



Research Article

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Design and research of the fine cost control mode of manufacturing enterprises

Chao Ying Zheng

Beijing Institute of Petrochemical Technology, China

ABSTRACT

By using the mode like cost planning, fix-amount consumption and cost difference, the traditional cost-control mode focus on management of process, such as purchasing process, production process and inventory process. However, there are many disadvantages concerning this mode, like delayed plan developing, complicated allocation way, obsolete methods and misplayed main body of internal cost management. Based on meticulous management theory, this article designs meticulous cost-control mode of manufacturing, the main features of which are that the mode use the development strategy of enterprise as the starting point and use processing cost control, meticulous cost accounting, graphic cost analysis and continuing cost improvement as basic framework.

Keywords: Manufacturing enterprises; Meticulous; Cost management; Control mode

INTRODUCTION

As a management concept of the modern industrial age, lean production (LP), also called the Toyota Production System (TPS), was proposed earliest by Japanese enterprises in the 1950s. Focusing on “eliminating all waste”, LP tries to eliminate any useless movements, avoid ineffective efforts and refuse useless materials in production and make efforts to establish an enterprise mode that “eliminates all activities that cannot benefit the end users of products or services and keeps seeking and executing improvement methods”[1].

In the 21st century, DMI took the lead in summing up and systemizing the new management modes and technologies of modern enterprises and proposed a fine management theory in China. In 2007, the fine management theory began to be generally unrecognized by Chinese enterprises. Since early 2007, with the rise of raw material prices and labor costs and the appreciation of the RMB, the business environment of Chinese enterprises has changed dramatically, which is a sign of the coming of the high-cost age of Chinese enterprises. The increasingly rising costs have not only narrowed the profit margins of Chinese enterprises but also highlighted their internal management problems and cost waste problems. “High inventory cost”, “high delivery cost” and “high accounts receivable cost” have become the three biggest disadvantages of Chinese enterprises. When the external environment is favorable, these problems are easy to be ignored by enterprises, and when the external environment is unfavorable, the adverse effects of the cost control problem will be highlighted and enterprises will have to suffer narrowed profit margins as a result of increasingly rising external costs and face an internal cost waste crisis as well. It is particularly important under these double threats to strengthen the cost management of enterprises and find out a fine cost control mode suitable for Chinese enterprises.

FINE MANAGEMENT THEORY

A. *Concept of fine management*

Fine management “is a management concept and technology making each unit of an organization function in an accurate, effective, cooperative and continuous way through systematization and detailing of regulations as well as sequencing, standardization, datamation and informatization[2]”. It is a necessary requirement of the detailing of both the social division of labor and service quality for modern management. It is a basic idea and management mode based on routine management and making routine management go deep. It is also a management mode mainly aiming to minimize the resources used and cut down management costs.

B. *Characteristics of the fine management theory*

“Stressing the importance of people[3]”. The most essential thought of fine management lies in changing the thinking patterns of people. Overcoming fixed patterns of thinking and doing creative thinking is the basis of fine management. To realize fine management, it is necessary to indoctrinate the staff with its significance, necessity and realizability and create a cultural atmosphere for staff to pursue refinement from their thoughts.

Overall control and process control. Fine management theory emphasizes the transformation of modern management from the extensive mode to the intensive mode and the transformation from the traditional experience of management to scientific management. Cost management is no longer a presentational concept but an all-around and staff-inclusive complicated management system embodied in the whole process of production and the management of an enterprise.

Concept quantification. The fine management theory believes that a most essential point in enterprise management is that the management at all levels must have a philosophy that things must be made delicate as detail is the key of success, have a clear understanding of the specific degrees of management indexes, efficiencies and execution and make everything operable, realizable and controllable.

C. *Application Status of Refined Management in Various Countries*

● Meticulous” American Enterprises

Attaching importance to details management is a major characteristic of American enterprise management. The management layer generally thinks details management can contribute to the formation of high-quality products and quality service, while all this is an essential condition for enterprises to win out in the end. Under a clear competitive environment, refining enterprise strategy can promote enterprises to realize intensive management; fine-tuning enterprises’ marketing links can avoid risks caused by the extensive adjustment of enterprise strategy; great risks can be dissolved through perfecting details.

