

---

# Research on Cost Control of YD Coal Enterprise under the Background of Supply-side Reform

Lu Yao

Xi'an University of Posts and Telecommunications, College of Economics and Management, Xi'an 710121, China;

1303493970@qq.com

---

## Abstract

Supply-side reform was put forward by General Secretary Xi Jinping, and five tasks were deployed, namely, capacity removal, inventory removal, leverage removal, cost reduction and shortcomings compensation. In 2018, it was proposed to further promote supply-side reform and take the lead in coal industry. Under the policy of supply-side reform, aiming at the problems existing in the current cost control of YD coal enterprise, this paper puts forward some countermeasures and suggestions to improve the cost control of YD coal enterprise based on the analysis of its cost causes.

## Keywords

Supply-side reform; Coal enterprises; cost control.

---

## 1. Introduction

Supply-side reform was first proposed by General Secretary Xi Jinping at the 11th meeting of the Central Financial and Economic Leading Group on November 10, 2015; it was put forward again at the Central Economic Work Conference in December; at the 2016 meeting, to promote the supply side reform, and deployment to production, to inventory, leverage, reduce costs, make up the short board "5 aspects of the task; on February 1, the State Council issued "Opinions on Overcapacity Dissolution and Difficult Development of the Coal Industry" (Guofa [2016]7), Take the lead in implementing supply-side structural reform in coal industry, during the two sessions in 2018, it was proposed to further promote supply-side reform. Because of the particularity of its industry, coal enterprises take the lead in implementing supply-side reform. This paper takes YD Coal Enterprise as the research object, because the cost of the enterprise is too high. By using the actual data of the enterprise to explore the reasons for the high cost of the enterprise, and using the cost control theory synthetically, it provides suggestions and measures for the enterprise to reduce costs and improve profits.

## 2. YD Coal Enterprises Section Headings

### 2.1 Basic Introduction of Enterprises

YD Coal Enterprise, founded in 2011, has registered capital of 50 million yuan and total assets of 3.17 billion yuan, belonging to the sole proprietorship enterprise. The enterprise is mainly engaged in coal production, washing, processing and sales, of which coal business mainly includes raw coal and water coal washing. The company has 386 employees, 73 of whom have bachelor's degree or above, 131 have junior college degree and 182 have high school degree. The company's customers are located in East, North and South China.

Coal mining industry belongs to enterprises is one of the important basic energy industries, and it is a typical resource and labor intensive industry. In accordance with the strategy of centralized and

unified sales, the enterprise has persisted in reporting foreign transportation, stabilizing prices, promoting returns and increasing benefits, and has achieved good business performance. In 2017, sales revenue reached 2.671 billion yuan, operating profit reached 226 million yuan and net profit reached 161 million yuan. The main achievement of enterprises comes from coal business.

## 2.2 Operational Status of Enterprises

The YD Coal Enterprise's operating income, operating cost, operating profit and net profit from 2013 to 2017 are counted, and the changes of financial indicators in the past five years are shown in the form of a broken line chart. The results are shown in [Figure 1](#).

