budget work in the modern information network environment, evaluate its budget model and its effectiveness, and make a useful contribution to our budget research work.

## II. CASE BASE INFORMATION

DYK is a brand new company jointly established by Dongfeng Motor Co., Ltd., Yueda Investment Co., Ltd. and Hyundai Kia Auto Co., Ltd. in 2002. It mainly produces

small-displacement cars, commercial vehicles and off-road vehicles with an annual production capacity of 300 million. The company currently has 5 headquarters, 18 departments, 81 branches, and currently has 2 factories, which are divided into five major workshops: stamping, welding, painting, final assembly and engine. The financial part is divided into four sections: accounting, capital, cost, and budget. The budget is divided into two parts: the factory budget and the sales budget. The world-class second plant with an annual output of 300,000 vehicles and 150,000 engines was officially put into operation in October this year. Organizations, production and sales have formed a considerable scale, and the business has become complicated. In order to adapt to the growing business needs and improve management efficiency, the company introduced the world's top ERP software: SAP, and built a complete ERP information system.

## III. DYK BUDGETING MODEL

As a typical manufacturing enterprise, it is necessary to make full use of the resources of all parties to organize the production, sales and management of the enterprise. Therefore, it is necessary to prepare a comprehensive budget based on the overall interests of the company. The budgeting of DYK is mainly implemented in the following steps.

### A. Making Business Plan for the Next Year

Every year, in November, we will start to prepare the overall business plan for the next year. That is, each department plans the business affairs and expenditures of the future year according to the actual situation of the current year, and prepares the business plan of the department. After each department submits the business plan to the finance department, the finance department will review the business plans of each department to determine whether the project is established and the cost control [2]. After full communication with various departments, a company-wide business plan preparation meeting of the company's ministerial level or above will be held, and the future annual business plan initially approved by the finance department will be submitted to the operation management committee for review and discussion, and only through the management committee. The business plan can only be formulated.

### *B. Prepare Preliminary Overall Budget Based on the Business Plan*

According to the business sector's business plan, annual operating conditions of the future integrated company overall analysis of various departments Dynasty budgets and profit and loss calculation. When the loss is estimated situation in line with the company's plan, the overall budget will be controlled within a predetermined range, and if the situation ahead of the company's future business conditions difference is large, you must adjust the budget accordingly departments. To reduce or increase the budget, there are two main conditions: Both the need to apply for this budget and within the scope of the company's full allowable. For those projects that are conducive to improving the company's performance, major technological innovations and transformation projects, if the company's overall budget is not constrained, it will be tilted accordingly to support and encourage the implementation of these major projects and promote the sustainable development of enterprises.

### *C. Decompose the Overall Budget with Company Sales as the Leading Factor*

According to the full market research of the sales department and the marketing department, the company's production and sales volume are determined. Use this as a benchmark for our budget preparation. Under certain conditions, the overall budget will be broken down into the various budget targets for each part of the business, such as sales in the company's 2008 budget is expected to cost 10 million Yuan, the actual market situation and the next year, as production costs based on last year Decomposed into direct material 6 million direct labor 1 million manufacturing costs 3million, according to this layer decomposition, has been subdivided into each specific project.

## **IV. DYK BUDGET EXECUTION CONTROL MODE ANALYSIS**

### *A. Real-Time Control Budget*

All must be remotely operated by SAP in order to enter the SAP financial system. The expenses incurred in the general business are mainly divided into two parts, one is the comprehensive cost, and the other is the factory investment project [3]. The comprehensive expenses include manufacturing expenses, management expenses, operating expenses, direct materials, auxiliary materials, etc. The accounting in SAP is controlled by accounting subjects, such as the equipment maintenance cost of the workshop, and the manufacturing cost budget of the workshop (S1010101) is used. The investment project is controlled by the investment budget number. For example, if the stamping workshop needs to purchase a 24000T press, it needs to use the investment budget number of the press (FA00200069), and effectively control each of the investment budget numbers and accounting subjects. All should value the reasonable and effective expenditure of the item. Any project that fails to apply for a budget in the previous year cannot apply for payment or reimbursement. SAP provides a strong information system support for the implementation of the budget control function.