The management philosophy of Microsoft is just like its name, “the macro hidden in the micro and the hard found in the soft”. The “micro” means the smallest of the small, but it is the biggest of the big. Once its product was launched, it swept across the whole world. The “soft” is opposite to the “hard”, but it can conquer hardness with softness, defeat many competitors and become the leader in the industry. Microsoft’s meticulousness is mainly reflected in two aspects. The first is its meticulous development links. Microsoft invests billions of dollars in improving its products every year so as to ensure flexibility without missing and maintain competitive advantages. The second is its meticulous executive links. It should not only be meticulous at executive link but also emphasize innovation and breakthrough in the executive process. The innovation at executive link is more subtle than the innovation of the whole scheme, but it is just the subtlety that can better take effect.

So far, Wal-Mart has had 50 years of history since it was established in Arkansas in 1962. By March 2008, Wal-Mart had opened 7,266 markets in 14 countries worldwide, with more than 1.9 million employees in all. In 1991, Wal-Mart broke through USD 40 billion in sales volume and became one of the world’s largest-scale retail enterprises. On July 11, 2007, Wal-Mart surpassed Exxon Mobil with an annual revenue of USD 351.139 billion and again topped the Global 500 rankings list released by US Fortune magazine in 2007. Wal-Mart’s success and position of taking up the mantle as world retail king lie in emphasizing details fundamentally. It is a model of all enterprises winning business by stressing details. Wal-Mart’s management is both meticulous and quantitative: when customers are within a 10 feet range, employees should kindly look at customers in the eye, extend greetings and ask whether the customer needs help. Wal-Mart has a quantitative standard to employees’ smiling: Please show your 8 teeth to customers. The key point for promotion is not promoting products but employees themselves. Employees should observe all their own personal details and see whether they would make the purchases for

themselves. Retailing is an industry that attaches great importance to details and it demands every employee should fully reflect his sense of ownership at work. Without the sense of ownership, it is out of the question to realize details management. Therefore, they stress that employees are their common partners and Wal-Mart belongs to all its employees.

● *“Strategic Cost Management Thought” of Japanese Enterprises*

Japanese enterprises attach high importance to implementing cost control from a strategic perspective. They think the foundation of cost control is not simply to cut cost, but to ensure product quality and lower cost through improving productivity, shortening the production cycle and increasing output. This is exactly the strategy pursued by Japanese enterprises including Toyota, FujiFilm and Canon for a long time, thus making them traditional low-cost leaders.

Toyota once put forward two simple formulas to illustrate the enterprise's business concept. The first formula is price equals cost plus profit, called capitalism. Enterprises operating by this concept are bound to collapse. The second formula is profit equals price minus cost, the economic significance of which is that price is decided by market and enterprises should learn to lower cost to gain profit. Toyota takes the second formula as its business operation concept and has become the automobile making enterprise with the best economic benefits through decades of efforts.

To purely pursue the reduction of cost, the general simple method will consider lowering the purchase price or grade of raw materials or reducing the material input of a single product (cut down on materials) or lowering the labor cost in the technical process, so as to attain the objective of cutting cost. As a matter of fact, these practices are all very dangerous and will lead to a drop in product quality, the loss of enterprise labor resources, and enterprises even losing their markets.

● *Current Situation of Chinese Enterprises' Extensive Management*

The rapid development of the Chinese economy began with the reform and opening-up period in the 1980s and it has lasted for 30 years so far. The profit space was very large in the early period of market development and enterprises did not need to make a large effort with minor details. However, with the development of the economic society, the vast majority of products are in a relatively surplus state. People's requirements are getting higher and higher in the quality of life as well as the quality of products and services. Such high requirements are the perfect pursuit of details in the final analysis. Therefore, at the present time, Chinese enterprises' extensive management in the past has been unable to adapt to the requirements of social economic development. To achieve success, enterprises must make every endeavor to emphasize the improvement and perfection of details. The disadvantages brought to us by extensive management are mainly reflected in the following two aspects. The first is high defective rate. The average defective rate of products made by Chinese enterprises is at 10% [4] or so, while it is only at 0.3% in industrially developed countries. Our defective rate is not only high in production lines but also various safety production accidents take place frequently, which will undoubtedly increase enterprises' operating costs. The root cause results from the lack of a serious and careful scientific attitude and strict responsibility consciousness and accountability system. The second is the low degree of process standardization. Chinese enterprises have practiced extensive management for quite a long time but the neglect of many details still cannot be recognized by us till now, or we have sensed it but still cannot pay high attention to it. So we don't think it will bring adverse effect to enterprises. We are accustomed to following leaders' commands, not restrained with systems and standards. Therefore, many systems and standards have to be established. Just influenced by such concept, our enterprises meet many troubles today.

