

Analysis on the Development and Application of Management Accounting in Suning

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Abstract: This article analyzes the development and application of management accounting in Suning based on the financial data of Suning over the past 5 years, combined with the research results of management accounting. Based on the actual situation of Suning, reasonable suggestions are proposed for the application of management accounting in Suning, hoping to promote the sustainable development of Suning Electric Appliances and reverse the situation of consecutive years of losses.

Keywords: Management accounting, Suning, Financial analysis

1. Introduction

In 2020, the domestic sales of the household appliance industry totaled 705.6 billion yuan. According to the retail sales data of units above the designated size released by the National Bureau of statistics, household appliances ranked fifth after automobiles, grain, oil and food, clothing and petroleum and products. In terms of sales, the sales of air conditioners, refrigerators, washing machines and color TV sets in 2020 will be 80.28 million, 42.7 million, 42.93 million and 48.17 million respectively. Considering the relatively large impact of the epidemic in 2020 and the extremely dispersed end market, the statistical data are inevitably underestimated. Under normal circumstances, the actual sales of the domestic household appliance industry exceed trillion or can be determined. It is a consumer goods industry with a large market scale, and it also maintains a stable growth trend. Suning Appliance Co., Ltd. was established at the end of 1990 and has maintained a rapid and steady development momentum since its establishment. In July, 2004, Suning was successfully listed on the Shenzhen Stock Exchange, raising 400million yuan and a total share capital of 93.16 million yuan. At present, Suning has become a large-scale 3C electric appliance professional sales chain enterprise in China, integrating household appliances, computers and communications. Based on the analysis of the original management accounting system of Suning, this paper will find the problems in financial control, and give relevant suggestions, in order to provide reference for the management accounting of other enterprises.

2. Correlation theory

2.1. Concept of management accounting

Management accounting refers to the accounting system and its related knowledge system that provides information support for enterprise decision-making, aiming to improve the decision-making effect and quality of management in daily business decision-making. Its main responsibility is to assist the management to analyze and control the business activities of the enterprise, so as to better achieve the enterprise objectives. Different from financial accounting, management accounting pays more attention to the process and effect of the internal operation of enterprises. Its main purpose is to provide useful information and suggestions for the internal operation decision of enterprises, so that the management can better grasp the operation of enterprises, make more intelligent and effective decisions, and improve the competitive advantage of enterprises. Management accounting mainly includes cost management, budget management, performance management, risk management and other aspects to help enterprises formulate reasonable cost control and budget plans, evaluate performance and risk, so as to realize the sustainable development of enterprises.

2.2. Application prospect of management accounting

Management accounting is an accounting method that helps enterprise managers make decisions, plans and controls. It mainly focuses on the economic activities and data within the enterprise, so as to better understand the operation of the enterprise and provide support for decision-making. The following are the application scenarios of management accounting:

1) strategy formulation: management accounting can provide key information about the internal and external of the enterprise to help formulate the long-term strategy of the enterprise. Through the analysis of the market, products, costs, profits, customers, employees and other aspects, management accounting can provide reliable data and information for strategy formulation.

2) budget formulation: management accounting can help enterprises formulate detailed budgets, including marketing, production, human resources, R&D and other expenses. These budgets can help enterprises control costs, improve efficiency, and help enterprises formulate specific strategies.

3) performance evaluation: management accounting can evaluate the performance of enterprises and provide specific data and information to measure the efficiency and performance of enterprises. These data can be used to formulate performance indicators, and can also be used to compare the performance of different businesses and departments.

4) decision analysis: management accounting can provide enterprises with key data and information to help them make correct decisions. These data include information on costs, benefits, risks, market demand, etc. Through the analysis of these data, enterprises can make better decisions, so as to improve the performance and efficiency of enterprises.

5) operation control: management accounting can help enterprises control costs, improve efficiency and manage risks. Through the analysis of various aspects, enterprises can formulate detailed plans and measures to better control costs and risks, and improve the efficiency and efficiency of enterprises.

In short, management accounting has a wide range of application scenarios, which can help enterprise managers better understand the internal and external conditions of the enterprise, so as to make correct decisions and plans.