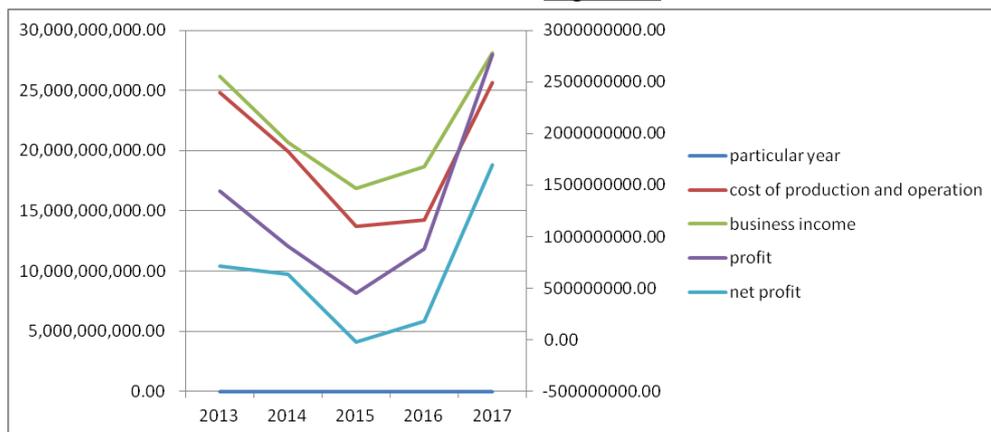


Fig. 1 Operation of YD Coal Enterprise

Because the emergence of new energy led to a decline in the demand of the coal industry, YD coal enterprise's business income showed a downward trend in 2013-2015, and with the gradual recovery of the coal market, the business income of the enterprise began to rise slowly in 2015, the biggest upward trend in 2016-2017. YD Coal Enterprise's production and operation cost changes with the change of business income, market demand increases, coal enterprises need to produce more coal to seek profits, so labor costs and other expenses will increase, which will lead to the increase of costs. The change trend of profit and net profit is consistent with that of business income, but the decline trend of net profit in 2013-2014 is not significant.

## 3. Problems and Causes of Cost Control in YD Coal Enterprises

### 3.1 Problems in Cost Control

#### 3.1.1 Cost Control Lack of Overall View

Cost control needs full participation. First of all, we need to understand the participation of YD coal enterprise cost control staff and cost control aspects. Because of the particularity of YD coal enterprise industry, the enterprise is mainly composed of productive organization and management organization. The cost control under this organization tends to lead to single cost control personnel and low cost control consciousness of employees. Only the employees of production department have strong cost control consciousness, strong sense of responsibility for cost control and low enthusiasm of all staff to participate in cost control. Cost control should have been participated by all staff, but because of the lack of cost awareness of all staff, cost control is only a matter of the production department, the rest of the departments do not participate, can not form a system mechanism of upper and lower interrelated restriction management, can not achieve the goal of full participation.

#### 3.1.2 Insufficient scope and depth of cost control

Cost control is mainly based on product level, which is limited to cost accounting, planning and analysis in the production process, and has not gone deep into the coal production process. Coal resource is a kind of non-renewable resource, which is the exploitation and exploration of natural resources. As a result, its market mechanism restricts the marketing of coal, which makes coal enterprises focus on the output of products in cost control, ignoring the control of indirect costs, which

makes the cost control situation worse. Therefore, the cost information calculated is inaccurate and cannot serve the enterprises in time. Industry analysis makes the effect of cost control greatly affected in scope and depth, resulting in the inefficiency of enterprise organization structure and business process can not be added value, greatly reducing the business efficiency of enterprises.

### 3.1.3 backward cost control mode

The idea and method of cost control adopted by YD coal enterprises are relatively backward, and the traditional cost control method is used to control the cost. With the diversification of product types in coal enterprises, the inappropriateness of standard cost method has been highlighted. Standard cost method can not cover all the production processes of products, and the calculated costs are limited to the production links, while ignoring the cost of daily management and the cost of product research and development, it is difficult to dig into the factors that reduce the cost of enterprises, and inevitably miss the important factors that affect the cost reduction. The standard set by enterprises by traditional control methods pays attention to value indicators, which can easily lead departments to damage the interests of other departments in order to pursue their own interests, thereby damaging the overall interests of enterprises and violating the principles and original intention of the overall development of enterprises.

### 3.1.4 Insufficient Cost Assessment Mechanism

Cost assessment is the basic data for evaluating the completion of enterprise production plan, and it is also the basis for motivating employees, as well as the way to further reduce costs. YD Coal Enterprise's cost assessment is not linked to salary, and its rigidity is not strong. This enterprise lacks strength in evaluation and corresponding incentive measures, which leads to the disconnection between salary and cost control, neglect of operation and management, resulting in serious waste of cost. The form of performance appraisal basin fails to achieve the purpose of encouraging employees to actively participate in cost control, and the performance appraisal is not timely, which makes employees lose trust in the enterprise, reduces the enthusiasm of employees and reduces their work to the enterprise. The overall economic benefits of the industry play a role in reducing. Cost control depends on rewards and penalties, which is not easy to manage the cost according to the actual situation, resulting in the rigidity and backwardness of cost control.