In December 1991, Shanghai Newasia Group entered into Shanghai to confront KFC and established Shanghai Ronghua Chicken Fast Food Company, to contend against KFC. In the next eight years of operation, Ronghua Chicken once surpassed KFC for a time and became the most popular fast food in the Chinese mainland. But it only lasted for eight years. Until the beginning of 2000, with the withdrawal of Ronghua Chicken from Beijing Andingmen, it also announced the thorough failure of Ronghua Chicken in the confrontation at the same time. After the failure, the Newasia Group leadership of Ronghua Chicken reflected on the business practice and competitive advantages and found that the superficial phenomenon of competitive advantage is products, while there are many contents in the aspect of deep-level management behind the products. The real advantages of KFC lie in a set of strict and meticulous management systems behind its products and its standardized working process penetrated into every tiny link.

Thus, it can be seen that what Chinese enterprises lack is reflecting refined management in standardization and further refining and perfecting it in marketing so as to ensure outstanding products and services.

D. Significances of the fine management theory for cost control

Following the cost reduction concept of “fine internal adjustment and quick adaptation to the external environment[5]”, actively promote technical progresses and production process optimization, minimize high-cost pressure and realize effective and low-consuming production and management.

Emphasize the establishment of a perfect process center through continuous improvement. Change with the external environment, establish smooth and simple operating processes and realize effective operations of enterprises.

Emphasize exactness with quantification and highlight the accuracy and importance of various data and the quickness and timeliness of information transfer.

Emphasize the construction of leadership and establish an effective organization system and a perfect management system.

1. ANALYSIS OF THE PROBLEMS OF THE TRADITIONAL COST CONTROL MODE

A. Traditional cost control mode

The traditional cost control mode emphasizes process management. It realizes cost control for the purchase process, the production process and the inventory process by means of planned costs, rated consumption of products, apportionment of cost variance, etc.

TABLE I TRADITIONAL COST CONTROL MODE

Control period	Procurement process	Production process	Inventory process
control point	raw material	work-in-process	final product
control way	Plan Price Actual Price	Fixed standard	Differences in assessment

B. Problems of the traditional cost control mode

Problems in the calculation of quota costs and norm costs: A planned cost is a standard cost obtained on the premise that both the existing production technologies and management conditions are the best and optimal. However, there may be diversifying problems and difficulties in practice that make it impossible for the actual cost to be optimal. A quota refers to a preset quantity of the resources to be consumed by the unit conforming product that is finished. Due to the ever changing internal situations of enterprises, the quota standard only suggests situations in the past and cannot meet future requirements, thus it is difficult to play its due role directly in present production and management.

Complex apportionment manners: When in indirect cost apportionment, calculate the cost apportionment ratio and then multiply it by the standard apportionment quota of each kind of product to obtain the indirect factor costs for each kind of product. The process from accumulation to apportionment is complex in operation and the result is not always so accurate and reasonable.

Outdated management methods: In the traditional cost management thought of Chinese enterprises, only cost reduction exists and the method to obtain a larger profit margin by promoting production efficiency is never considered; “increasing incomes” is excessively highlighted and “reducing costs” is ignored. As a result, enterprise information can neither really reflect the management process nor provide cost information of each operation link, thus misleading the preparation of the management strategies of enterprises.

Mistakes of the internal cost management bodies of enterprises: It has long been misunderstood by people that cost control is the work of financial personnel and management only and both cost and benefit should be the responsibilities of the leaders and financial departments of enterprises. In such a misunderstanding, the roles of workshops and grass-roots departments and employees are ignored. Consequently, the grass-roots departments and

the workers at the production lines have weak cost consciousness or even have no market pressure, resulting in serious waste of enterprises and making it difficult to make cost control really effective.

