Cost Control of Real Estate Companies in the Era of Big Data

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Abstract: With the reform of the domestic economic system, the logic of the real estate industry is changing, and the industry structure is also undergoing reshaping. "Three red lines", "two red lines" and "centralized land supply", these three policies have allowed the entire industry to revolve around housing speculation, deleveraging, stabilizing land prices, housing prices, stabilizing expected development, high leverage and high profitability era disappear, the real estate industry is facing great downward pressure, which requires real estate companies to strengthen cost accounting control and maintain their core competitiveness. This article analyzes and discusses the cost structure of real estate enterprises and the existing problems in the control status. Based on the background of big data, this paper proposes strategies to strengthen the development cost control of real estate enterprises, aiming to provide reference and reference for cost control in the same industry.

Keywords: Big data, Cost control, Real Estate Companies

1. Cost Composition of Real Estate Companies

1.1. Land use Right Acquisition Fee

The land use right acquisition fee refers to the fee paid by the land user to the land owner for using the land, and is the price that the land user pays for obtaining the land. Due to the strengthening of the country's macro-management policy on land, real estate companies obtain land mainly through auctions by the land management department. This cost is the main cost of real estate companies, and it is also an inevitable cost expenditure.

1.2. Land Acquisition and Demolition Resettlement Compensation Fees

Real estate development enterprise land acquisition and demolition resettlement compensation fees mainly include land compensation fees, resettlement subsidies, compensation for ground attachments and young crops, cultivated land reclamation fees, land acquisition management costs, and house compensation costs. Land acquisition and demolition and resettlement compensation fees shall be compensated in accordance with national and local laws and regulations.

1.3. Early Stage Engineering Cost of Commercial Housing

The preliminary engineering cost of commercial housing can be roughly divided into three parts. The first is general planning and design costs, including exploration fees, design fees, topographic mapping fees, and feasibility preparation fees for development projects. The second is the construction cost, including land leveling fees, land waste removal and freight, backfilling costs, positioning and laying-off fees, cost control of new buildings, and cost control of original building demolition, etc. The third is supervision and verification fees, which mainly include Bidding agency fees, service fees, notarization fees, quality supervision fees and contract verification fees, etc.

1.4. Construction and Installation Engineering Costs

Building installation includes water, electricity, access, and ground leveling in the "three connections and one leveling". It also includes all supporting costs for gas pipelines, fire protection, lightning protection, weak electricity, and interior decoration.
1.5. Fees for Supporting Facilities

The supporting facility fee mainly includes the supporting infrastructure fee and the supporting fee for public facilities. The infrastructure supporting fee is a supplement to the municipal infrastructure construction funds, and is used in a coordinated arrangement with various urban construction funds. It is mainly used for the construction and maintenance of municipal public supporting facilities outside the construction project, including urban main and secondary arterial roads, water supply and drainage, power supply, gas supply, street lights, public transportation, environmental sanitation and landscaping projects. Public facilities mainly include education, medical and health, culture and sports, commercial services, administrative management and community services, and green spaces.

1.6. Management Fees

Management fees mainly refer to the various expenses incurred in the organization and management of real estate development and management activities for enterprises that develop real estate, mainly including management staff's salary, office expenses, travel expenses, insurance premiums, etc.

1.7. Loan Fees

Real estate projects are capital-intensive companies. During construction, companies who want to use their own capital turnover capacity to complete the project have certain difficulties. They need to rely on bank loans to assist in solving them, and at the same time pay corresponding interest. Loan interest has also become an important cost expenditure in the cost composition of real estate projects.

1.8. Tax Expenses

During the development of real estate projects, certain taxes and fees need to be paid to the state, including business tax, urban maintenance and construction tax, education surcharge, land value-added tax, stamp tax, income tax, etc.

1.9. Unforeseen Expenses

Unforeseeable expenses, also known as reserve expenses, refer to this part of the content of the increase in construction costs caused by considering the risk factors that may occur during the construction period. There is uncertainty.

2. Current Status and Problems of Cost Control of Real Estate Companies

2.1. Lack of Correct Cost Control Awareness

For real estate companies, cost leadership strategy is one of the basic strategies for the development of real estate companies. To obtain long-term competitive advantages, all departments and employees must pay attention to the importance of cost control. However, some real estate companies still regard "saving" as the goal of cost control. With the rapid growth of the market economy, "saving" will hinder the innovation and development of enterprises and the realization of their overall goals to a certain extent. Therefore, real estate development enterprises need to strengthen the cultivation of the awareness of cost control across the enterprise, pay attention to cost control in all aspects of procurement, production, and sales, and do not stick to the traditional concept of "savings", making cost control more systematic and scientific.

