

Application of Management Accounting in Financial Profit Prediction of Small and Medium-sized Enterprises

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Abstract

In recent years, the state has frequently issued policies to support the development of small and Medium-sized enterprises, focusing on solving the problems of financing difficulties and high financing costs for small and Medium-sized enterprises. In the process of financing, financial profit forecasting is indispensable. Lack of professional talents and other reasons, failure to formulate a reasonable profit plan, resulting in investors unable to verify the profitability of the company, unable to make effective judgments on the future financial situation, so that the company may miss the opportunity to improve competitiveness and establish a professional management accounting system, to achieve the optimal utilization of internal financial information of enterprises, help to improve the accuracy of financial forecasting of small and Medium-sized enterprises, and reduce the information asymmetry between enterprises and investors.

Keywords

Management Accounting; Financial Profit Forecast; Small and Medium-sized Enterprises.

1. Introduction

A sound management accounting system is the basis for financial profit forecasting. At present, due to the small scale of small enterprises, most of the management and grassroots are family members, and the basis of accounting documents is relatively confusing. The actual data affects the financial profit forecast. In order to change this situation, it is necessary to improve in time, strengthen the construction of enterprise management team, introduce professional financial personnel from outside, build relevant systems, effectively identify the driving factors of the company's profitability, prepare financial profit forecast reports, promote the realization of financial profit forecasts, and optimize small and Medium-sized enterprises. Enterprise production and operation efficiency.

The so-called management accounting, through a series of economic activities to provide reference for the management of the enterprise to make business management decisions, to ensure scientific and reasonable Decision-making activities, in this process, it is necessary to take the corresponding method, through the relevant steps, do a good job of enterprise operation planning, Decision-making, supervision, assessment and other activities. Its ultimate goal is to improve the economic benefits of enterprises [1]. A scientific and perfect management accounting system is the basis of enterprise financial profit forecast. At present, there are many problems in the construction of management accounting in small enterprises, which affect the control of enterprise earnings and need to be solved urgently.

2. Current Situation of Management Accounting Application in Small and Medium-sized Enterprises

Most of China's small and Medium-sized enterprises are family-owned. The management layer is composed of family members and a few external employees. The person in charge of storage, finance and procurement is usually a family member. Because of the lack of professional knowledge of finance, financial officers usually only responsible for the receipts and payment of funds flowing water, storage charge Only responsible for the inventory to send and receive, and that accounting processing, report preparation, inventory cost of nuclear calculate by external financial personnel or hire a part-time accounting, because the accounting vouchers according to the cash flow, inventory parameter records tend to be more chaos, Financial personnel requires a lot of energy is used to check the flow parameter and real data, once the enterprise enters the fast growth, happen every day to come and inventory to send and receive frequent bank funds, financial personnel energy will be a lot of charge to an account, check the data work, cannot in the budget management, fund plan, cost accounting and management accounting work, Coupled with the lack of communication between management and financial personnel, financial personnel cannot obtain management Decision-making information, so it is difficult to sort out effective financial information, and the implementation of management accounting is affected.

3. Problems Encountered in Financial Profit Forecasting of Small and Medium-sized Enterprises

Since the financial personnel spend most of their energy on bookkeeping and checking data, the prepared financial statements often only preliminarily reflect the assets, liabilities and profits of the enterprise, and lack detailed information, such as the aging and recovery efficiency of accounts receivable in the balance sheet, the shortage and surplus analysis of monetary funds, the loss rate of raw materials, the aging and realization rate of inventory goods, etc; The profit statement mainly includes marginal contribution of orders, fixed costs and variable costs, marginal contribution of unit products, etc; Non financial information is related to future order expectations, sales price changes, purchase price changes, marketing plan investment, etc. the above details are not reflected in the statements prepared by financial personnel.

