

Application and Analysis of Target Cost Management in Enterprise Economic Management

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Abstract: In the development of the enterprise, taking relevant measures to reduce the cost of production and operation of the enterprise, enhance the economic benefit of the enterprise, and enhance the competitiveness of the enterprise is the goal of enterprise cost control. According to the cost management course studied in this semester, target cost management is a very important content and a tool for enterprises to keep profits. This paper introduces the development status and theoretical basis of target costing, analyzes the practice of target costing management in a case, and proposes existing problems and solutions.

Keywords: Target cost management, Application, Measure

1. Introduction

At present, in the fierce market competition, cost reduction and efficiency increase have become a very important way for enterprises to take the lead in market competition. Under the conditions of the same quality and the same price, companies with lower costs will occupy the market and expand their market share. A very important method in reducing enterprise cost is target cost management. Target cost management is a method in which the company simulates various costs related to the operation in advance according to the operation objectives, compares and controls the target costs in the actual operation, and finally summarizes the successes and failures in the operation process, thereby improving the company's management system and environment. method. The article analyzes the importance of the application of target cost management in the company's cost control, discusses the problems existing in the application of target cost management in the company's cost control, and puts forward some countermeasures and suggestions to strengthen the application of target cost management in the company's cost control.

In enterprise economic management, target cost management is not simply a means of controlling costs, but a whole process of coordinating and planning with the costs and benefits of the enterprise as comprehensive factors. The target cost management in the enterprise should be different from the actual control after the actual loss occurs in the traditional cost management, but before the product production starts, make a reasonable plan for the corresponding loss that may occur in the entire product production process, and save unnecessary expected cost. The management section of the target cost is roughly divided into two stages, namely the establishment stage of the target cost and the actual achievement stage. Due to the influence of the market, the target cost will change to a certain extent. Therefore, in the process of establishing the target cost, we should try our best to combine customer needs, the current competition situation of the enterprise and the general environment of the industry, etc., and the cost target should be comprehensive and effective in the realization process. analysis, breaking down target costs down to the bottom team and staff.

Each of us can be said to be a small business, so how do we run this business well? In the new era, we should all master certain financial management skills to maximize the value of limited funds or invest to obtain more funds. Take the recently started 618 Carnival Shopping Festival as an example. Although this is a discount activity set up by e-commerce companies to attract everyone to shop, it can indeed bring you discounts. As for discounts, there is a huge doorway, how to get more discounts by collecting orders, how to grab coupons in the live broadcast room, which items are sold at a discount, which can be purchased in combination, etc.; Get the best deal by doing your own research, shopping around, and doing careful calculations. When we carry out this series of operations, we are carrying out cost control. At present, there are so many enterprises that they can only maximize their profits through cost

management when their business is limited. The use of cost management can improve the management and control of various costs of the enterprise and enhance the core competitiveness of small and medium-sized enterprises; and the target cost management in cost management, as the content of enterprise economic management, needs to effectively strengthen the cost management of human resources, enterprise products, equipment, and consumables, etc. And realize the importance of target cost management for enterprise economic management, especially to sort out the existing problems and strengthen their treatment in a targeted manner, to obtain the best economic benefits, so it has been widely used in enterprise economic management [1]. In the current management mode of SMEs, target cost management has been regarded by many managers to effectively help enterprises to achieve effective cost control.

2. Development Status

Target cost management was first produced in the United States, and later introduced to Japan, Western Europe, and other places, and has been widely used. Japan combines the target cost management method with the country's unique operating mechanism to form a cost planning represented by the Toyota Production System. my country's research on target cost management started relatively late. In 1996, Dr. Chen Shengqun published the article "Overview of the Thoughts and Methods of Cost Planning", pointing out that Japan's "cost planning" is to obtain the target cost by estimating the difference between the selling price and the expected profit, and then achieve the target cost through planning [2]. In the 1980s, target cost management was introduced into my country. First, machinery industry enterprises expanded the connotation and extension of target cost management and implemented target cost management in the whole process, Featured target cost management. In the 21st century, domestic scholars have deepened the theoretical and practical application research of target cost. Jiang Weidong, Zhou Ying, He Fen [3] optimized supply chain cost management by adopting target cost management and developed a target cost management model based on price, value, and operation. Chen Xiangyou [4] combined target costing with activity costing and proposed activity costing based on target costing management. Since the introduction of target cost management, after more than 60 years of development, a relatively complete theoretical system has been established, and its practical application has also played a huge role. For the exploration of standardization, relevant scholars at home and abroad have been analyzing the connotation of standardization, whether it is a discipline, the principles of formulation, the formulation process, formulation content and significance, and have a relatively mature system support for how to standardize.

