

# Analysis on the Role of Cost Accounting in the Economic Management of Power Enterprises

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**ABSTRACT.** Cost accounting refers to the allocation and collection of various expenses incurred in the organization of production and operation activities of the enterprise according to certain objects, and finally calculates that the total cost incurred by the business activities of the enterprise has a unit cost. For the enterprise organization that seeks to maximize profit In other words, cost accounting is the basic measure to ensure its operating efficiency. Under the new situation and new environment, the economic management mode of power companies has undergone major changes. How to do a good job in the cost accounting of power companies under the new situation has become an important issue. The article mainly discusses the main role of cost accounting in the economic management of power companies and proposes specific cost management measures.

**KEYWORDS:** electric power enterprise; economic management; cost accounting; cost management

## 1. Introduction

Companies need to consider many factors when pricing products, including product costs, product market competitiveness, product economic benefits, etc., and the cost accounting of power companies is very different from that of ordinary companies. Therefore, power companies there is no physical product, and its product is electric energy, so the cost accounting of power companies is rather special. The economic management model of traditional power enterprises is relatively extensive, and the important role of cost accounting is not fully recognized, or the method of cost accounting is unscientific. With the continuous advancement of my country's power system reform, the economic management of power enterprises has also undergone qualitative changes[1].In the economic system environment, the competition pressure of power companies is increasing. In this context, cost accounting has become the key content of the economic management reform of power companies, and its role in promoting the sustainable development of power

companies has become more and more prominent. Specifically, the important significance of cost accounting in the economic management of power companies is mainly reflected in the following aspects: First, cost accounting can reduce the loss of power companies' production and operation. Electric power companies involve a wide range of industries, and the content involved in cost accounting in the production and operation process is also very complicated. Cost losses in all aspects have virtually increased the production and operation costs of power companies. Strengthening cost accounting can provide power for the production and operation of power companies. Cost control provides accurate reference data, reasonably controls the cost of the enterprise, and ensures the sustainable operation of the enterprise. Second, cost accounting can increase the operating profit of power companies. The ultimate goal of any business organization is the pursuit of profit maximization. The pursuit of profit is the essential attribute of an enterprise. Therefore, strengthening the cost accounting of electric power enterprises can improve the pertinence of cost management and achieve the goal of increasing corporate operating profits. Finally, cost accounting can improve the social benefits of power companies. Each enterprise organization must bear the corresponding social responsibility[2]. The cost of electric power enterprises includes not only economic aspects, but also environmental aspects. Cost accounting can accurately calculate the use of various resources within the enterprise, and the state supervision department can check according to the accounting results. Scientific adjustments and supervision of electricity prices are carried out to improve the rationality of resource ratios, so as to improve the environmental protection of power enterprises and improve the social benefits of enterprises.

## **2. Problems Existing in Cost Accounting in the Economic Management of Power Enterprises**

Although the efficiency of economic management activities of my country's power enterprises has become higher and higher after the system reform, there are still problems in the cost accounting process.

### ***2.1 Extensive enterprise cost management***

Electric power companies are state-owned enterprises, and are affected by the traditional planned economic system. At present, our country's power companies generally suffer from extensive cost management. From unit leaders to ordinary employees, their cost management awareness is relatively weak, and their cost accounting methods are relatively weak laggard[3-5]. The understanding of cost management is still relatively one-sided. Most corporate managers believe that the cost of power companies is only a simple resource consumption, and cost accounting is only for resource losses that have occurred. This method of cost settlement afterwards is very difficult to ensure the effectiveness of cost management. Moreover, most employees of power companies believe that cost management is the responsibility of financial personnel, and most of them lack cost management

awareness. Every link in the production and operation process of electric power companies will incur cost expenditures, and each department and each position corresponding to it is related to cost expenditure. If the company's grassroots employees lack cost awareness, the important value of cost accounting cannot be reflected[6-8].

### ***2.2 Responsibility cost management is a formality***

Electric power companies have huge organizations and complex institutions. Each department has formulated corresponding rules and regulations for cost accounting and cost management, but such rules and regulations are often mere formalities in the implementation process. The rules and regulations did not establish a complete accountability system during the specific implementation, and the responsibilities of the positions were not clear, and there was no real management system that "responsible to the individual and collectively managed". In addition, in the production process of power companies, each link in the entire production process will incur corresponding costs. However, the economic management personnel of power companies often focus on cost accounting and cost management on the costs incurred in the production process. The cost control in the early and late stages of production is achieved, leading to a mere formality of responsibility cost management[9-11].

### ***2.3 Lack of scientific cost budget management***

Cost budget is the basis of cost accounting. The comparison of cost accounting and cost budget can clarify the cost control effect. However, some power companies still have many problems in the cost budget, which cannot guarantee the scientific nature of the cost budget. The specific manifestations are as follows: First of all, there is a lack of clear cost budget goals. Cost budgets mostly focus on short-term goals and focus on the preparation of a budget indicator system. The lack of long-term budget goals and the formalization of budget management make it difficult to implement budget management responsibilities. Second, there is a lack of effective internal supervision and management. my country's electric power companies are industry monopolies, with complex internal organizations and huge institutions, and complex interest relationships between various departments; and there are serious administrative bureaucracies within the company, so there is a lack of effective internal control systems, and cost accounting data cannot be guaranteed The objectivity and authenticity. Third, the cost budgeting method is backward. Country's power companies cost budget method adopted by the industry, whether it is the incremental budget method or the fixed budget method, has the problem of lack of objectivity, so it is necessary to further innovate the budgeting method. Finally, the cost budget was not evaluated. Since the company has not clearly defined the cost management responsibility system in cost management, there are still certain deficiencies in the management of responsibility costs. The method is unscientific, it focuses too much on the evaluation of the evaluation results, and ignores the evaluation of the cost accounting process[12-13].

