

Research on the Integration of Chinese Enterprise Management Accounting in Internal Audit

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Abstract: Chinese modern enterprises generally adopt the method of management accounting, and pay attention to strengthening the internal audit work. Management accounting and internal auditing are closely related and interrelated, and play an important role in maintaining internal stability of an enterprise and maximizing enterprise value increment. However, in the process of applying management accounting in internal audit, the role of management accounting is often affected due to the late start of China and different national conditions. Therefore, this paper preliminarily discusses the problems existing in the application of management accounting in the current internal auditing of Chinese enterprises, and proposes improvement strategies for the application of management accounting in internal auditing based on the actual situation, and provides a reference for the application of management accounting in internal auditing.

1. Introduction

Since the reform and opening up, with the continuous development of the economy, various Chinese enterprises such as state-owned enterprises, joint ventures, etc. (hereinafter collectively referred to as Chinese enterprises) have begun to introduce and gradually popularize the concept of management accounting. It improves the management efficiency and increases the economic benefits of the enterprise, and at the same time avoids the operation risks to a certain extent.

Internal audit plays an important role in increasing revenue, reducing expenditure and recovering losses. Management accounting improves the internal management level of enterprises by improving the work quality of internal audit, thereby promoting the transformation and upgrading of China's economy. At present, Chinese enterprises are in an important economic transition period and need to innovate and upgrade their management. The goals of both management accounting and internal auditing are to maximize the incremental value of the enterprise. The two are closely related and interconnected, and can play an important role in maintaining the internal stability of the enterprise and maximizing the incremental value of the enterprise, thereby helping the enterprise to supervise Work, cultivate the core competitiveness of the enterprise, and escort the smooth and orderly development of the enterprise.

2. Theoretical Interpretation of Management Accounting and Internal Auditing

2.1 Conceptual Explanation of Management Accounting

Management accounting is to analyze the past and plan, control and evaluate the current and future economic activities within the enterprise according to the needs of managers and the requirements of the principle of cost-benefit analysis, and provide business operators and internal managers with business planning and management. , Accounting for the relevant information required for forecasting decision-making [1]. Compared with financial accounting, management accounting tends to provide information for the internal management of enterprises, aiming to create and maintain enterprise value by improving the efficiency of internal management of

enterprises.

2.2 Explanation of the Concept of Internal Audit

According to the definition of China's Internal Auditing Standards, internal auditing is “an independent and objective confirmation and consulting activity”. Internal audit is the audit work carried out within the enterprise, based on the economic business operation of the enterprise, focusing on the achievement of goals, economic efficiency, etc. [2]. Through the establishment of full-time internal auditors, it aims to objectively evaluate the economic activities of enterprises and optimize the allocation of enterprise resources.

2.3 The Link between Management Accounting and Internal Auditing

Regarding the research on the relationship between management accounting and internal auditing, Lin Renzao (2016) proposed that “there is a coupling relationship between management accounting and internal auditing, internal auditing is an integral part of management control, and management accounting is the object of internal auditing control and supervision. On this basis, Zhang Ying (2019) further added that “promoting the deep integration and development between the two is the trend of the development of the coupling relationship between the two” [4]. In the same year, Scholar Lv Bingyan (2019) also proposed that “internal audit and management accounting are an important part of the internal management of enterprises, the content involved is constantly updated, the functions are continuously integrated, and jointly promote the healthy and orderly development of enterprises” [5]. It can be seen that the current economic situation is becoming more and more complex, and the combination of management accounting and internal auditing is more conducive to improving the management level and management efficiency of enterprises and maximizing the value-added of enterprises. The development and integration between the two should be more coordinated, comprehensive and deepened, which will help domestic enterprises to complete the transformation of the industrial structure.

3. The Application Value of Management Accounting in Enterprise Internal Audit

3.1 The Combination of the Two Can Promote the Organic Integration of Industry and Wealth

The integration of business and finance means the financialization of business and the businessization of finance. Each business has complete financial information, which can be traced back to the source of finance. At the same time, financial personnel are not limited to financial work, but have a deep grasp of business processes, so that financial Decision-making is more conducive to the conduct of enterprise business. The organic integration of business and finance to the greatest extent can create value for the enterprise to the greatest extent, and the combination of management accounting and internal audit helps the financial department and non-financial department to trust each other, enhance the cohesion of all employees of the enterprise, and reduce or eliminate the inter-departmental. Therefore, it promotes the organic integration of industry and wealth, and provides a solid internal support for enhancing the awareness of industry and wealth integration of all employees of the enterprise and establishing a corporate culture of industry and wealth integration.