2.3. Role of management accounting

Management accounting is an accounting information system that provides management with information about the internal operation of enterprises and decision support. By collecting, processing and analyzing the internal financial and non-financial information of the enterprise, it provides the management with information and suggestions on the operation, operation and decision-making of the enterprise. Its functions are as follows:

1) decision support: management accounting provides the management with information and analysis about the internal situation of the enterprise, and provides important support for the management to make decisions, so that the management can better formulate business strategies and analyze business risks, and better manage and control the internal operation of the enterprise.

2) business management: by means of management accounting, enterprises can better manage daily business, such as cost control, financial analysis, performance management, etc., so as to improve the efficiency and profitability of enterprises.

3) risk management: management accounting plays an important role in enterprise risk management. By analyzing the internal operation and operation of enterprises, management accounting can find potential risks and help enterprises take corresponding measures to control and prevent them.

4) total cost calculation: management accounting can calculate the total cost of an enterprise, including direct costs, indirect costs and fixed costs, so that the enterprise can better grasp the cost structure and cost control methods.

In short, management accounting plays an important role in enterprise management, which can help enterprise management make better decisions, improve the efficiency and profitability of enterprises, control risks and optimize the cost structure.

3. Overview of Suning

3.1. Company introduction

Suning Co., Ltd. has a long history and is headquartered in Nanjing, Jiangsu Province. As China's leading home appliance and consumer electronics chain retail enterprise, Suning has nearly 2000 stores, covering more than 400 cities across the country, and has a large number of employees. Suning's business scope covers home appliances, mobile phones, digital, computers, home furnishings, mother and baby, beauty, clothing, fresh food and other categories. At the same time, Suning also has its own logistics distribution network and businesses in finance, culture and entertainment, sports and other fields.

As a consumer centric enterprise, Suning has been committed to providing high-quality products and services and creating a convenient and reassuring shopping experience. At the same time, Suning is transforming from a traditional retail enterprise to a smart retail enterprise, and actively promoting strategies such as intelligence and digitization to meet consumers' escalating shopping needs.

In the past few years, Suning has become one of the most influential retail enterprises in China and one of the representatives of Chinese brands. In the future, Suning will continue to take "people-oriented, value creation" as the core value, adhere to the business philosophy of "consumer centered", provide consumers with better shopping experience and services, and become the world's leading smart retail enterprise.

3.2. Business model and corporate governance

With the development of economy and the growth of residents' disposable income, the demand for household appliances continues to grow; On the other hand, the format of home appliance sales has evolved from relying on traditional channels such as home appliance counters and small home appliance stores in department stores to focusing on professional home appliance chain formats. Mr. Zhang Jindong started from scratch and expanded step by step from air conditioners to home appliance chains. In the process of starting a business, Mr. Zhang Jindong repeatedly stressed that "the foundation of a commercial enterprise lies in integrity. The ultimate goal of Suning in the past century is to build the best chain network service brand in China, and integrity has always been the basic way for Suning to operate." after the rapid development of Suning, Mr. Zhang Jindong has also maintained the spirit of "persistent struggle and never say die" in the entrepreneurial era of Suning. Suning's management has in place equity incentives, and the shareholding structure of shareholders, executives, institutional investors and minority shareholders is reasonable. Mr. Zhang jindong believes that an enterprise can achieve real sustainable growth only by adopting social management and transforming the enterprise into all employees and public assets. Before the listing of the company, he made a plan of "equity distribution", and planned to gradually dilute his equity and "give" the equity to several senior executives of Suning.

Suning has excellent business model and unique competitive position. First, the profit model of home appliance chain enterprises is essentially the sales commission paid by home appliance manufacturers to retail terminals. The costs paid by home appliance chain enterprises are mainly store leasing fees and labor costs. Due to the huge overcapacity in the household appliance manufacturing industry, the discourse power of the value chain is gradually inclined to the household appliance chain stores. Second, the value of home appliances is large, and the price advantage brought by large-scale procurement has great appeal to consumers, offsetting the convenience disadvantage relative to small home appliances and the shopping environment disadvantage relative to department stores, thus eliminating the threat of substitutes. Third, the increase of home appliances and the desire of "one-stop shopping" make home appliances stores with a full range of categories and large display area more advantageous than small home appliances stores, department stores and self built or franchised terminals of manufacturers. Most home appliances, especially domestic ones, have strong homogeneity and weak brand pull, further increasing the position of home appliance chain store channels in the industrial chain. Fourth, chain enterprises with first mover advantages and market scale and brands have standardized the industry standards for after-sales service and logistics distribution, making it more difficult for latecomers to enter. However, in recent years, Suning's business model, which relies heavily on offline store sales, has gradually appeared drawbacks.