3. Theoretical Basis

The meaning of target cost is a kind of estimated cost formulated after investigation, analysis, and technical measurement to evaluate actual cost and evaluate work efficiency. Target cost not only refers to product cost, but also includes management cost, marketing cost, research, and development cost., design cost, customer service cost, distribution cost. It requires that attribution of responsibility be considered, and actual data be collected and processed in accordance with the attribution of responsibility by specifying objectives in advance. The basic steps of implementing target cost management are: Establishing responsibility centers at all levels to implement effective target cost management, the first step is to clearly divide and establish responsibility centers at all levels, so as to distinguish the functions of each department and correctly evaluate their work performance so as to provide the implementation of target costs provides organizational assurance. The formulation of target cost implements the principle of "advanced, scientific, serious, popular, and feasible", and formulating scientific and reasonable target cost is the premise and foundation of cost control, and it is also the key to whether target cost management can be implemented. The decomposition of the target cost is to clarify the responsibilities, so that the target cost becomes the goal of struggle at all levels. After the target cost is determined, it should be decomposed step by step from top to bottom. When decomposing daily standard costs, the principle of controllability is implemented. All costs that are controllable by superiors and uncontrollable by subordinates are controlled by the superiors; no longer decomposed downwards, those at the same level who have the control right will be decomposed to whomever. Target cost assessment and rewards and punishments: The completion of target costs is assessed monthly, and clear reward and punishment methods are specified, so that each responsibility center and each person being assessed can clearly define the relationship between performance and rewards and punishments and strive to reduce and control costs. Assessment is an important factor for the cost control system to play a role, and rewards and punishments are powerful means to motivate people to work hard to achieve the overall goal of the enterprise. These

three parts are the theoretical basis of the target cost management for enterprises to keep the profit tool.

4. Case Application

The reason why target cost management is so important today is determined by the nature of today's industrial environment. Today, companies must face the global competitive environment and adapt to the characteristics of rapid change. As a traditional competitive strategy, achieving high product quality through technological leadership has been unable to provide the company with a lasting competitive advantage. All walks of life began to reform.

The real estate industry has always been an important economic pillar of our country. However, with the progress of the times, the real estate industry has begun to gradually decline. In recent years, with the downturn of the industry and the slowdown of development, most real estate development companies have paid more and more attention to cost management. To make the target cost management more efficient, so that the company can obtain greater economic benefits. As a leading real estate company in my country, Country Garden has formulated the "Country Garden Target Cost Management Measures" to implement cost control more effectively and further improve operating efficiency. By using the theoretical basis of target cost management to determine and decompose three types of target costs, a cost control method with target cost as the limit at each stage, combined with target cost and dynamic cost, establish a cost assessment mechanism and reward, punishment, and accountability mechanism three measures once to achieve the purpose of optimizing the cost [5]. Country Garden divides three types of target costs into investment version target cost, program version target cost and finalized version target cost. The division of the three cost targets provides criteria for the cost limits for each stage. It is precisely this precise and clear target cost division that lays a solid foundation for the operation of cost management. According to each target cost, it is incorporated into each stage for management, and supplemented by the reward and punishment mechanism, so that the entire program runs perfectly.

One of the biggest features of Country Garden with its "wolf culture" is its short project cycle and high turnover rate. The key to quick turnaround is whether it can shorten the time from land acquisition to opening, including shortening the early design cycle. Country Garden has achieved the principle of "starting construction immediately after acquiring the land". An important reason for its success is that it has carried out detailed planning before acquiring the land, including holding many important decision-making meetings in advance before the land acquisition. The target cost management can achieve detailed planning before land acquisition, thereby reducing costs and shortening the construction period. The second point of success lies in implementing the target cost in the whole production process, further refining the target cost, and reducing the difficulty of execution. Country Garden tries to refine the target cost as much as possible during the implementation of the target cost, from the total target cost to the work package, and then from the work package to each specific activity project and each construction process, and labor and material costs are also subdivided. To each person, each picking list. Such a detailed division allows each link to operate perfectly, and the cost control is within a reasonable range. Coupled with other cost management methods and systematic target management documents, target cost management is traceable and can be well queried and recorded. We can see that it is not easy to implement target cost management. It requires careful planning, accurate target cost division, strong execution and strict rules and regulations; I think there is another important reason for Country Garden's success. It is the introduction of "Country Garden Target Cost Management Measures", which makes target cost management more standardized and systematic. It is an action guide for enterprises to carry out target cost management, which promotes the implementation of target costs and facilitates management by enterprises.

