

# The Impacts of Enterprise Management Accounting Lack on Internal Control

Zhao Xiaoli<sup>1</sup>, Yan Wenyue<sup>2</sup>, and Li Zengbao<sup>3</sup>

<sup>1</sup>College of Financial, Jiangxi Normal University, Jiangxi Nanchang, 330022

<sup>2</sup>College of Literature, Shandong Normal University, Shandong Jinan, 250000

<sup>3</sup>School of Literature, Jiangxi Science and Technology Normal University, Jiangxi Nanchang, 330038

**Keywords:** Enterprise; Management Accounting; Internal Control

**Abstract:** Internal accounting control system is the basis of normal operation of enterprises. All management work of an enterprise should begin with the establishment and improvement of its internal control system. All decision-making of an enterprise should be governed by a sound internal control system, and all activities of the enterprise should not be free from outside. Internal accounting control system is the core of the overall framework of enterprise internal control. It is a control system formulated and implemented to improve the quality of accounting information, protect the safety and integrity of assets, and ensure the implementation of laws, regulations and regulations.

## 1. Introduction

In order to implement laws and regulations such as the Accounting Law of the People's Republic of China, promote the construction of internal accounting control systems, strengthen internal accounting supervision, improve the quality of accounting information, maintain the order of socialist market economy, and promote the healthy development of capital market, the Ministry of Finance, the Securities Regulatory Commission and the People's Bank of China, etc. Door has issued a series of internal control laws and regulations and their supporting provisions. Under the guidance of the internal control norms formulated by the relevant government departments, a set of written internal accounting control systems has been established in the industry headquarters, some listed companies and some enterprises, especially the "three-capital" enterprises. Some listed companies also employ intermediaries to evaluate, guide and improve the construction and operation of their internal accounting control system. These pioneering practices will play an important role in promoting the construction of internal accounting control in enterprises and institutions, strengthening internal accounting supervision and maintaining the order of socialist market economy.

## 2. The relationship between management accounting and internal control

### 2.1 The relationship between management control and management accounting

Management control is the sum of a series of control processes that the controller carries out to achieve the strategic objectives of the organization. Controllers in enterprises are managers at different levels. Strategic objectives are the expected effectiveness of strategic operations. Therefore, enterprise management control can be understood as the process in which managers at all levels control other members of enterprises in order to achieve strategic objectives. The management control procedure includes five steps: decomposition of strategic objectives, determination of control standards, analysis of control reports, evaluation of business performance and incentive of managers.

The core output of management accounting is internal report (or management accounting report), so management accounting is also called internal report accounting. The essence of enterprise internal report is to provide information related to business decision-making and management control. The relevance of accounting information requires that accounting information is closely

related to managers' decision-making. It provides managers with information needed for planning, decision-making, control, evaluation, incentive and communication, and gives full play to the prediction, decision-making and planning of accounting information. The function of control makes the operation control, management control, management decision and strategic decision more scientific and operational, so as to improve the performance of enterprises and achieve the objectives of enterprises [4-6].

The relationship between management accounting and management control is interdependent. Management accounting is based on the accounting needed by management control, and management control is based on the management control carried out by management accounting. The link between the two is management accounting information. The effective operation of management control can not be separated from the support of management accounting information. At the same time, it also puts forward the design and presentation of management accounting report. Requirements, and then form a management accounting and control system, management accounting and management control positioning and coordination as shown in Figure 1.

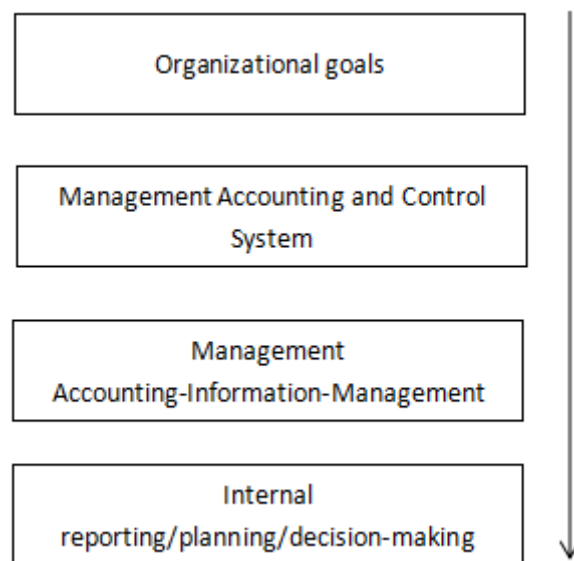


Fig. 1 Location and coordination of management accounting and management control

## 2.2 The relationship between management control and internal control

According to the expression of Basic Standards for Internal Control of Enterprises, the objectives of internal control can be divided into three levels: the most basic is the control of laws and regulations, which guarantees the legitimacy and compliance of enterprise management; the middle is accounting control, which guarantees the authenticity and integrity of financial reports and related information; and the top is management control, which guarantees assets. Safety, improve operational efficiency and effectiveness, and promote the realization of enterprise strategic objectives. The position and function of regulation control, accounting control and management control are different. Regulation control is the premise of all internal control of an enterprise, if the regulation control is not in place, other control will lose the necessity of existence; Accounting control is the basis of all internal control of an enterprise, which is not only the basic condition of internal business decision-making and management control, but also the external supervision and control of external stakeholders of an enterprise. The basic conditions of investment decision-making; management control is the fundamental and orientation of internal control of enterprises, and the fundamental goal of control is to improve the effectiveness of enterprise management and achieve the strategic objectives of enterprises [7-10].

