Design of Logistics Cost Control in Tobacco Commercial Enterprises Based on Activity-based Costing

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ABSTRACT

According to extensive defects of China's tobacco business enterprises logistics cost control, using activity-based costing from the three latitudes: prior control, in-process control, after control to design the logistics cost control system of tobacco business enterprise, to realize the work division and activity cost control of the whole logistics process of the tobacco business enterprises. And it's more conducive for the tobacco business enterprises to control logistics cost, enhance competitiveness in the overall the angle.¹

KEYWORDS

Logistics cost; Tobacco Commercial Enterprises; logistics process

INTRODUCTION

At present, China's tobacco industry is facing a grim situation: the advantage of the highly planned system which protects the tobacco enterprise of exclusive dealing is weakening, intense competition for foreign tobacco giants of China's tobacco

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market share and outstanding talent, the degree of marketization of China's tobacco industry is low, the anti-risk ability is not strong, which makes the development of China's tobacco industry be said of an aged person. Tobacco industry must take certain measures to reverse the situation, so the logistics cost control has become a core content of logistics management of tobacco business enterprise. Logistics cost control refers to a series of activities process. In the logistics cost formation process, according to the categories and characteristics of logistics cost, enterprises carry out the prior planning, guidance, regulation and supervision in the matter, analysis and evaluation after the event, summarize the experiences and lessons, to take continuous improvement measures, in order to reduce logistics costs and improve logistics service level. The logistics operation system of tobacco commercial enterprise is an organic whole, the purpose of logistics cost control is to make the overall logistics cost optimization, rather than the lowest cost of a job link. In addition, the logistics cost has the characteristics of systematic and trade off, the cost each work link produces is often a reciprocal relationship, single operation cost control cannot achieve the optimal overall logistics cost, logistics cost control is an important means to strengthen enterprise logistics cost management, and it runs through the whole process of enterprise production and management activity.

THE PRESENT SITUATION OF TOBACCO COMMERCIAL ENTERPRISES IN LOGISTICS COST MANAGEMENT

In recent years, China’s tobacco business enterprises has made significant progress in the basic construction of logistics, but in the logistics cost control, due to the long-term use of traditional cost method, the logistics cost control is relatively extensive, there are obvious defects, resulting in the situation of high cost and low efficiency.

Accounting Process of Logistics Cost for Tobacco Commercial Enterprises

(1) Staffing situation. In terms of logistics cost accounting staff, financial accounting department has specialized personnel responsible for accounting of tobacco logistics costs, in addition, there is someone who uses the traditional cost accounting method and combines with financial software monthly, according to the special requirements of the National Bureau, to generate the part of the content for the tobacco logistics cost table which meets the requirements of National Bureau and the provincial company[1]. The content is listed from various related subjects related to logistics cost analysis by financial personnel, to reflect the situation of company's monthly cigarette logistics costs. Generally, the logistics center sets an assisted two level accounting administrator, responsible for accounting of tobacco logistics cost and fine analysis and management.

(2) Cost accounting. In the aspect of specific logistics cost accounting, due to the current (Accounting Standard) and accounting system have no uniform provisions on grade one and two logistics special subjects, according to the provisions of the current
system, enterprises can only register the costs incurred directly in the tobacco logistics process at the secondary and partial level of the financial software. In addition, at the present stage tobacco commercial enterprises have not formed a complete set of logistics cost accounting system, accounting is scattered in the various accounts without centralized accounting, coupled with the accounting idea is not clear, the system is not perfect, all of which bring great difficulties to the logistics cost control of tobacco commercial.

In order to change the above situation, to distinguish from the cost items of logistics center and the cost items of other departments, the National Bureau issued a State Tobacco [2006]812 document, to improve the accounting of tobacco logistics cost, regard the cigarette logistics center as a separate profit center for cost accounting, but in terms of logistics cost control, the traditional accounting method is still used, and fill out (Tobacco Business Enterprises Cigarette Logistics Cost Schedule). In addition, import format into financial software, and define the formulas of taking the numbers for part expense items, and then extract the needed data; for expense items which are not defined by the formulas of taking the numbers, they can be listed through the way the manual accounting, and provide the basis for the control of tobacco logistics cost.