## 3.2 Reasons for Problems in Cost Control

### 3.2.1 The composition of personnel is complex and the quality is low

YD coal enterprises have 18.91% of the staff with undergraduate degree or above, 33.94% with professional degree, 47.15% with senior high school education, especially underground workers with high school education. They know little about Coal professional knowledge. In ordinary training, they only memorize safe operation knowledge or skill operation. The low quality of employees leads them to fail to realize the importance of cost control for enterprises, and then pay no attention to the cost control of enterprises. They think that cost control is only considered by the top leaders, which makes cost control uncontrolled in production operation and wastes seriously, and greatly reduces the operating efficiency of enterprises.

### 3.2.2 Incorrect cost control

Cost control is an important factor to reduce costs, because the managers of coal enterprises need to go under the mine to check and supervise the work of employees, will encounter many unexpected situations, resulting in management costs can not be well controlled. Equipment and materials are mostly used by front-line workers. The changeability of mine conditions leads to the use of equipment and materials in enterprises can not be well controlled. Because coal mining enterprises need a lot of labor, sometimes there will be additional temporary workers, so the control of labor costs for employees can not be well controlled. Ultimately, the cost control of the enterprise is poor.

### 3.2.3 Lack of scientific and advanced accounting methods

At present, YD coal enterprises still use the traditional method based on man-hour distribution standard to analyze manufacturing costs, which leads to the distortion of cost information. There are some shortcomings in the cost accounting of the enterprise, which can not distribute the cost of the enterprise very well, which leads to inaccurate cost data and affects the decision-making of the operator. YD coal enterprises use traditional accounting methods to calculate costs, stay in simple cost accounting, lack of scientific and advanced accounting methods, can not flexibly adjust accounting methods according to market changes, can not meet the current needs of cost control of the enterprise.

#### 3.2.4 The cost assessment mechanism is not mature

YD Coal Enterprise's cost assessment mechanism is not mature, can't closely combine the assessment with staff's work and salary, and the cost assessment is not timely, the implementation of the assessment is their vital interests for employees. If employees do not feel the actual benefits brought by the enterprise for them, it is difficult for the enterprise to mobilize the enthusiasm of the employees' supervisors, and the enthusiasm of the employees as a whole will be affected. To hit, the enterprise will lose the trust of employees, which will lead to the decline of employee enthusiasm, affecting the overall efficiency of the enterprise.

## 4. Measures and Suggestions for Improvement

### 4.1 Strengthen the Concept of Cost Control in Enterprises

Cost control is an important guarantee for enterprises to achieve their business objectives. An enterprise's ability to control costs directly forms its core competitiveness. Therefore, cost control is very important. However, because 81.13% of employees in YD Coal Enterprise have educational background below junior college and college, especially the workers in front-line have relatively low educational background, and their awareness of cost control is relatively weak, accounting for 72.27% of the total number, and only 33.96% of employees have a strong sense of responsibility for cost control. To achieve effective cost control, we must have a correct understanding of cost. The implementation of cost control is not only the work of financial department personnel, but also the work that requires all employees to participate in and cooperate actively. So YD coal enterprises should train and guide non-financial personnel on the basic principles of cost control. In addition, enterprises can also convey cost control to employees through lectures, reports and knowledge contests in daily education and training. Importance of improving staff's cost control awareness.