### *B. Vaatz System Control Budget*

In the case that the DYK business is getting bigger and bigger, and the business types are more and more complicated, it is more and more manpower to rely on manual information. Each department is staffed with a full-time budgetary officer who is responsible for budget preparation and investment project applications. The application fee or investment is firstly filed by the budget department of the business department. The budget department conducts the review of the necessity, price, quantity and other items. After confirmation, it is signed and confirmed by the three parties' finance ministers, and then transmitted to the purchase in the VAATZ system. At the time of the ministry, the purchase department will review the price, quantity, and payment terms, and conduct bidding on this basis to determine the final supplier, and select the supplier with the best quality and service under the premise of ensuring product quality. If the purchase price is lower than the budget application price of the business department, the business department will save the budget of the department and improve the optimal allocation of funds.

### *C. Regularly Analyze the Actual Implementation of the Budget*

Market conditions are changing every day, and the company's operations are constantly changing. Therefore, it is necessary to conduct regular analysis of the company's budget implementation. Regular budget implementation were analyzed and found deficiencies promptly change, adjust the budget, for the enterprise management services that enable maximum efficiency of funds utilization.

## **V. ADVANTAGE ANALYSIS OF DYK IMPLEMENTATION OF BUDGET CONTROL MODE BASED ON SAP INFORMATION SYSTEM**

DYK is in a timely manner in the complicated business situation. The SAP- based ERP information system enables the budget to effectively control the flow of funds, which is a wise choice. In the past year, it has achieved good results.

### *A. Conducive to Corporate Decision Makers Strategizing and Arranging Funds*

With a comprehensive and efficient new budget control model, the decision-making layer can clearly foresee a series of core financial data such as the future asset status, profit and loss status, and cash flow composition of the enterprise, which is conducive to the timely allocation of funds for the next year [4]. Dispatch, establish the key development direction of the enterprise, how to effectively implement the strategy of open source and throttling. After mastering the comprehensive first-hand information data, the management manager can make scientific and reasonable decisions, optimize resource allocation, and improve the company's business performance.

### *B. Ability to Monitor the Status of Each Business in Real Time*

Through the VAATZ system, we can query the project application content of each department in real time, the status quo of approval, the purchasing department to determine the purchase price, and the manufacturer's quotation. Because there is a good data interface between VAATZ and SAP system, in

the SAP system, the data transmitted from the VAATZ system, the pre-made documents can be reviewed and confirmed in time, and a budget can be queried in real time in the budget control module. Therefore, with the VAATZ and SAP systems, the finance department can effectively and timely control each business unit in advance and in the event.

### *C. Ability to Implement Flexible Budgets Based on ERP Systems*

In the case of market, national policy, and business conditions, our budget is divided into two parts. The full amount of each specific budget item consists of a 95% fixed budget and a 5% reserve mobile budget. Mainly taking into account rising raw material prices, exchange rate fluctuations, changing in investment content, technical changes required by the state, and so on [5]. Request to temporarily increase or adjust the previous budget amount. It is with a flexible budget that these projects are implemented. With the previous fixed budget, it is difficult to make changes in a timely manner. With ERP system such as SAP, timely and reasonable changes and adjustments can be made to some budgets according to the current status of related projects, so as to ensure the rational operation of the company's operations.

### *D. In favor of strengthening the Performance Appraisal Department*

In the traditional mode, the budget is only limited to the cost calculation, and the budget is not effectively combined with the department's performance appraisal. Therefore, the real function of the budget has not been fully reflected [6]. Nowadays, with the budget control model based on SAP information system, the budget is not only the use of funds, but also the management performance of each business department, and whether the funds are reasonably and effectively used. It has organically combined with departmental performance appraisal and improved the management efficiency of the department.

## VI. CONCLUSION

With the construction of the ERP information system group with SAP system as the core, DYK's budget control will move toward a more efficient and reasonable goal, truly realize the guidance, supervision and control of financial management of the company, optimize resource allocation, and manage The decision-making layer provides more accurate, effective, and scientific decision-making information[7]. We believe the implementation of the ERP information system based on the information budget management model of modern enterprises is the need to adapt to the changing requirements of the times, and is also an effective means for enterprises to enhance their core and competitiveness [8]. Adopting this new budget model will surely be the smart

choice for most companies [9]. Looking into the future, China's budget management work will surely achieve greater breakthroughs, further enhance the core competitiveness of Chinese enterprises, and promote the healthy and rapid development of China's economy.

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