2. ANALYSIS ON REFINED COST CONTROL PATTERN OF CHINESE ENTERPRISES

A. Analysis on Refined Cost Control Pattern of Handan Iron & Steel Group

● Pattern of Handan Iron & Steel Group.

The main business scope of Handan Iron & Steel Group Co., Ltd. (Handan Iron & Steel Group for short) is ferrous metal smelting, sintering ore smelting, making and sale of coke and coke by-products, processing and maintenance of metallurgical machinery accessories, the operation of the export business of the enterprise's self-made products and technologies and import business of raw and auxiliary materials, machinery equipment, spare parts and technologies required by the enterprise. In the 1990s, Handan Iron & Steel Group took the initiative to break through the old mechanism and march towards the market in the transition process of the economic system, constantly deepened the operational mechanism with the core of "simulating market accounting and practicing cost veto" by innovation, created remarkable economic and social benefits, and became a successful model realizing two fundamental transformations among state-owned enterprises. It was set as a model for the whole country to follow by the State Council and honored as "a red flag at national industrial battlefield[6]".

At the beginning of 2007, the Handan Iron & Steel Group closely centered on annual cost control targets and set up five new cost control patterns of mining enterprises with refined management as the platform.

TABLE II: COST CONTROL PATTERN OF MINING ENTERPRISE OF HANDAN IRON & STEEL GROUP

Target cost	Cost control pattern	System construction	Control measure and method	Control indicator
Target cost segregation	Purchase control	Execution plan purchase Price ratio purchase Bidding purchase	Efficiency check Quality check	Overspending below 6%
	Inventory control	Hierarchical control	Reduce inventory Improve turnover rate	Within 6.5 million inventory
	Material utilization control	Material value maintenance management Transfer with value Tracking usage	Improve material recovery rate	Annual repair and recycling above 4 million
	Information control	Provide material price ratio Inventory volume Material usage information	Comparative analysis	---
	Capital budget control	Individual responsibility system Overspending responsibility system	Non-production input responsibility to individuals	Overspending deducted from salary

Data source: Obtained, sorted and compiled information from the official website of Handan Iron & Steel Group

● Characteristics of the Pattern of Handan Iron & Steel Group

Handan Coal Mining Industry Group adopted a standard cost management method and basically made every economic activity have standards to refer to by counting up more than 2,000 cost standards of various sizes of the group company. At the same time, the standard is relative to the target cost. After the annual production plan is confirmed, the overall cost target will be fixed. Then the indicator will be broken down layer upon layer hierarchically until the individual employees and a set of complete indicator systems takes shape. Handan Iron & Steel Group has certain standards in performance evaluation, not only taking the realization of target cost as the standard but also using related, revised or supplementary indicators as the evaluation standard, which reflects the strategic management thought with dynamic change.

We can see from the Cost Control Pattern of Mining Enterprise in Table 2 that its refined cost control has the following characteristics:

First, Set up quantitative control standards. There are operable quantitative standards not only for purchase control, inventory control and material use control but also for capital budget control, which can not only facilitate managers

to check employees' cost execution situations, but also remind employees of setting up cost consciousness at any moment.

Second, Make cost plan starting from the perspective of enterprise strategy. The overall cost target of the enterprise is set up by the enterprise's strategic development plan and then the responsibility will be broken down into every working section, team and group and individual employee by stepwise decomposition. So employees' cost responsibility is closely associated with the enterprise strategy development, which enables the cost control activity to carry on in an orderly way.

Third, Everyone has responsibility. Once the cost budget is confirmed, it will be the standard for every employee's work. Handan Iron & Steel Group adopted the "cost veto system" to make performance assessment, that is, as long as the cost is out of limits, all bonuses will be deducted.

Fourth, Set up an information technology supporting platform. Handan Iron & Steel Group's implementation of plans including price ratio purchase and transfer with values cannot do without the support of an information system. Only the information support system is set up and perfected, the material purchase cost information can be obtained in time and calculated by the market price.