From the perspective of the development of internal control, the concept of guiding the internal control of enterprises is also developing and evolving, that is, from "want me to control" to "want to control", from "accounting control" to "management control", from "manager control" to "all staff control", and from "want me to control". "Implementation control" gradually evolves into "whole

process control", from "standard control" to "risk management", from "closed control" to "open control" and from "rational control" to "natural control".

### 2.3 The relationship between management control and corporate governance

The premise of clarifying the relationship between management control and corporate governance is to clarify the relationship between corporate management and corporate governance. Previous studies have confirmed that the essence of corporate management is to operate the company, while the essence of corporate governance is to ensure the correctness of the company's operation. The specific relationship is shown in Figure 2. Corporate governance is a multi-dimensional concept. From a narrow point of view, corporate governance refers to the mechanism of supervision and checks and balances between the owners of a company and the managers. Its goal is to prevent the managers from deviating from the interests of the owners so as to maximize the interests of the owners. From a broad point of view, corporate governance refers to the coordination of all interests. A series of formal and informal systems adopted by the stakeholders. Compared with corporate governance, corporate management is the general term of a series of internal management functions, such as planning, organization, command, regulation and supervision. Its direct goal is to achieve corporate strategy, and its ultimate goal is to achieve corporate governance objectives and protect the fundamental interests of all stakeholders [11].

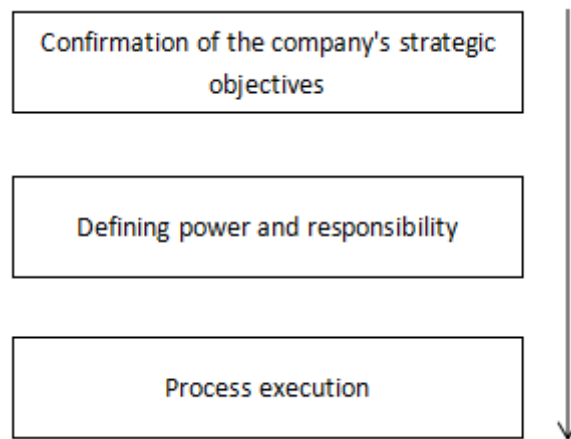


Figure 2 The relationship between management control and corporate governance

## 3. The Impact of Management Accounting Defects

### 3.1 Cost Performance Analysis Loss in Cost Control Management Function

In terms of function, the analysis of cost performance state in management accounting includes fixed cost, variable cost and comprehensive cost. Based on exploring the mutually supportive relationship between cost and the quantity of production activities, we can accurately grasp the quantity pair of production activities and the change of cost. Influence. In the internal control management of large enterprises, the use of cost performance analysis to control budget cost is not only conducive to strengthening enterprises to accurately grasp the regular relationship between cost and the number of production activities, but also conducive to maximizing the discovery of internal potential stocks, completing optimized internal control, and being practical. Effectively improve economic returns, and give effective and real internal control basis [12]. In the absence of management accounting, it will lose this function, leading to the regression of enterprise operation.

### 3.2 The corporate governance structure is imperfect and the internal control organization is vacant

Because of the influence of the long-term planned economy in the past, many managers' management thoughts and management methods still remain in the role of administrative leadership. They have not fundamentally changed their management concepts, and regard enterprises as legal

entities and operating individuals who operate independently and bear their own profits and losses. The corporate restructuring of enterprises has not fundamentally solved this problem. Although many listed companies in China have set up boards of directors, supervisory boards and appointed the general manager team, in practice, the supervisory role of the board of directors has been seriously weakened. The "directors" are not "sensible", often only have one "vacant" position, and lack the necessary permanent institutions. For example, in the state-owned enterprises after the reform of the joint-stock system, the general manager of the company often serves as the director or chairman of the board of directors concurrently, and the power can not be effectively monitored. Some institutional settings of joint-stock companies have not played their due role, or even have not been set up at all. The joint-stock companies only have the shell of modern enterprises, but have not fundamentally formed a real corporate governance structure, and have not clearly defined the authority and responsibility of the board of directors, the audit committee and the managers. At the same time, the company has not yet formed a reasonable human resources management mechanism. The importance and role of management accounting can be confirmed by finding problems in internal accounting control in the case of Table 1.

Table 1 Internal Accounting Control Finding Problems (RMB 10,000)

project	Amount of money	Number	Proportion	Remarks
Congestion cost	93	6	11.54	Processed
Setting up Outside Account and Small Treasury	15	2	5.77	Processed
Deposit enterprise funds into banks in the name of individuals	28	1	5.77	Processed

#### 4. Conclusion

In the relationship between management accounting and internal control of enterprises, the relationship between management control and management accounting reveals the essence of management control and management accounting and their interdependence; the relationship between management control and internal control, corporate governance, strategic management and operation management, reveals the different control, governance and operation management of management control. The position and function of management level; the relationship between management control and financial management, internal audit reveals the influence of management control on related disciplines; the relationship between management control and macro governance reveals the broad application fields and application space of management control from micro to macro. In terms of impact, the construction of management accounting needs to be further promoted, which effectively combines management accounting with internal control.

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