3) collection of cigarette logistics costs. According to the fill requirements《Tobacco Industry Commercial Enterprise Cigarette Logistics Cost Schedule》 stipulated in the State Tobacco [2006] 812 document, cigarette logistics center should be treated as a separate accounting unit, and the logistics costs occur in different positions on the logistics center should be reflected by "transportation fee", "handling fee", "custody fees", "premium", "labor cost", "repair fee", "depreciation fee", "office expenses", and then the logistics costs scattered in two and three accounting subjects separately should be collected with the help of financial personnel and the computer.

4) collect the logistics cost according to the operation process of cigarette. The cost management of cigarette logistics center is based on the following principles:
   1) For the daily cost project of the logistics center, such as transportation costs, handling fees and so on, first of all, these cost items should be reviewed and registered by the logistics center accounting staff, and then they can be submitted to the finance department to audit accounts, in order to ensure that the collection cost of the logistics center is kept in sync with the records of the financial books.

   2) For those costs which do not directly occur in the logistics sector, but have a direct impact on the cigarette logistics, and the logistics sector also need to share, such as depreciation of fixed assets, amortization of insurance fees, office expenses in the management fees and so on, shall be accounted for in accordance with a certain percentage of the share of accounts. In addition, when carry out financial accounting, the "logistics cost split single "needs to be filled out, and the logistics cost accounting should be registered according to it.

For the logistics costs which do not need to be reviewed by the logistics center, and has no direct relation with the daily management activities, such as logistics center
staff salaries, housing provident fund, pension insurance and other labor costs, these cost projects can be directly accounted for; and for the cost items that need to be shared with other departments, "the Logistics Cost Proportion Table "and "logistics cost split single" also need to be filled in, and then register the logistics costs account according to it[3]. In addition, the logistics cost accounting staff should reconcile with the financial staff every month l, only after the logistics cost items schedule eat the end of the month is consistent with the management ledger of logistics center fee details, the expense items can be transferred to the next accounting period.

Management and Control Status of Tobacco Logistics Cost

The existing budget process in logistics center of tobacco business enterprises, is mainly about first "from the bottom up" to declare, and then "from the top down" to issue, the compiling process of budget is relatively simple, there is no refinement of the breakdown of budget targets, the quality of the budget work is not high; in addition, the control of the deviation in the implementation process is not scientific, either control too dead to fail to meet the actual operation and management situation, or do not control to make the management efficiency of the cost of logistics center low.

The defects in logistics cost accounting:

(1) The cost accounting standards are not uniform. Due to the lack of the current accounting system, there is no uniform accounting subjects and accounting methods for the tobacco business enterprises to calculate the cost of cigarette logistics. Most of the tobacco business enterprises are based on their own understanding and understanding to calculate and control the logistics cost, distribute the tobacco logistics cost in different second and third subjects to account, making the logistics cost slack unified statistical caliber. In addition, many enterprises still use the traditional cost accounting methods to calculate logistics cost. Due to the randomness of the logistics cost accounting and limitation of the traditional cost accounting methods, making the cost data calculated by tobacco commercial enterprises has a serious lack of scientific city and authority. This brings the problem of management: companies of the cities and states cannot compare and analyze the logistics costs, and also cannot meet the requirements of logistics integration.

(2) The cost allocation is unreasonable. At present, the classification of logistics cost for many tobacco commercial enterprises is not in accordance with the logistics operations process to divide and collect, and the distribution of common costs during the pooling process is not reasonable, especially the distribution of indirect costs, it will not only affect the accuracy of cost calculation, but also cannot provide accurate data for logistics cost control, leading to the lack of scientific city for control of logistics costs.

(3) The cost accounting content is not complete. The content of enterprise logistics costs is of diversity, in addition to the explicit cost: transport fees, custodial fees, packaging fees and handling fees which can be reflected by documents, it also
includes a large number of hidden costs, such as the capital occupation of stock items, logistics facilities and equipment idle, the use of enterprises own vehicle to transport, the use of their own warehouse to keep the goods, etc. these costs are not reflected in the logistics cost able. So this tobacco business accounting is only part of the logistics costs, it is easy to cause the distortion of cost information, leading to the management and control of logistics cost for enterprises inefficient.