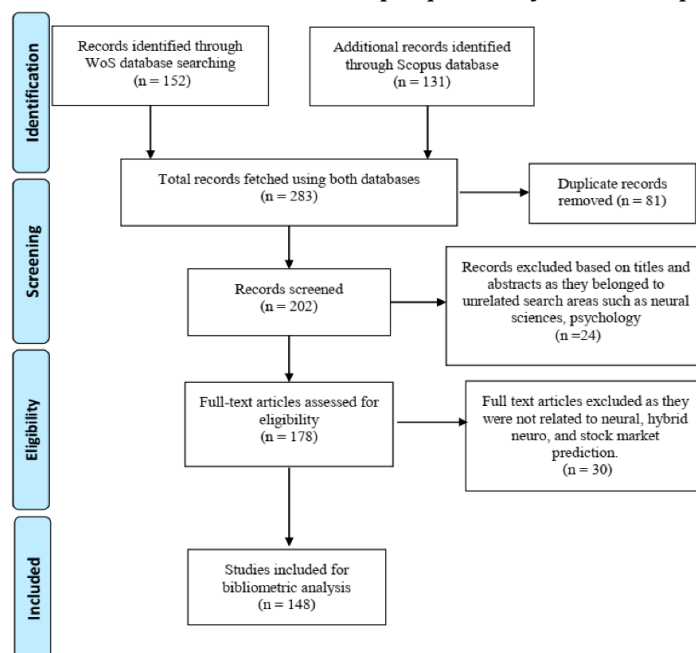


Figure 1. Flowchart for Improvement

For the above reasons, when the management of SMEs prepares financial profit forecasts, because the basic management accounting system has not been established, they can only make rough estimates of the sales growth rate based on the existing financial statements. At the same time, due to the lack of financial details as a basis for estimates, proposed growth rates are often unrealistic and earnings forecasts are off track, as shown in figure 1. This will make it difficult for the financial profit forecast statements of small and Medium-sized enterprises to be recognized by investors, resulting in investment and financing cannot continue to advance.

4. Measures to Strengthen the Construction of Management Accounting in Small and Medium-sized Enterprises

Management accounting is to provide management for the enterprise internal management Decision-making scientific basis for the target of the economic management activities, is to enhance economic efficiency as the goal, USES the method of a series of special methods, and through the recognition, measurement, collection, compilation and interpretation, the various business activities of enterprises planning, Decision-making and control, examination of a kind of management activities.

In the practical application of management accounting in small and Medium-sized enterprises, it mainly includes strategic development, performance assessment, cost control, investment Decision-making, budget management, etc., and performance assessment, cost control, and investment Decision-making are the basis for building a management accounting system.

4.1. Management Improvement Measures

4.1.1. Strengthen the Construction of the Management Team and Improve the Financial Quality of the Management

The establishment of a management accounting system requires management not only to have knowledge of sales and operation, but also to have certain financial knowledge. Finance should not be regarded as a simple bookkeeping work. Under a mature management accounting system, the management needs to fully participate in to all aspects of performance, cost, budget management, and in-depth financial management.

4.1.2. Introduce External Professional Financial Personnel to Participate in Enterprise Management

The vast majority of small and Medium-sized enterprises in our country for family enterprises, the management decision to toward the high prestige of family members opinions shall prevail, other personnel or restricted in the lack of prestige, or restricted to field of vision is not enough, difficult to put forward effective Suggestions, bring in outside professional financial personnel to participate in enterprise management, gives its permissions to understand all aspects of the enterprise, Plan and analyze various projects of the enterprise, and participate in various production and operation activities of the enterprise extensively, which helps to increase the professionalism and effectiveness of management Decision-making.

4.2. Improvements in Practice

4.2.1. Establish All-round Performance Appraisal and Responsibility Accounting System

Responsibility accounting is under the premise of decentralization management, the responsibility center at all levels is established within the enterprise according to the responsibilities, with the goal of the coordination and unity of responsibilities, rights and interests, using the responsibility budget as the control standard, through the preparation of responsibility reports. An internal accounting system for performance appraisal. The biggest advantage of the responsibility accounting system is that it decentralizes the management of

the daily work of the enterprise, and the managers at all levels are free to manage within their authority, and play an incentive role through performance appraisal.

The All-round performance appraisal system is based on the use of responsibility accounting to evaluate the performance of various functional departments within the enterprise, and establishes assessment indicators. The performance appraisal set for the sales department includes not only sales indicators and payment collection indicators, but also the marginal contribution rate of a single order, marketing expense rate, per capita sales revenue, customer complaint rate, customer repurchase rate, and commodity terminal price fluctuations. Forecast, etc., set up performance appraisal for the warehousing department, including transportation costs, arrival delay rate, transportation loss rate, raw material storage, etc. A comprehensive performance appraisal and responsibility accounting system helps each subsystem of the enterprise to clearly understand its responsibilities and the degree of fit with the strategic goal. Budget management and financial profit forecasting provide real and effective information to facilitate the formulation of more accurate plans and profit indicators.

4.2.2. Establish Cost Control System

Small and Medium-sized enterprises can use modern management accounting methods such as volume cost-benefit analysis method, break-even point analysis method, and marginal contribution rate to dynamically grasp the production cost of the enterprise and conduct cost control in a timely and effective manner. The purpose of establishing the cost control system is that in order to achieve its cost control objectives, the enterprise adopts scientific methods to effectively control the various costs incurred in the production and operation process. It involves all aspects of production and operation and directly affects the company's economic benefits [2].

Due to the large workload and high requirements of cost accounting, the cost accounting of most small and Medium-sized enterprises is difficult to be precise, but at least the main factors affecting the production cost of products, such as main raw materials, labor, and processes, must be accurately accounted for. The production department, The Purchasing Department regularly cooperates with the Finance Department to formulate the standard cost of each product, while the Production Department and the Purchasing Department prepare monthly production reports.