5. Existing Problems and Solutions

5.1. Existing Problems

The development of an enterprise needs to set goals scientifically, and in the process of goal setting, it is necessary to scientifically plan and organize according to the actual situation of the enterprise, so that the responsibilities can be efficiently implemented. Continuously optimize target cost management in enterprise economic management. First, it is difficult to achieve a profitable budget because some engineering companies do not make cost budgets, or because cost prices are not considered in a market environment contrary to the actual situation. Second, some engineering firms do not set cost targets. In the process of managing target cost, target management is insufficient, resulting in unreasonable cost

expenditure, which makes it difficult for engineering companies to play a leading role because there is no management fee [6].

At present, the formulation and management of target costs of some enterprises are not well coordinated, and the management and control steps are inconsistent. Only the financial department participates in the formulation and management of corporate target costs. There is a lack of the main body and responsible unit for the implementation of target costs, and the formulation of target costs lacks practical operability. In some enterprises, although all business departments participated in the formulation of target costs, they did not take the strategic goals of the enterprise as the foundation, only considered partial interests, and even considered the performance of their own departments too much, worrying that the difficulty of achieving the target cost would affect the department. Employee remuneration has an impact, and the set target cost is too loose to really play the role of cost control, which ultimately leads to the failure of the enterprise target cost to correctly guide the enterprise to achieve the expected ideal cost from the beginning of the formulation.

With the rapid development of the market economy, the application of financial management informatization plays an increasingly prominent role in enterprise management. Therefore, the transformation of cost management informatization has become a necessary task for enterprises to implement target cost management at this stage. To manage and monitor every aspect of enterprise operation and management well, in addition to institutional constraints, it is necessary to implement whole-process management with the help of powerful informatization means, to better achieve the effect of target cost management. At present, many enterprises have weak links in departmental control and collaboration, and the lack of informatization has seriously affected the operation and management of enterprises. There are also some enterprises that have implemented information management, but the degree of informatization is low, and data cannot be effectively shared among various departments, making enterprise target cost management unable to really play a role.

5.2. Solution

The management of any enterprise is inseparable from the corresponding management system, and the prerequisite for target cost management to play its role in the management of the enterprise is to establish and improve the corresponding system. The establishment of the system first requires relevant research and analysis in the early stage, such as data information such as customer and market demand, and the collected information must be accurate and complete to support the implementation of target cost management. Secondly, the establishment and improvement of the system is based on the in-depth analysis of the financial and cost management status of the enterprise and the market situation, the scientific prediction of product production, and the issuance of the data. In addition, it is necessary to formulate a corresponding constraint mechanism to ensure the implementation of target cost management, supervise the behavior in the management process, and increase the rigor of the cost management system. In the implementation of management, it is necessary to take the exact goal as the premise to improve the market competitiveness of the enterprise [7].

Under the premise of determining the focus of target management, the target cost should be scientifically determined to lay the foundation for target cost management. This requires the following work to be done in the determination of target cost: First, carefully measure the target cost. This requires that in the economic management of the enterprise, the determination of the target cost needs to be determined according to the expected sales revenue and target profit. After the expected sales revenue is determined, the target profit is subtracted, and the remaining is the target cost. The target profit forecast is based on the determination of the estimated sales revenue, multiplied by the average sales profit margin of peer companies, or based on determining the company's net assets, multiplied by the average net asset profit margin of peer companies to obtain Get the target profit, and multiply the company's total assets by the average return on assets of peer companies.

To be accurate and effective, target cost management needs to be continuously optimized and improved, and many basic data operations and management process specifications in the optimization process must be realized with the help of informatization. At the same time, to facilitate the executors and managers to grasp and supervise the implementation of each department in the whole process of target cost management in real time, it is necessary to rely on information technology. Therefore, informatization construction has become inevitable for today's enterprises, and its role is very important in target cost management. It not only realizes resource sharing, but also facilitates complex and diverse data collection and analysis.

6. Conclusion

Through the development of target cost management, theoretical basis, cases, existing problems, and solutions, I have a deeper understanding of target cost management, and I also know how to carry out target cost management in practice. The case study made me understand that in the actual target cost management, it is necessary to strengthen the analysis of the current situation, and to optimize and improve the target cost management countermeasures based on my own, to achieve the purpose of promoting the level of economic management of enterprises and achieve sustainable development of enterprises. In this way, when faced with a new investment project in the mid-term of the enterprise, the target cost can be determined and adjusted more quickly and accurately according to the actual development [8].

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