3.3. Financial situation

The economic recovery in 2023 is the first year of the full liberalization of epidemic prevention and control. People have recovered their initial living conditions and the market environment has gradually recovered. According to the data released by the National Bureau of statistics, GDP in the first quarter of 2023 increased by 4.5% year-on-year, 2.2% month on month compared with the fourth quarter of 2022. The economy showed a moderate growth trend. It is expected that the economic growth in 2023 will gradually recover. However, Suning's financial situation has continued to deteriorate, with annual losses in the past three years, rising asset liability ratio and declining operating capacity.

4. Problems of Suning in the application of management accounting

Management accounting refers to the application of measurement, analysis, evaluation and prediction of the management and use of internal funds, materials, human resources and other resources in the process of enterprise operation, so as to provide scientific basis and support for the decision-making of enterprise management. With the increasingly fierce market competition, Suning has actively promoted the application of management accounting, providing important support for the healthy development of enterprises.

4.1. Inadequate cost control

Through the statistics and analysis of internal product costs, Suning can timely find products with high production costs, and then optimize the product structure, improve production efficiency, reduce production costs, so as to improve the profitability of enterprises. At the same time, Suning also realized the reduction of logistics costs and the improvement of efficiency through the fine management of logistics costs, saving a lot of funds and resources for the enterprise. Management accounting plays an important role in the cost control of Suning. Suning is a large retail enterprise. Facing the fierce market competition, it needs to improve profitability and market competitiveness through effective cost management.

Suning can also analyze the costs of different channels and sales methods through the method of management accounting, find out the advantages and disadvantages of different channels and sales methods, and provide support for enterprises to formulate more scientific and reasonable sales strategies and channel strategies. However, Suning's cost control is not in place, and the supply chain cost is high.

To sum up, management accounting can play an important role in the cost control of Suning, but the cost control of Suning is not in place. Suning needs to improve the level of cost control and market competitiveness.

4.2. Inaccurate investment decision

Management accounting also plays an important role in investment decision-making. Suning makes scientific analysis on the return on investment, cash flow, risk assessment and other aspects when making new business investment, so as to decide whether to make investment, so as to reduce the investment risk of the enterprise and improve the investment efficiency of the enterprise. However, Suning seldom uses the investment decision-making function of management accounting in investment decision-making, resulting in no decision-making basis in investment.

4.3. Failure of performance evaluation

Management accounting also plays an important role in performance evaluation. Suning comprehensively evaluates the business activities of the enterprise by formulating scientific performance evaluation indicators, and adjusts and optimizes the business activities of the enterprise through the performance evaluation results, so as to improve the business efficiency and profitability of the enterprise. Suning also lacks in this respect.

4.4. Unable to effectively support decisions

Management accounting plays an important role in supporting decision-making and evaluating

business results. Suning needs to set up detailed accounting indicators. According to the business characteristics and objectives of the enterprise, a set of detailed indicator system is designed, including various indicators such as income, cost, profit, assets, debt, as well as the performance indicators of various departments and positions, to support the application in the company's decision-making. Due to Suning's neglect of management accounting, There are no detailed accounting indicators, so it is unable to effectively support the decision-making.^[1]

5. Suggestions on the application of management accounting in Suning

5.1. Strengthen fund management and budget control

"Capital flow" is the lifeblood of Suning. Management accounting's work on capital planning is particularly important. Capital planning involves all aspects of the unit's economic business. In terms of fund management and control, management accounting can start from the following aspects: first, to do a good job of fund management and control, we must first have a scientific budget system, which can help enterprises reasonably arrange each budget account and each department or project budget. At the same time, it can also find problems in time and adjust the scheme in time. Second, enterprises should formulate a sound approval process, standardize the expenditure behavior of enterprises, and clarify the scope and authority of the use of funds. Through the approval process, management accounting can supervise and manage the use of funds. Third, cost control is an important part of capital control. Management accounting can analyze the cost of enterprises, find out the links with high cost, and take effective measures to optimize and save costs. At the same time, it is also necessary to monitor and analyze the capital flow of enterprises, timely discover the abnormal capital flow and take measures to solve it.^[2]