The purpose of establishing the cost control system is, on the one hand, to let the management know the composition of product costs and capacity utilization, so as to facilitate the formulation of production plans and cost savings. On the other hand, it is to conduct cost-volume-profit analysis and break-even analysis on the basis of calculating the marginal contribution rate of sales orders.

4.3. Establish an Investment Decision-making System

The investment decisions often encountered by small and Medium-sized enterprises are rarely fixed assets investment such as new production lines, and the investment of main working capital. The operating capital of small and Medium-sized enterprises is often relatively tight, and the financing cost is high, so the investment decision of working capital is more important. In the small and Medium-sized enterprise management of working capital to take up mainly includes should collect money, inventory, marketing expenses, involved in the decision making problems including accounts receivable payment days to formulate, procurement of raw materials can pay now enjoy discounts and credit period do not enjoy discount or reserve a certain stock, inventory goods ordering production, camp pin advertising investment, etc., Management in setting each department performance evaluation and responsibility accounting, capital cost calculation of working capital, should be small and Medium-sized enterprises in the process of actual operation, for example, if the accounts receivable will be more than half a year were recovered large effects on the working capital turnover, cost of

capital can be a month, three months, six months setting, accounting to the cost of sales responsibility center.

The purpose of establishing working capital investment decisions is to allow management to clearly understand the capital costs of important operational links, and to consider the company's own financing capabilities and financing costs when formulating financial forecasts and working capital investment.

5. Combination of Management Accounting and Financial Profit Forecasting

After completing the establishment of an All-round performance appraisal and responsibility accounting system, cost control system, and investment Decision-making system [3], the management has understood the detailed factors affecting all aspects of financial profitability, and has the basis for profit forecasting. The financial profit forecast is based on the current situation and the future outlook. The management needs to combine the expected outlook with the current situation to formulate reasonable financial profit forecast indicators.

5.1. Identify the Drivers of Corporate Profitability

Purely from the perspective of financial statements, the company's profits mainly come from sales revenue growth and cost reduction. Small and Medium-sized enterprises with a certain scale can be divided into two types according to different business positioning: enterprises with production, research and marketing system and facing the mass market independently; There are differences between the two types of enterprises in identifying the driving factors of profitability.

For research with production sales system, independent in the face of the mass market enterprises, who normally cost reduce the driver can't as profitable, the reason is that this kind of enterprise in the face of market competition is fierce, without cost to the camp pin, research and development, will encounter a sharp fall in the number of sales revenue, brain drain, the problem of customer churn, For example, the future profits of health care products and other mass consumer goods manufacturers are mainly derived from the growth of sales revenue, so the driving factor of future profits of such enterprises is the growth of sales revenue.

For attached to the industry leading, and research and development of enterprises provide matching supply, the limitation of orders by industry leading purchasing plan, sales income will be directly affected by the industry leading, such as smart phones in recent years leading enterprise development has brought the rapid growth of supporting supplier performance, such companies usually order quantity over a period of time is stable, Production process, production process and research and development project are also fixed in a period of time, which do not need or less marketing costs. Costs can be reduced by optimizing production process, reducing unnecessary processes and rationally arranging marketing plans. The driving factor for profits of such enterprises in the short term is cost reduction. And the long-term profit drivers depend on the business plan of the industry leader.

5.2. Prepare Financial Profit Forecast Statements

After determining the driving factors for the company's future profits, the company's management can set reasonable targets for the main driving factors. For example, sales can set reasonable sales targets based on the order situation and customer business plan, and cost and expense can set cost and expense reduction targets based on the optimized production process and process. Each responsibility center financial profit forecast on the basis of existing performance evaluation report, according to the indexes, such as sales department on the basis of the original sales, estimates the future orders to calculate sales, develop marketing costs into the budget at the same time, the production department according to the optimized production

process make the cost of production per unit product, According to the sales volume, the purchasing department predicts the optimal amount of warehouse stock. Finally, according to the demand for working capital, the cost of capital is included in the profit forecast statement to form the forecast financial profit statement [4].

After the enterprise has made the financial profit forecast, the budget management report and performance assessment report of each responsibility center are decomposed, and the indicators of each responsibility center are monitored by the management accounting system to ensure the realization of the financial profit forecast.

6. Conclusion

With economic development and market maturity and standardization, the management of small and Medium-sized enterprises has become more and more aware of the important role of establishing a management accounting system. The combination of management accounting system and financial profit forecast enables management to integrate various financial and non-financial information to achieve Prediction, planning, control and performance evaluation of the whole process of enterprise operation ensure that the enterprise will prosper in the fiercely competitive market.

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