Fifth, Repair and recycling system of raw materials. Waste has been a malpractice of Chinese enterprise for a long time. Setting up and quantizing the repair and recycling system was pioneered by Handan Iron & Steel Group, which not only helps enterprises to effectively use resources but also help employees cultivate good saving consciousness.

● *Enlightenment from the Pattern of Handan Iron & Steel Group*

First, setting up a refined cost standard is a premise for effective cost control. It can make all employees have an explicit reference standard and help cultivate employees' cost consciousness. At the same time, the existence of the standard will also constantly urge employees to create new technology, develop skills and improve labor productivity so as to create new cost indicator.

The second is a market pricing model. Under the support of an information system, Handan Iron & Steel Group's mining enterprise adopted the accounting method of scheduled purchase, price ratio purchase and transfer with values, which fully reflected the measuring principle of "Fair Value" advocated by the new accounting standard and also made the cost accounting more reasonable.

The third is the cost veto system. Handan Iron & Steel Group's mining enterprise combines the cost indicator with employees' pay. No matter what contributions in other aspects, if the cost exceeds standard, employees will bear the loss caused by their own faults. In this way, it not only attains the goal in control cost but also cultivates employees' sense of responsibility.

The fourth is strategic cost management thought, which combines the enterprise's development strategy with the objective of enterprise cost control and makes for the long-term stability of the cost control system.

B. Analysis on Noah Ark ABC Refined Cost Control Pattern

● Noah Ark Pattern

Noah Ark Consulting put forward the ABC activity-based costing management method. In the third MBA case teaching seminar of the Central University of Finance and Economics, the manufacturing industry ABC activity-based costing management case of Noah Ark Consulting was rated the second award, so Noah Ark's ABC refined cost control pattern attracted wide attention. The activity-based costing (ABC) is an advanced cost accounting method and its basic thought is to introduce a medium – activity between resources and products. The principle is that activities consume resources, products consume activities, productions lead to the occurrence of activities, and activities lead to the occurrence of costs. Its essence is to divide indirect costs into different products and services more reasonably and make enterprises' cost accounting more accurate. The specific contents of the pattern are shown in Table 1 as follows:

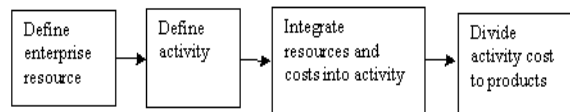


Figure ABC Refined Cost Control Pattern

It can be seen from Table 1 that the pattern divides cost control into four steps, including enterprise resource, defining activity, integrating resource costs into activity and dividing activity cost to products.

● *Characteristics of Noah Ark Pattern*

Optimize the process of activity-based costing management. The pattern can differentiate which are value-added activities and non-valued-added activities by adopting the ABC activity-based costing method, so as to optimize the activity chain. Additionally, the pattern sets up the activity-based costing management process and clarifies the responsibility of each department.

To the management control layer, the pattern can set up or adjust resource investment strategy by analyzing resource utilization rate, optimizing product design and fixing the cost of products from the source through analyzing activity cost, and utilizing activity cost information to make cost planning in order to improve the rationality of product pricing.

To the operation layer, the pattern can find the key factors causing cost increase through analyzing the activity cost and take measures to eliminate these factors; the relativity between activity and cost provides the direction for cost control; the analysis on activity efficiency and resource allocation rationality can provide data support for business process optimization; the introduction of activity clarified the controllable range of cost and is conducive to the implementation of performance assessment; the clear relationship between activity and cost provides a data foundation for budget formulation and difference analysis; the cost calculation result can be taken as a reference for salespersons to make project quotations.

● *Enlightenment of the Noah Ark Pattern*

The greatest contribution of the Noah Ark pattern lies in adopting the ABC refined cost control pattern. It introduces the concept of activity in cost control, associates the consumed resources with the final products through the activity, and makes the cost accounting more in line with the reality. The Noah Ark pattern gives us enlightenment from three aspects: first, avoid the cost distortion caused by equal distribution; second, the allotment method is simplified and practical; third, unfolding cost calculation and activity management with the actual process as the principal line improved the accuracy of cost accounting.