### **3. Improve the cost accounting strategy in the economic management of power enterprises**

In view of the many problems in cost accounting in the economic management of power enterprises, improvements can be made from the following aspects:

#### ***3.1 Follow the basic principles of cost accounting for power companies***

The following principles should be followed for cost accounting in the economic management of power enterprises:

First, the principle of truthfulness and reliability. The main object of cost accounting of power companies is the cost of each link in the production process of power companies. The relevant information is mainly presented in the form of data. The authenticity and reliability of cost accounting data determine the cost of production cost management of the company. Effectiveness. Therefore, the cost accounting of electric power companies must follow the principle of truthfulness and reliability. When accounting, relevant information must be carefully confirmed to ensure that the relevant expenses included in the cost must comply with relevant laws and regulations. Second, cost accounting should follow the principle of timeliness. Power companies are complex and involve a wide range of fields, especially some large-scale power projects, which have long construction periods and high investment costs. In this process, the market is constantly changing, and cost accounting must closely follow the production schedule. Especially for design changes in engineering construction, the cost of new materials must be calculated in a timely manner, so the timeliness of cost accounting for power companies must be ensured to the greatest extent. Finally, the principle of serviceability. The main purpose of cost accounting for power companies is to cost management provides accurate data support. The management decisions of power companies should refer to the accounting results. Cost accounting itself reflects the auxiliary characteristics. Therefore, cost accounting must follow the principle of serviceability, which serves cost control and management decisions.

#### ***3.2 Standardize the costing process***

The main methods of cost accounting include empirical method, verification method, and cost checking method. Regardless of which method is used in actual work, the cost accounting process must be standardized: first, the cost accounting process and results must be strictly reviewed, and cost accounting must be discovered in time. Exist in risks and potential problems, pay attention to the economic management of power companies to ensure the authenticity of cost accounting results. Secondly, complete the full records of the financial audit, insist on the purpose of budgeting, and compare the borrowing projects in the cost control stage with the actual reimbursement situation, so as to improve the dynamics and effectiveness of cost control. The feedback mechanism should be further improved for the occurrence of over-budget, and the serious problem of over-budget should be re-budgeted. Pay

attention to the rigid cost budget. Supplement and improve the existing cost budgeting system to improve the science and rationality of the financial budget control of power companies. Finally, select the applicable costing method. Electric power companies should regularly summarize production costs and sales on a quarterly basis, and then select the best costing standards based on their actual conditions. Since the project classification and expenditure scope of power companies are relatively fixed, the production costs and sales profits of power products can be compared and analyzed on this basis, and profit statements and balance sheets can be established. According to the final data Judging and summarizing quarterly production and operation conditions, in order to clarify the scope of costs and unreasonable expenditures, and ultimately objectively control the production cost elements of the company, and provide effective data support for the company's investment management and the best strategic business decisions.

### ***3.3 Improve the level of cost data processing for power companies***

The collection and sorting of cost information data is the first step of cost accounting for electric power companies, and it also affects the accuracy and scientific basis of cost accounting. The production and management costs of electric power companies include two parts. One part is the purchase and use cost of materials and equipment, the labor cost and management cost of production personnel, etc., which are direct costs; the other part is related office expenses, tools and appliances. Use expenses, related business entertainment expenses, publicity expenses, etc., this part is an indirect cost. When collecting cost and expense information data, not only direct costs must be collected, but indirect costs must also be fully considered to ensure the integrity and comprehensiveness of cost accounting data. In addition, the preparation of cost accounting statements must be done well. Irregular preparation of report forms is a common problem in the preparation of cost accounting reports, such as irregular report period, unreasonable preparation of attached tables, and incomplete report content. In the actual report preparation process, the cycle of cost accounting report preparation should be further refined. In addition to annual and quarterly cycles, monthly, weekly, and even daily reports should be added to ensure the effectiveness of cost accounting; improve the quality of the preparation of attached tables and ensure the completeness and standardization of the contents of the statements.

## **4. Conclusion**

On the one hand, it is necessary to formulate a targeted management system and management system for cost control, and refine it into a cash management system, a financial system, an internal control system, etc. The cost control management system must strictly follow the relevant provisions of accounting standards and relevant laws and regulations. Ensure the operability and legality of the management system. On the other hand, implement the cost management responsibility system. At present, my country's power companies adopt a vertical management model. This upper- and

lower-level management model must fully implement the cost management responsibility system to ensure the effectiveness of cost management. Different staff members are assigned corresponding cost management responsibilities according to their job functions, so that cost accounting and cost management are closely linked.

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