(4) The content of cost control is not comprehensive. The current cost control method for tobacco commercial enterprises has only developed several major cost control points, which only provides the detailed control procedures and control methods with the main parts of the logistics cost, but for most of the one-time costs and frequent small amount of the cost, they are not included in the scope of cost control, leading to cost control is not comprehensive, therefore, the tobacco companies cannot achieve the optimal effect of cost control, either. In fact, the constituent content of logistics cost for tobacco business enterprises includes all aspects of logistics operations, but the logistics cost items in the table are not all included in the cost control system, there is just a part included in the cost control system to carry out cost control, which makes it difficult to achieve good results for cost control.

(5) Lack of systematic cost control measures. The current cost control of tobacco commercial enterprises is a few control steps scattered, there is no systematic cost control method. The cost control method appears to be scientific, but there may be obvious loopholes, fail to achieve the effect of cost control. Because the process of logistics center for tobacco commercial enterprises has obvious characteristics of the operation, the operation cost of each operation flow is with "antinomy", so the scattered cost control means of various departments and processes may not reach the overall cost of the best. According to the "antinomy" principle, a small reduction in the cost of a sector may cause a significant increase in the cost of other sectors, so the systematic cost management and control system must be established to systematically control the cost of tobacco logistics.

THE OVERALL DESIGN OF LOGISTICS OPERATION COST CONTROL FRAMEWORK OF TOBACCO COMMERCIAL ENTERPRISES

The purpose of logistics cost accounting and control is to promote the tobacco enterprises to improve logistics management, to innovate the logistics technology, so as to improve the overall efficiency of logistics. Although the general enterprise can also separate the cost of logistics in the absence of logistics cost management, but the acquisition of logistics cost information is not a purpose, it’s only a kind of management tool. How to strengthen enterprise management based on the logistics cost information separated is the key to the problem. Many enterprises have found their own logistics cost increasing, loss of competitiveness, but they don’t know how to use ABC to carry out the logistics cost accounting to separate the logistics cost, so companies cannot know the reason for the increase in business costs. Through the
implementation of activity-based costing, more accurate data can be calculated to manage tobacco commercial enterprises, and it also provides a basis for the construction of the logistics operation cost control framework of tobacco commercial enterprises.

Based on the logistics cost accounting by using activity-based costing, according to the system, complexity, implication and efficiency of the backdrop for logistics cost and other characteristics, the whole process control framework includes beforehand, in the matter and afterwards should be constructed for logistics of tobacco business enterprises. Compared with the local control of logistics cost, the control of the whole logistics cost process is systematic, comprehensive and strategic, and has high efficiency in cost control. The integrated control objective is the integration of local control objectives, but not a simple addition. The goal of integrated control is to minimize the total cost of logistics, rather than to minimize the cost of a job. The overall control framework of logistics operating costs for tobacco commercial enterprises is shown in Figure 1 below.

Prior Control —Budget Making of Activity Cost

Prior control of logistics costs for tobacco commercial enterprises refers to the planning and auditing of activities that affect logistics costs prior to the commencement of logistics activities, and to determine the control standards of logistics cost. The prior control of logistics operation cost of tobacco business enterprise is based on activity-based costing, and treats the development of a reasonable logistics operating cost budget as the goal.

The budgeting process is contrary to the process of allocating and assembling costs, therefore, the budgeting process of logistics cost based on activity-based costing is opposite to that of accounting for activity-based costing. The budgeting process of logistics cost: firstly, determine the sales volume of the product or service during the budget year; and then determine the consumption of the logistics operation in the production process according to the sales volume and cost driver; and then determine the standard cost of unit operations according to the resource motivation; finally, according to the consumption of logistics operation and the standard cost of unit operation, the demand of logistics resources in the budget year is calculated. Compare the budget requirements with the actual resources, and make appropriate adjustments to balance the two, complete the basic budget of the cost, so that enterprises can meet the state that resource demand and the amount of resources is in line with the operational balance.