3. DESIGN OF THE FINE COST CONTROL MODE OF MANUFACTURING ENTERPRISES

A: Cost characteristics of manufacturing enterprises

Costs happen in business processes. Business processes mainly include material purchases, finished product production, product sales, product development and technical service, management, financing and so on. The cost of production items mainly refers to purchase costs, manufacturing costs, selling costs, the trial production and period charges of new products, etc.

TABLE III: BUSINESS PROCESS & COSTS

Business	Cost items
Materials Procurement	Procurement costs
Production	Manufacturing costs
sales	Cost of sales
Development	Trial costs -
Management、 Services、 Financing	Expenses for the period

The cost of production items is predictable. Through accounting on the premise of the going concerns of an enterprise, all the cost items of the enterprise are knowable or predictable under normal circumstances. Thus, effective cost control is usually realized through a planned cost method, a standard cost method or another method.

Costs are greatly affected by economic development. A manufacturing enterprise needs to consider its purchase costs and inventory costs. Its purchase cost may increase with the price rise of raw materials as a result of the growth

of the economy. It can properly increase its inventory to decrease the losses due to the price rise of raw materials. However, if excessive raw materials are purchased, its inventory cost will increase and too many funds will be occupied, making it easy to suffer a decline of fund utilization rate.

Cost control should be done based on enterprise strategies. In recent years, the research on enterprise strategies has drawn wide attention and it has become a common view that cost control plans should be prepared based on enterprise strategies.

B. Design principles of the cost control mode of manufacturing enterprises

Principle of being subordinate to strategies: Both the starting and ending points of the cost controls of enterprises should be subordinate to their development strategies. The development strategies of enterprises are overall plans about the survival and development of enterprises and the source of all the activities of enterprises. Thus, it is necessary during the design of cost control modes to plan for the cost control objectives of enterprises based on the strategic targets of enterprises and finally check whether the cost control objectives are reasonable or not through the fact of whether the strategic targets of enterprises are realized or not.

Principle of fine control: It means that cost control is not limited to the production process but covers links like new product development, material purchases, warehousing, operation sites, enterprise assets, sales, etc.

Principle of process standardization: It has three meanings: Detailing of processes: Prepare processes for all the production and management courses of an enterprise according to its characteristics and do not ignore each detail of control. Detailing of control points: Set each point in a process that may cause costs to be a control point. Quantification and standardization: Design each control point to be a quantized cost control objective that must comply with the overall objective.

C. Mode design

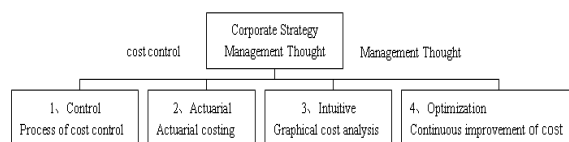


Figure 1: Cost Control refinement Flow

Process cost control: First, realize process reengineering while breaking down the overall cost objective step by step, then carry out fine cost control in all the links from new product development to sales.

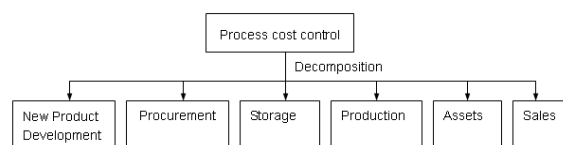


Figure 2: Cost Control refinement Flow

Fine cost accounting: It means that each link of a process needs fine cost control.

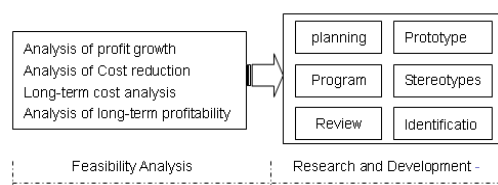


Figure 3: Cost control New Product Development

The emphasis of the cost control in the new product development is an economic feasibility analysis that should be done in the aspects of short and long-term impacts, extent of cost reduction, extent of profit increase and so on to make new product development necessary and accurate.

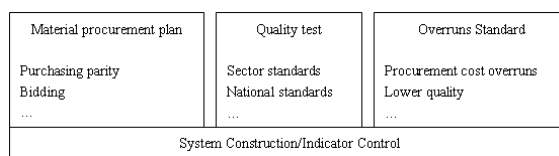


Figure 4: Purchase Cost Control

Control the purchase cost according to the prepared system of a price compared purchasing system or purchasing through bidding and material quality standards. Meanwhile, work out an overspending plan to strictly standardize the purchase behaviors.