3.2 The Combination of the Two Can Provide More Accurate Data Support

Secondly, the application of management accounting in internal auditing can establish a complete management accounting system and a complete management system within the enterprise. For example, some state-owned enterprises have established reward and punishment mechanisms and responsibility traceability mechanisms in the process of practical application of management accounting [6], which meets the high requirements of the integration of business and finance for the completeness of the process system, and minimizes the conflicts between business and financial departments caused by imperfect systems. The combination of management accounting and internal audit has established and improved a sound management system and an effective communication

mechanism between various departments, thereby helping enterprises to achieve a full range of business and financial integration. Finally, the application of management accounting in internal audit, through internal training of old employees and external recruitment of new talents, has improved the professional quality of enterprise personnel to a certain extent, and laid a solid talent foundation for the integration of industry and finance.

The basis of management accounting is to process and analyze financial and non-financial information, which can make up for the shortcomings of financial accounting that only focuses on financial information, and provide more comprehensive and accurate information than financial accounting. Moreover, management accounting can not only deeply analyze the past management information of the enterprise, focus on the current management status of the enterprise, but also make a reasonable prediction of the operation and management information of the enterprise in the future. Based on these two points, the application of management accounting in internal audit can improve the ability of enterprise information analysis and processing, provide more accurate data support for enterprise decision-making, meet the needs of “effective decision-making”, and avoid enterprise decision-making due to incomplete and timely acquisition of management information , Accuracy affects correctness. For example, State Grid improves data accuracy through the combination of management accounting and internal audit, and implements multi-dimensional lean management accounting in internal audit, which can support precise decision-making, precise operation, and precise assessment of enterprises with more accurate data.

3.3 The Combination of the Two Can Realize Enterprise Risk Control and Prevention

In addition to its own information analysis functions, management accounting combined with internal audit can reduce or even avoid enterprise risks. Management accounting can use a large amount of information to analyze the current and future operation and management of the enterprise. With the help of this function of management accounting, internal audit can effectively judge the existing information and find out the risks existing in the operation process of the enterprise, so that the enterprise can Prepare countermeasures in advance to reduce or avoid the harm of risk. The combination of management accounting and internal audit uses more accurate data support, has a certain sensitivity to data-related risks, can detect potential risks in time for prevention, control possible risks in a timely manner, and minimize their harm to the enterprise. to the minimum. This is in line with the needs of enterprise risk modernization management, and can also help modern enterprises quickly enter a new stage of development [7]. Management accounting perfects the audit thinking about risk for internal audit, and it is expected that risk audit will become an important content of internal audit.

3.4 The Combination of the Two Can Broaden the Content of Internal Audit

At present, the nature of the internal audit work of the enterprise is inclined to the function of the financial department [8], and the application of management accounting in the internal audit has broadened the scope of the internal audit function, so that the internal audit work of the enterprise is no longer limited to the cooperation with the financial audit, but only In order to check errors and prevent frauds, we gradually penetrate into other areas of enterprise management. Under the economic situation of the new era, the internal audit of enterprises is required to include environmental, quality and risk management audits. For example, companies that need to consider environmental performance introduce environmental auditing to audit the economic benefits generated by environmental protection investment, which will help solve the problem of environmental pollution, accelerate the reform of the ecological civilization system, and build a beautiful China. Another example is the introduction of quality auditing in production enterprises and strict control and management of product quality within the enterprise, which helps to ensure product quality and improve the reputation of the enterprise. This enables internal audit to participate in business management other than finance, and is no longer just simple financial bookkeeping. Management accounting improves the influence of internal audit in enterprise management and broadens the content of internal audit.

4. The Application Status of Management Accounting in Enterprise Internal Audit

4.1 The Management System is Not Localized and Lacks Innovation

Management accounting and internal auditing started and applied relatively late in all walks of life in China. China's "homegrown" management system experience is limited, and most Chinese companies follow foreign models, seldom considering China's special national conditions and the specific conditions and needs of companies. Although the foreign experience is good, but blindly copying it and not improving it according to the actual situation, it cannot give full play to the role of management accounting in internal audit, and even has a counter-effect, hindering the development of internal audit. With different national conditions and different industries, there are individual differences among specific enterprises. In view of their own special problems, enterprises do not innovate their own management systems on the basis of fully absorbing the successful experience of other enterprises. The effective combination of accounting and internal auditing will lead to the low overall effectiveness of management accounting in internal auditing. The management system that suits the situation of the enterprise is the best. For example, the experience of Handan Iron and Steel is an internal management system suitable for China's national conditions in the steel industry. It has led the development of state-owned enterprises in China for a period of time, but it still needs to be improved and improved. 9]. At present, the management systems adopted by Chinese enterprises for the application of management accounting in internal audit are generally not localized and do not have their own characteristics. This is also related to the lack of innovative awareness and innovative thinking of the management.