### 4.2 Implementing Total Cost Control

Reasonable organizational mechanism is the key and guarantee of successful cost management. YD Coal Enterprise needs to establish a unified cost control center in the interior. The operator of the enterprise considers the overall situation and formulates the cost control objectives of the enterprise, then makes a scientific plan for the cost control, formulates a comprehensive and detailed target responsibility assessment system from the aspects of technology, management, process and concept, and controls the cost by means of the target responsibility document. Layer by layer decomposition, implementation to individuals, forming a company, miners, workshop management system with consistent objectives. Cost management takes the financial department as the main body and the chief accountant as the main person in charge. Relevant departments coordinate with the work of the financial department to forecast, finalize, calculate, control, analyze, assess and supervise the cost of enterprises. Enterprises can set up cost control leading groups to clarify the dominant position of cost management and improve staff's awareness of cost control. After the establishment of the leading group, the leaders should actively design the cost control plan, which includes the specific cost objectives of each department, and send the cost plan to each department in time. The head of the Department is responsible for the cost control tasks of the staff and grass-roots staff, so that the staff can understand the cost control objectives they need to complete, and the section head is responsible

for supervision and management. The completion of cost control tasks of undergraduate staff, timely report to the machine when problems are found, and seek solutions in time.

#### **4.3 Developing Activity-Based Costing Management**

Because the environment of coal mining in coal enterprises is complex, the cost consumption varies greatly, and the formulation of material consumption is difficult to determine, and the current cost control can not be very accurate cost data, leading to decision makers can not well formulate the coal sales price, overestimate the production cost of coal products, will lead to enterprises to formulate higher sales prices, resulting in coal retention and Underestimating the production cost of coal products will lead to lower sales prices and lower economic profits for enterprises. Whether overestimating or underestimating the cost of coal products will have a negative impact on the economic benefits of enterprises. The traditional cost control methods of enterprises are no longer applicable. Enterprises need to constantly improve and improve cost control methods. Activity-based costing management can deeply analyze the cost of enterprises to the level of activities, distribute indirect expenses to products according to the corresponding cost drivers, and calculate the cost of products more reasonably and accurately. It can provide more accurate basis for enterprise decision makers to set prices, and bring good economic benefits to enterprises.

#### **4.4 Establish a scientific and reasonable evaluation and incentive mechanism**

Establishing a scientific and reasonable incentive mechanism for cost assessment is the basis of implementing cost control in YD coal enterprises. YD Coal Enterprises should recommend perfect cost assessment and incentive mechanism, link cost assessment mechanism with cost control objectives and employees' work objectives, regularly assess employees' performance, and establish a comprehensive and diverse reward and punishment system on the basis of defining employees' post responsibilities. This will not only stimulate employees' enthusiasm for work, but also enable cost control. The goal of the system is combined with employees' own interests, which makes managers and employees work together for the same goal. Enterprises can combine assessment incentive with salary, and use the form of capital or material incentives to employees. To motivate employees in material level, we can set up bonuses, welfare and other methods to improve the enthusiasm of employees and make them enthusiastic about the assigned tasks.

### **References**

- [1] Huang Yixuan. The development of enterprise asset securitization problems and Countermeasures of [J]. modern management science, 2018 (10): 30-32.
- [2] Li Yuan, Zhao Liping. Development Trend and Countermeasure Research of Coal Enterprises in the Process of Supply-side Reform [J]. Coal Technology, 2018, 37 (05): 321-323.
- [3] Wen Fu. Optimizing the Inventory Structure of Coal Enterprises under the Background of Supply-side Reform [J]. Modern Marketing (Late issue), 2018 (01): 145.
- [4] Gao Ying. Research on the improvement of cost management in coal enterprises from the perspective of supply-side structural reform [J]. International Business Accounting, 2017 (05): 73-76.
- [5] Warming tide. Research on cost reduction of coal enterprises under the background of supply-side reform [D]. Hebei Normal University, 2017.
- [6] Bai Yanfeng, Hao Xiaojing. Coal Market Governance Research Based on the perspective of supply-side reform [J]. Friends of Accounting, 2016 (09): 14-19.