2.2. Lack of Complete Cost control System

The current real estate industry is very competitive. Most real estate companies are affected by traditional cost management concepts. Cost control lacks institutionalization and standardization, and a complete cost control system has not yet been formed. The cost control plan formulated by the enterprise is not in line with the actual situation, and the decision-making judgment is heavily influenced by the subjective consciousness of the manager, and lacks standardization, systematization, comprehensiveness, and scientificity. At the same time, most emphasis is placed on ex-post control,
and the work of ex-ante control and in-process control is often ignored, especially for project positioning, project decision-making, planning and design schemes, which are too sloppy, making many projects fail to be effectively controlled.

2.3. Adopt Backward Cost Accounting Methods

The cost accounting of real estate companies involves design, construction, and sales accounts, which is very cumbersome and lacks standardization when integrating the costs. The quality of accounting personnel in many real estate development enterprises needs to be improved, and they still use traditional manual methods for accounting. The accounting methods are backward, work efficiency is low, and scientific basis is lacking. The use of computerized accounting software is still not widely used. In the face of real estate companies that are often implemented across the year and have a long construction period, they are prone to problems such as incomplete accounting records and incorrect accounting, which affect the accuracy of cost accounting. The backward cost accounting method restricts the computerized development of real estate enterprise accounting, affects the control and management of costs, and hinders the efficient operation of the real estate development industry.

3. Strategies to Strengthen the Cost Control of Real Estate Companies in the Context of Big Data

3.1. Strengthen the Awareness of Cost Control and Improve the Cost Control System

If real estate companies want to continue to grow bigger and stronger in the development process, they must enhance their own cost control awareness, and establish a complete cost control system in the company to promote the long-term and healthy development of the company. Improve the cost control awareness of all employees, attach importance to the active role of cost management, improve the cost control system, establish a control and supervision system, and continuously strengthen the development cost control of real estate enterprises, ushering in the systematic and scientific cost management of real estate enterprises. At the same time, a special agency was established to be responsible for enterprise cost planning, management and specific implementation. On the basis of ensuring the efficiency of cost management, the cost expenditure process was simplified, and the arbitrariness of the cost control activities of real estate enterprises was reduced.

3.2. Apply Information Technology Tools to Improve Cost Accounting Methods

With the rapid development of science and technology, more and more technologies are popularized. In the process of real estate development, cost control accounting computerization has gradually replaced manual accounting and has become a new type of accounting mode. This has also become a link that must be paid attention to when real estate development enterprises implement cost control. On the one hand, we must pay attention to the settlement of costs, propose scientific solutions, make full use of big data, cloud accounting, data mining technology, Python to process complex data. On the other hand, it is necessary to introduce new system software in time, update the corporate financial system, build a financial sharing platform, and continuously optimize its own cost control situation, so that the information and data obtained have timeliness, authenticity, and accuracy, and reduce the occurrence of human errors. For example, ERP cost management is gradually being applied to real estate development enterprises. It can complete the control of cost consumption, timely feedback the situation that exceeds the standard, and remind management personnel to improve as soon as possible, so that the project investment cost can be effectively controlled.

3.3. Improve Cost Control Assessment and Implement the Accountability System

At present, real estate companies still lack evaluation and supervision systems and methods in terms of cost accounting. Real estate companies should improve cost control assessment, refine their responsibilities, define the functional authority of each department, avoid shirks when subsequent problems occur, and improve the efficiency of cost management problems. At the same time, real estate companies should strictly implement a responsibility system and conduct performance appraisal. If cost data is distorted, accountability should be carefully investigated, and penalties such as reducing performance wages and canceling evaluations should be taken to improve employees' sense of responsibility and reduce human error. The departments and employees that have successfully completed the cost control objectives and performed well should also be rewarded accordingly.
Improving cost control assessment, implementing a system of accountability and effectiveness, and establishing a scientific reward and punishment system are conducive to further improving the enthusiasm of employees in various departments, ensuring the accuracy of cost data, and promoting the implementation of enterprise cost control objectives.

4. Conclusion

For real estate companies that generally regard cost leadership as their basic strategy, the key to success is to obtain the greatest economic and social benefits at the minimum cost. Therefore, cost control is of great significance to real estate companies. In the context of big data, in order for real estate companies to have core competitiveness in the fierce market competition, they must strengthen their awareness of cost control, improve their cost control system, apply information technology tools, improve cost accounting methods, improve cost control assessment, and implement accountability effective system to realize the sustainable development of real estate proposed by Dobrovolskienė scholars.

References