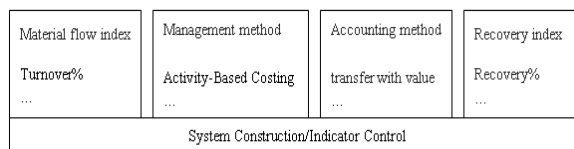


Figure 5: Storage cost control

Work out material turnover indexes, material management methods (such as ABC management method), material accounting methods and waste recovery indexes to intensify the warehousing management.

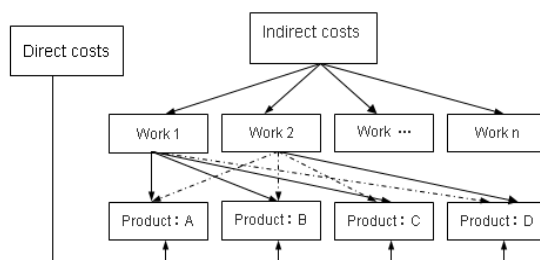


Figure 6: manufacturing process cost control

Field management mainly refers to production process management. The best manner of production process management is the activity-based cost method in which the direct costs are directly charged to product cost and the indirect costs are first accumulated to different operations and then apportioned to different products. In this way, the accuracy of cost calculations is ensured and the apportionment is less complex.

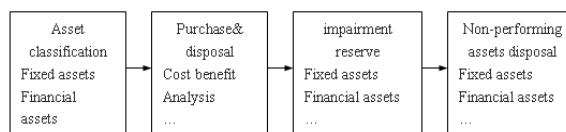


Figure 7: Assets control

When carrying out cost control, classify the assets first and then use different control methods according to the classification results. Generally speaking, cost-benefit analysis is done to check the profits brought by the funds occupied and handle the non-performing assets in a timely manner.

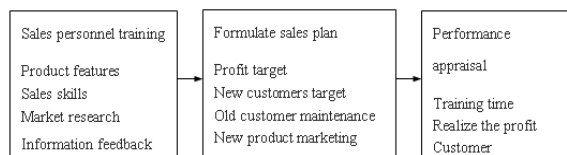


Figure 8: Sales control

Three key points of the detailing of sales process: First, the training of sales personnel: Sales plans are key assessment indexes for the completion of overall tasks and the preparation of sales plans mainly depends on sales personnel's sales capabilities and their loyalty to enterprises; second, fining of indexes: When setting sales tasks, use multiple indexes and weights, reflect the sales strategies of companies, set sales objectives on a quarterly basis and conduct real-time inquiries about the completion situations of the sales objectives. Third, assessment of sales personnel: Work out related indexes and then conduct regular assessments according to the indexes and establish a reward system and a ranking system to mobilize the initiative sales personnel.

Graphical cost analysis: The products produced by manufacturing enterprises have many varieties, parts and universal parts that cannot be clearly described in words only and will be more intuitive and clearer if described with flow charts by departments, processes and operation activities, thus benefiting the supervision over the cost condition of each link.

Continuous cost improvement: In recent years, enterprises are developing faster and faster. The innovations about both the theories and practices of modern enterprise management keep emerging and enterprises are facing increasingly fierce competition. Therefore, in order to minimize costs, improve production efficiency, promote quality and ensure leading target cost and control level, it is necessary to make continuous improvement to adapt to the development of both social economy and enterprises.

CONCLUSION

All the economic activities of enterprises must serve the development strategies of enterprises, so the starting and ending points of cost control should be the development strategies of enterprises.

The overall cost objective of an enterprise should be a key part of the development strategy of the enterprise and when in cost control, it is necessary to start from the overall cost objective and realize process reengineering while decomposing the overall cost objective and then design the fine cost control mode for each link of each process.

Reflect the cost control mode of each link of each process through graphs to ensure both an intuitive effect and convenient supervision.

It is necessary to do continuous improvement for the standards and indexes of processes with production development and technical progresses to adapt to new situations.

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