4.2 Insufficient Degree of Informatization Construction

In today's society, with the rapid development of information technology, the level of informatization has become a new key factor for enterprise development. The effective operation of management accounting in internal audit is inseparable from financial informatization, and financial informatization can improve the overall efficiency of management accounting in internal audit. Chinese enterprises, especially small and medium-sized enterprises, have only achieved computerization, and the degree of informatization construction is insufficient, and they have not paid enough attention to and invested in informatization construction. They have not fully integrated and utilized information technology resources such as big data and 5G, and lack their own The information management platform cannot achieve real-time sharing of data among various departments. Most of the enterprises that carry out informatization construction also have many problems such as confusion of financial information integration and unreasonable construction of informatization management system.

Insufficient informatization construction will result in high management costs, especially high labor costs, and low management efficiency, which is not conducive to the improvement of enterprise management level, fails to meet the work requirements of modern management accounting, and hinders the future development of enterprises.

4.3 Insufficient Professional Quality of Personnel

Most Chinese enterprises do not have special management accounting functions. Management accounting is still subordinate to the financial department. Enterprises do not have a professional management accounting team. Most of the accounting work is still basic daily accounting. Therefore, internal audit cannot effectively apply management accounting. Co-operating with financial accounting to conduct financial audit, can not achieve the goal of assisting business management.

The professional quality of management accounting personnel in Chinese enterprises is still insufficient, which affects the combination with internal auditing. First, the management accounting concept popularized within the enterprise is not in-depth, and the old employees only have proficient accounting skills, and do not have the corresponding management accounting foundation and strategic management. Foresight, let alone the application of management accounting in internal auditing, the second is that colleges and universities pay too much attention to professors of

theoretical knowledge in the education of students majoring in management accounting, and lack of practical drills, resulting in weak application ability of students, and increasing the input of enterprises in the recruitment process. The difficulty of high-level applied talents also increases the difficulty for enterprises to apply management accounting in internal audit.

5. Recommendations for the Application of Management Accounting in Corporate Internal Auditing

5.1 Enterprises Need to Build a Scientific Localized Management System

The key to the efficient application of management accounting in the internal audit of enterprises is to construct a scientific localized management system and innovatively introduce foreign systems. First of all, we must be “scientific” and clarify the scope of responsibilities and core functions of management accounting and internal auditing. Although the national conditions, economic environment and even the specific conditions of the enterprise are different, the management system should highlight the effective inspection of the core functions of the two. It is a common feature of a scientific management system. Secondly, we must pay attention to “localization”. The differences between enterprises determine the differences in management systems, clarify the differences in the coordination conditions of management accounting and internal auditing of different enterprises, and build an effective coordination and integration mechanism of management accounting and internal auditing. Under the guidance of the correct management concept, realize the efficient application of management accounting in internal auditing.

5.2 Enterprises Need to Improve the Quality of Management Personnel

To improve the quality of management personnel, to cultivate and reserve management personnel is the guarantee for the efficient application of management accounting in the internal audit of enterprises. The work of management accounting is people-oriented, and the quality of management accounting personnel determines work efficiency, work quality and enterprise management level to a certain extent. The functions of management accounting and internal audit overlap and are related to a certain extent, so it is possible to jointly cultivate talents in related aspects of the two. There are two specific ways. One is to strengthen the talent cultivation of internal old employees. Lectures, exchange meetings, continuing education and other methods can be used to improve the quality of the internal personnel of the enterprise. The inspection of the practical experience of the personnel has injected fresh blood into the enterprise and brought advanced management ideas and management methods.

5.3 Enterprises Need to Strengthen Information Construction

Strengthening the construction of informatization and realizing financial informatization is the development trend of the efficient application of management accounting in the internal audit of enterprises. Management accounting conducts high-precision, real-time, and scientific analysis of financial and non-financial information, and provides theoretical basis and technical support for internal auditing, which is inseparable from financial informatization. However, there are many serious drawbacks in traditional auditing without informatization. For example, the financial fraud case of Ruixing Coffee reflects the insufficiency of traditional auditing and the necessity of informatization. Therefore, it is an inevitable development trend for enterprises to strengthen informatization construction and introduce informatization methods such as big data audit mode.

6. Conclusion

Management accounting and internal auditing are still in their infancy in China, and there are still some problems in the application of management accounting in internal auditing of Chinese enterprises. However, modern enterprises generally explore efficient methods of applying management accounting concepts, tools and frameworks to internal auditing, which is beneficial. Enterprises can improve their management level, realize risk prevention and control, and improve

their core competitiveness, and ultimately achieve the goal of maximizing corporate value through the appropriate integration of management accounting and internal auditing.

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