The importance of the company's budget is fully reflected in the principle that "everything is established in advance, and not abandoned in advance". Management accounting is an important field of internal financial management, and budget management is one of its core management tools. For management accounting, the key to budget work lies in the following points: first, clarify the company's strategy and objectives: budget is the embodiment of the company's strategy and objectives. The first step of budget work is to clarify the company's strategy and objectives and provide target direction for budget work. Second, formulate a detailed budget plan: the budget plan should be as detailed as possible, including the planning of various income, costs, investment and operating expenses. Third, allocate costs reasonably: when making budget plans, we should allocate costs reasonably to ensure that the cost budget of each department is reasonable and fair. Fourth, communicate and coordinate with all departments: the budget work needs to communicate and coordinate with all departments, understand the specific situation and budget needs of all departments, and coordinate the conflicts of interest between all departments. Fifth, adjust the budget plan in time: budget is a dynamic process, which needs to be adjusted at any time and adjusted appropriately according to the actual situation.

In short, to do a good job in budget work, we need to formulate a detailed budget plan, allocate costs reasonably, communicate and coordinate with various departments, adjust the budget plan in time, and strengthen budget control. Effective budget management can help enterprises achieve business objectives and improve business efficiency.

5.2. Focus on integration with enterprise business practice

To understand the business practice of an enterprise, we must first have a deep understanding of the business practice of the enterprise, including the organizational structure, business process, decision-making system, business objectives, cost structure, etc. only by having a deep understanding of the actual situation of the enterprise can we better apply management accounting. To establish the relationship with enterprise business practice, on the basis of in-depth understanding of enterprise business practice, we should establish the relationship with enterprise business practice in the application of management accounting, and combine management accounting with enterprise business practice as an important part of enterprise business practice, so as to realize the efficient operation of business and improve enterprise business efficiency.

5.3. Strengthen supervision, refine accounting, assess and evaluate business results

These indicators need to be measurable, comparable and controllable. We should also establish a performance management system to integrate the above accounting indicators and performance indicators to form a complete performance management system. By monitoring and assessing performance, problems can be found in time, business strategies can be adjusted, and business performance can be improved. Secondly, Suning should regularly evaluate the business results of the enterprise, including the completion of various indicators, performance evaluation results, optimization suggestions, etc. Through the evaluation results, problems can be found, causes can be found, and methods can be improved to provide support for the long-term development of enterprises. In short, by establishing a scientific management accounting system and performance management system, we can effectively supervise and refine the accounting, assess and evaluate the business results, and provide strong support for the business decision-making of enterprises.^[3]

5.4. It is necessary to support the business decision-making of the enterprise and maximize the benefits of the company

The management of Suning should be fully prepared before making business decisions. Management accounting mainly helps enterprises make better strategic and tactical decisions by providing real-time and accurate information about the internal operation and external market environment of enterprises, so as to improve the economic benefits of enterprises. First, management accounting can provide detailed information about the cost of products and services to help enterprises determine the best price strategy, production strategy and investment decision. Management accounting can also help enterprises make budgets and monitor actual performance, so as to help enterprises manage their financial risks and adjust strategic and tactical decisions. Secondly, management accounting can help enterprises determine key performance indicators and monitor performance to evaluate operational performance and formulate relevant improvement plans. It can also provide information about the internal and external environment for enterprises to help enterprises determine the best strategic and tactical decisions. In short, management accounting can provide Suning with real-time and accurate information, help Suning make better business decisions, and maximize the economic benefits of the enterprise.^[4]

6. Conclusion

Suning's financial data in the past three years is relatively poor, and the company's arbitrary expansion has led to many disadvantages. Therefore, Suning needs to strengthen the management accounting work, do a good job in budget work, do a good job in capital control, pay attention to the integration with the business practice of the enterprise, supervise and refine the accounting, assess and evaluate the business results, support the business decision-making of the enterprise, pay attention to the cultivation of management accounting talents, and hope that Suning can continue to develop and reverse the situation of continuous losses.

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