In ABC, the distribution and collection of costs is based on the division of operations, and no longer rely solely on a single standard of distribution to allocate the costs, therefore, in the process of logistics cost budget, the budget for the cost can be flexibly budgeted based on the budget for the amount of work under different sales conditions, rather than rely solely on last year’s data for incremental budgeting.
Event Control—Supervision for Operating Cost and Optimization of Logistics Operations

The event control of logistics operation cost for tobacco commercial enterprises refers to that: in the formation process of logistics cost, supervise the logistics activity cost, through the comparison of actual logistics cost with target logistics cost, timely find the differences, and then take appropriate improvement measures according to
these differences, so as to optimize the logistics operation and ensure the realization of the logistics cost target[4]. Event control of logistics activity cost based on ABC is different from that of the traditional logistics cost, the traditional cost control is in accordance with the department to supervise and control, it is the supervision of the logistics cost for the various departments; event control of logistics cost under ABC is in accordance with the various operation centers or even a single job, this kind of control method is advantageous to the analysis of cost differences, and it’s easy to quickly identify the logistics links of problem.

Job optimization is essentially the combination of management theory for logistics operation cost and engineering technology, the optimization of the work is the optimization of the operation chain of the tobacco business enterprise, and it is the improvement of the logistics process. We can confirm the value chain of enterprises through the analysis of enterprise value chain, and see whether it needs to be improved, and compare the cost of the value activity of the tobacco business enterprises with its contribution to the product or business, to determine whether the costs incurred are reasonable, accordingly decided to eliminate or optimize it. The way to optimize the work is as follows:

1) Reduce the time and resources consumed by each operation link of the logistics, improve the efficiency of value-added operations, and improve the non-value-added operations in the short term until it is eliminated

2) Eliminate the non-value-added operations, non-value-added operations include non-value-added efficient operations and non-value-added inefficient operations

3) In the case of the same other conditions, select the operation of lower cost

4) Make full use of the principle of resource integration to achieve job sharing and resource sharing

5) Collect internal and external information of enterprises, make full use of the information to compile resource use plan, and re allocate resources reasonably.

**Afterwards Control-- Assessment and Evaluation of Operating Cost**

The afterwards control of logistics operation cost for tobacco commercial enterprises is a process which means that: after the formation of logistics cost, carry out accounting for the actual cost logistics, analyze the difference between the actual logistics cost and the target logistics cost, and then evaluate the performance for each work link. The logistics costs incurred by the enterprise can be accounted by the activity-based costing method [5], through the comparison between the actual cost and the target cost to determine the quality of logistics cost control for the enterprises, and conduct an in-depth analysis to it, so that we can find out the cause, determine the responsibility of waste for enterprise logistics cost, carry out corresponding assessment and reward, punishments to the responsible units. (The afterwards control process of logistics operation cost for tobacco business enterprises is shown in Figure 2).
Comparison of standards and actual performance

Whether to meet the standard

Do not take any measures

Whether to accept the deviation

Do not take any measures

Whether the standard is accepted

Determine the cause of the deviation

Correct actions and revise standards

Revise standards

Measure actual performance

Figure 2. Afterwards Control Process of Logistics Operation Cost.
Analysis of the logistics cost of tobacco commercial enterprises can provide improvement suggestions and measures for the future control system of logistics cost, and can eliminate the non-value-added operations and invalid operations in logistics activities, it is helpful to the revision of control standards for logistics cost and the improvement of control system, so as to achieve the purpose of reducing the logistics cost. The afterwards control is not negative, a lot of control work of logistics cost needs to rely on it to achieve, in addition, the prior and the afterwards of control is only relatively speaking, the post-control of this period is the prior control of next period.

The integrated control system of logistics activity cost of tobacco commercial enterprises based on activity-based costing, overcomes the disadvantages of traditional control system for logistics cost. In the traditional control system of logistics cost, the various departments of enterprises are managed separately, and the cost control system based on activity-based costing carries out work division and control of operating costs to the whole logistics process of the tobacco business enterprises, breaking the segmentation situation between the various departments of the enterprise, and it’s more conducive for enterprises to control the logistics cost in the overall perspective. The integrated control system of logistics activity cost for tobacco commercial enterprises is based on activity, according to the resource driver and activity driver, it develops the budget standard for each operating cost, so that the reasons for invalid and non-value-added operations in the logistics operation process can be more clearly identified, and it is conducive for the tobacco commercial enterprises to optimize the allocation of resources, to reduce logistics costs, but also provides important information for the enterprise to optimize the value chain. In addition, the use of activity-based costing method can make it more clear for the process of resource allocation, the type and quantity of resources consumed by each job can be clearly reflected, which is beneficial for the tobacco commercial enterprises to supervise and control the logistics cost.

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